

# France Télécom

A *société anonyme* with capital of 10 426 692 520 euros  
Registered office : 6, place d'Alleray 75505 Paris Cedex 15  
Paris Trade Register 380 129 866

## Update to the 2006 Registration Document

This document constitutes the English translation of an Update to France Telecom's 2006 Registration Document. The French original was filed with the *Autorité des Marchés Financiers* (AMF) on December 6, 2007 under number D.07-0254-A02 pursuant to Article 212-13, 4° of the AMF General Regulations. It brings up to date the 2006 Registration Document that France Telecom filed with the AMF on March 30, 2007 pursuant to Article 212-13 of the AMF General Regulations, under number D.07-0254, and an Update filed with the AMF on October 25, 2007 under number D.07-0254-A01 . The Registration Document and its Updates may be used in support of a financial operation if they are completed by a prospectus approved by the AMF.

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# 1. PERSONS RESPONSIBLE

## 1.1 PERSON RESPONSIBLE FOR INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT

Didier Lombard, Chairman and Chief Executive Officer of France Telecom.

## 1.2 STATEMENT BY THE RESPONSIBLE PERSON

"After having taken all reasonable measures to this end, I hereby certify that the information contained in this update of Registration Document D.07-0254 is, to the best of my knowledge, in accordance with the facts, with no omissions likely to affect its import.

I have received a work completion letter from the statutory auditors, in which they state that they have verified the information regarding the financial position and financial statements presented in this update and have performed a reading of the entire document.

Without qualifying the opinion they expressed in their report on the interim 2007 financial statements, presented on Page 68 of the interim 2007 financial report attached to Update D.07-0254-A01 of the Registration Document, the statutory auditors drew the reader's attention to the European Commission's ruling in relation to the French business tax system as described in Note 9 relating to litigation, contractual obligations and off-balance sheet commitments.

Without qualifying the opinion they expressed in their report on the consolidated financial statements for the year ended December 31, 2006, as presented on Page 89 of the financial report of the 2006 Registration Document D.07-0254, the statutory auditors drew the reader's attention to the European Commission's ruling in relation to the French business tax system as described in Note 33 relating to litigation.

Without qualifying the opinion they expressed in their report on the consolidated financial statements for the year ended December 31, 2005, presented on Pages 111-112 of the financial report of the Registration Document D.06-0121, the statutory auditors drew the reader's attention to Note 2.1.2 relating to accounting policies adopted by France Telecom pursuant to IAS 8 (Paragraphs 10 to 12) as well as to the European Commission's ruling in relation to the French business tax system as described in Note 33 relating to litigation.

Without qualifying the opinion that they expressed in their report on the consolidated financial statements for the year ended December 31, 2004, presented on Pages 133-134 of the financial report of the Registration Document D.05-0164, the statutory auditors drew the reader's attention to the accounting policy changes described in Note 2.1 relating to the first application of new accounting policies as well as to the European Commission's ruling in relation to the French business tax system as described in Note 29 relating to litigation."

Chairman and Chief Executive Officer

Didier LOMBARD

## 2. UPDATE TO THE 2006 REGISTRATION DOCUMENT

### Chapter 12 : TREND INFORMATION

On December 5, 2007, France Telecom confirmed its financial and operational performance for the current year and presented a detailed review of its main activities and outlook for 2008, as well as the trends for the coming years.

#### **2007 performance confirmed**

As announced when presenting its 3<sup>rd</sup> quarter results, the Group confirms the increase of its 2007 organic cash flow target by 10% to 7.5 billion euros. The following targets have also been confirmed:

- stabilization of the Gross Operating Margin rate compared with 2006
- maintaining the rate of investment at about 13% of revenues.

#### **2008 targets**

For 2008, the objective is to generate organic cash flow of at least 7.5 billion euros. In the context of growth in Group revenues in line with that of its markets, this objective is based on stabilizing the Gross Operating Margin rate compared with 2007 and maintaining investment expenditure at about 13% of revenues.

