

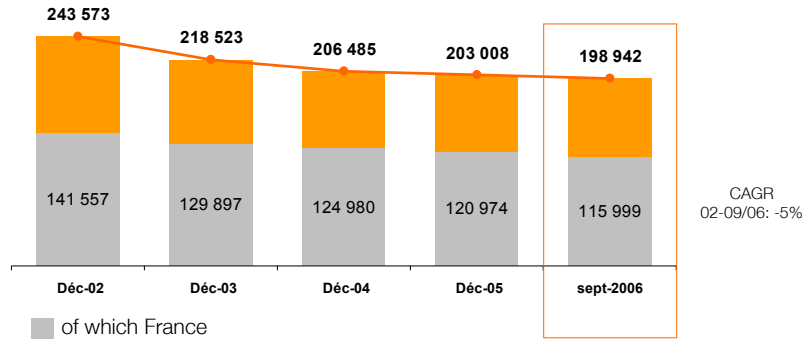
headcount resizing in France

Olivier Barberot
senior executive VP,
corporate human resources

2006 situation and stakes

average decrease of 5%/year over 03-06 for the group

evolution of France Telecom total headcount
(including Pages jaunes)

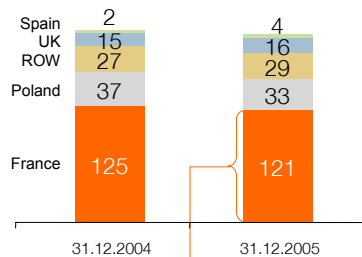


→ announced objective is unchanged: 17,000 permanent headcount net reduction over 2006-2008 (of which 16,000 in France)

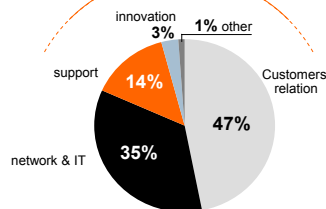
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headcount and stakes for major countries

FT headcount by country ('000)



- France: 67% of civil servant with high level of seniority
- Poland: reduced drastically over the past 4 years
- UK: fierce competition in a dry employment market
- Spain: managing integration and developing new competencies



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headcount and stakes for countries with more than 1,000 employees

country	employees*	stakes
Egypt	3,307	▪ telecom in the region is one of the economic driver, this leads to a high turn-over and thus retention plan
Jordan	3,264	▪ integrate 4 entities whilst improving productivity, upgrading skills and retaining best talents
Romania	2,083	▪ a booming market where we have to hire good skills and retain the best talents
Senegal	1,772	▪ succeeding in the rebranding challenge and confirmed the quality of our society by retaining the best talents
Mauritius	1,952	▪ high employment rate and the fact that IT is a pillar for economic growth lead to retaining skilled workforce and attract new talents
Netherlands	1,832	▪ employment rate is very high, this leads to pressure on wages and to have a high turn-over whilst cost reduction will be met with outsourcing projects
Belgium	1,846	▪ enforced outsourcing projects to improve competitiveness
United States	1,816	▪ highly competitive market drives need for superior talents, supported by training and career development and increasing productivity
Switzerland	1,775	▪ a mature market with a high employment rate, we need to keep our best talents whilst enforcing outsourcing projects
Ivory Coast	1,782	▪ adjusting HR policies and conduct a global harmonization of the existing processes

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* As of September 2006

2005 and 2006 achievements in France (permanent headcount): targets will be reached

2005

- 8,700 departures
 - 1,800 retirements
 - 4,400 early retirement plan
 - 1,000 moves to civil services
 - 1,500 others
- 4,200 recruitments

→ 4,500 net departures

2006 (estimated)

- 9,400 departures
 - 1,400 retirements
 - 4,900 early retirement plan
 - More than 700 moved to civil services
 - 2,400 others
- 2,000 recruitments



→ more than 7,400 net departures,
i.e ~45% of our
06-08 French program

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stakes for 2007-2008

- expected net decrease in France: 9,000 people through
 - 12,000 departures
 - 3,000 recruitments (without potential acquisition)
- not yet provisioned in our accounts (not yet identified)
- projected departures breakdown:
 - natural attrition & retirements: ~5,300 people
 - main stakes
 - mobility to civil services: ~2,500 people
 - other departures: ~4,200 people

our different levers

act: a 3 years action plan, anticipating competencies for transformation

- provide **visibility on employment perspectives**, competencies and geography of Group activities (**opportunities**)
- provide the means to **build a professional project** in line with Group strategy (**development**)
- **build the HR related tools** to pursue a professional project and recognize qualification through appropriate measures (**solutions**)
- **train management** to take responsibilities in transforming the Group (**management**)