In addition, the cash use and shareholder compensation policy remains unchanged for 2007-2008:

- maintaining the dividend distribution level at between 40 and 45% of organic cash flow for 2007
- achieving a ratio of net debt to GOM of less than 2 by the end of 2008 – net debt was 39.7 billion euros at September 30, 2007
- reaffirming a cautious and selective acquisition and disposal policy, focused primarily on targets in markets with strong potential.

#### **Medium-term trends**

Beyond 2008 and over the medium term, thanks to the various growth initiatives launched, the Group aims to improve its revenue growth profile, increase its Gross Operating Margin, preserving the profitability of revenues, and continue to improve its organic cash flow, while maintaining the rate of investment at the current level.

Commenting on the event, Didier Lombard, Chairman and CEO of France Telecom, said: "France Telecom is clearly a driving force in the revolution that is underway in the world of telecommunications, characterized by a proliferation of players and uses increasingly focused on greater convergence. A pioneer in the evolution towards a digital world and the networks and services of the future, the entire Group is working to offer innovative products and services for all its clients, wherever they may be. Thanks to the transformation carried out over the last few years, the Group has a unique position in the new universe of communication services, a position which is further strengthened by its flagship Orange brand, which already accounts for over two thirds of its customers. The results obtained during the first three quarters of this year, and the confirmation of the full-year objectives for 2007, underline the relevance of this development strategy. For 2008, the Group is again setting itself ambitious goals; we will achieve them, I am sure, by maintaining our lead through serving our clients well. With regard to the dividend for shareholders, the Group is maintaining the policy defined in 2006 to pay out 40 to 45% of organic cash flow. The significant improvements achieved in terms of organic cash flow generation create space to increase the dividend. In light of the higher cash flow target for 2007, the dividend to be paid out in 2008 – which the Board will decide on at the closing of the 2007 accounts – will be between 1.20 and 1.30 euros per share".

By nature, the achievement of objectives is subject to numerous risks and uncertainties that could result in differences between the objectives set forth and the actual results achieved. The greatest risks are described in Chapter 4 "Risk Factors" of the 2006 Registration Document.

## Chapter 18 : MAJOR SHAREHOLDERS

### 18.1 Distribution of capital and voting rights

Following the sale on June 26, 2007 by the French Government of 5% of the share capital of France Telecom to institutional investors pursuant to Articles 11 and 12 of Law 86-912 of August 6, 1986 as amended, an offering of France Telecom shares on preferential terms is being made to employees and former employees of France Telecom and its subsidiaries in France and in other countries.

In accordance with Article 3 of the June 26, 2007 Decision of the Minister of the Economy, Finance and Employment establishing the price and conditions for the sale by the government of France Telecom shares, the employee shareholding plan covers 14 444 444 shares held by the French government. The acquisition price of the shares, established by the November 29, 2007 decision of the French Minister of the Economy, Finance and Employment, is 20.39 euros.

## Chapter 20 : FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL SITUATION AND RESULTS

### 20.3 Significant change in the financial or commercial situation

On November 2, 2007, France Telecom closed a 400 million Swiss franc bond offering for a 7-year term with a fixed rate of 3.5%.

On November 9, 2007, Orange Business Services announced that it had been granted rights which entitle it to implement a long distance phone licence in Russia. It is at present the only worldwide communications services provider to also be a long distance operator in that country

On November 16, 2007, the Kenyan government selected the consortium controlled by France Telecom as the preferred bidder for the acquisition of a 51% stake in the incumbent operator Telkom Kenya, for a consideration of 390 million US dollars (about 270 million euros). The transaction is planned to close before the end of the year. Telkom Kenya serves over 280,000 fixed line customers and will be granted a new mobile license. France Telecom has teamed up with Alcazar Capital Limited, who subscribed to a 15% stake in the consortium. A shareholder of Alcazar is Agility, one of the world's leading logistics services providers, which has a strong presence in emerging markets.

On November 22, 2007, the government of Niger awarded a new global fixed-mobile-internet licence to the consortium controlled by France Telecom for a consideration of 48 million euros. France Telecom has joined forces with Mr. Mohammed Rissa, a major business leader from this country, specialized in the Internet and telecommunications services sector, and Mr. Moctar Thiam, a long-standing investor in Orange Mali.