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mobility to civil services: principles

- french law dated 31th Dec 2003 pertaining to public service obligations in telecommunications and France Telecom.
- article 5: principles applicable to mobility towards the civil service applicable until 31/12/2009



- placement free of charge for the recruiting civil service
- salary paid by civil service
- payment of compensation corresponding to 2 years' pays differential in case of a salary level lower than in FT
- payment by France Telecom of 4 months' salary to the recruiting employer
- integration bonus corresponding to 4 months' pay to the employee

→ average cost of one year salary per employee

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mobility to civil services: an increasing demand

job offers and candidates as of end of September 2006



- at end 2006, more than 3,000 cumulated gross departures to a civil service from the launch of the programme in 2003
- 10,000 job offers during 2006: +10% vs 2005

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spin-offs and personal driven project

▪ spin-offs

- creation or taking over a company
- open to any Group employee with at least 3 years' seniority, whatever the project
- all types of businesses
- more than 1,000 cumulated departures from the launch of the programme

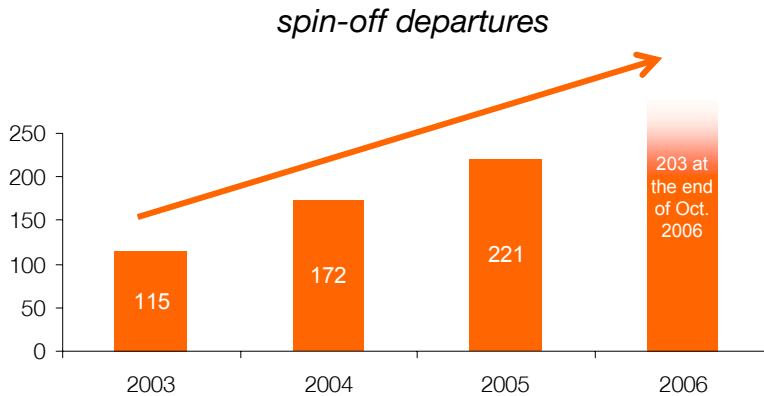
▪ personal driven projects

- **new 2006:** personal driven project same approach for other type of project (association, new job evolution, job in another company, ...)
- launched by mid-2006

→ average cost: 12 months of salary per employee (bonus, training, logistics, working hours before leave, ...)

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example of spin-offs: an increasing interest



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part time contract before retirement

terms & conditions

- under negotiation with unions
- half-time work 50 % paid 70 %
- retirement contribution on 100 % basis (additional cost) paid by FT when possible
- two months upfront incentive bonus if the employee works full time the 1st year and leave after

demographics of people entitled:

- people 2 or 3 years before retirement
- CFC non-eligible
- civil servants "service actif" eligible
- parent of 3 children

→ target: 1000 people over 2007-2008

- potential population: 4,000 people
- rate of success: 50%

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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
personal project & spin-offs	45	45
other departures	20	25
weighted average cost of departure	130	40
part time before departure	NA	15

* fully accounted at end of 2006, see appendix 2 for cash spendings

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hirings and skill renewal

external recruitments in France

2005

- focused on priority sectors
 - 3,266 in customer relations
 - 403 in IT and network
 - 299 in innovation
 - 84 in professional services
 - 60 in content
- total: 4,247

Sept 2006

- focused on priority sectors
 - 1,192 in customer relations
 - 367 in IT and network
 - 149 in professional services
 - 91 in R&D and strategic market
- total: 1,845
- more than 2,000 internal moves to customer relation

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investments in training ...

2005

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

2006 (estimated)

- 2,350 thousand hours
- 45 M€
- 1500 professionalisation career paths

internal training solutions :

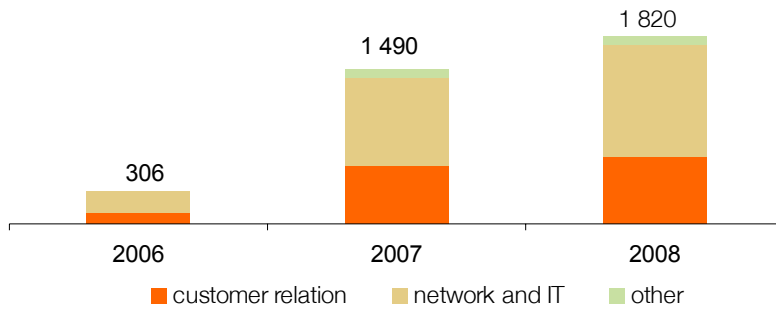
- FT group university, FT management schools,
- 17 profession schools

→ investment in training increased by 25 %

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... and reskilling

evolution of reskilled people in France



→ minimum reskilling program is 1.5 month