

**France Telecom  
Board of Directors' Report  
Concerning the Resolutions  
Submitted  
To the Shareholders'  
Meeting**

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**Financial year 2007**



# 1 PRESENTATION OF THE RESOLUTIONS TO BE SUBMITTED WITHIN THE COMPETENCE OF THE ORDINARY MEETING

## **First resolution: Approval of the statutory financial statements**

The Board of Directors proposes that the Annual Shareholders' Meeting approve the annual financial statements, showing income of €7,330,505,340.29.

## **Second resolution: Approval of the consolidated financial statements**

The Board of Directors proposes that the Annual Shareholders' Meeting approve the consolidated financial statements for the financial year.

## **Third resolution: Allocation of income**

The Board of Directors proposes to the Annual Shareholders' Meeting:

- (i) to decide, out of income for the year of 7,330,505,340.29 euros, to allocate 3,070,312.40 euros to the legal reserve, bringing the total amount of the reserve to 1,045,739,564.40 euros;
- (ii) to note that distributable income for the year, after allocation to the legal reserve of 3,070,312.40 euros and taking account of retained earnings of 8,512,649,858.16 euros, comes to 15,840,084,886.05 euros; and
- (iii) to decide to pay shareholders a dividend of 1.30 euro per share and to allocate remaining distributable income to "retained earnings".

The dividend will be paid on June 3, 2008.

The Annual Shareholders' Meeting shall grant full powers to the Board of Directors to determine the total dividend amount, on the basis of the number of shares held by the Company on the date the dividend is paid, it being noted that shares held by the Company on the date the dividend is paid will not give it the right to the payment of dividends, and consequently the amount of distributable income to be allocated to retained earnings.

Based on the number of shares giving right to dividends at December 31, 2007 determined by the Board of Directors of January 21, 2008, the total amount of the dividend would amount to 3,384,966,035.10 euros.

The entire dividend is eligible for the 40% tax allowance mentioned in Article 158 of the French General Tax Code, benefiting individuals resident in France for tax purposes, unless they opt for the withholding tax ("prélèvement libératoire") in accordance with Article 117 quarter of the French General Tax Code.

Dividends paid in respect of the last three years are as follows:

| Year              | Number of shares<br>(Excluding treasury stock) | Dividend per share | Share of dividend eligible for tax allowance |
|-------------------|--|--------------------|--|
| 2004 <sup>1</sup> | 2,467,276,676                                  | €0.48              | 100%   |
| 2005 <sup>2</sup> | 2,603,059,797                                  | €1                 | 100%   |
| 2006 <sup>2</sup> | 2,597,251,003                                  | €1.20              | 100%   |

1 Tax reduction of 50% in accordance with the French General Tax Code (concerning only 2004).

2 Tax allowance of 40% in accordance with the French General Tax Code.

**Fourth resolution: Approval of agreements referred to in Article L. 225-38 of the French Commercial Code**

In 2007, no agreement relating to Article L. 225-38 of the French Commercial Code was signed.

Prior Agreements that have continued during the course of the financial year pertain to:

- ✓ The allocation of a payment in the event where Didier Lombard's duties would be terminated with a departure from the Group and termination of his employment contract (Board of Directors, January 26, 2006);
- ✓ During the reactivation of Didier Lombard's employment contract, the taking into account of the period of activity corresponding to his duties in the calculation of his retirement (Board of Directors, July 26, 2006);
- ✓ The resumption, by France Telecom due to the absorption of its subsidiary Wanadoo SA, of the regulated agreement signed by the latter and under the terms of which Wanadoo acted as a guarantee for its subsidiary Freeserve.com, benefiting the Royal Bank of Scotland, within the framework of signing a lease for premises at Leeds.

These agreements were covered in a special report of the Statutory Auditors given to the Shareholders' Meeting.

**Fifth resolution: Approval of the commitment in favor of Mr. Didier Lombard, entered into according to Article L. 225-42-1 of the French Commercial Code**

On April 2, 2008, the Company's Board of Directors, in light of the recent legal measures (Law No. 2007-1223 of August 21, 2007 in favor of labor, jobs and purchasing power), once again decided, in accordance with Article L. 225-42-1 of the French Commercial Code such as amended by the aforementioned law, on the deferred compensation of Didier Lombard as well as on the performance conditions which, when reached, must be determined by the Board of Directors in order to decide on the possible allocation of this deferred compensation to the Chairman of the Board of Directors.

This decision was made subject to approval by the General Shareholders' Meeting.

Under the terms of this decision, in the event where the duties of Mr. Didier Lombard are terminated, the Board of Directors may decide to grant, for termination of said duties, a payment amounting to a maximum of 21 months of his compensation, calculated on the basis his average total monthly gross compensation for the 24 months preceding the day the Board takes a decision on this subject. This amount would include any payment granted in the event of termination of the currently suspended employment contract.

In accordance with the Law, the granting of a payment by the Board of Directors shall be subject to attaining performance criteria. These performance-related criteria shall be those set by the Board of Directors in order to calculate the variable portion of Mr. Didier Lombard during the four half-years preceding the day on which the Board of Directors makes a decision on this subject.

In accordance with legal measures, the decision of the Board of Directors shall be made public according to the methods and within the time frames provided for in the texts. The same would apply, where applicable, to the allocation decision taken by the Board.

The commitment concerned by this decision is covered in a special report of the Statutory Auditors given to the Shareholders' Meeting.

The Board of Directors is now asked to approve the commitment of which Mr. Didier Lombard is the beneficiary, as described in said report.

**Sixth resolution: Authorization to be granted to the Board of Directors to purchase, retain or transfer France Telecom shares**

The Board of Directors proposes, within the competence of the ordinary Shareholders' Meeting, a resolution allowing France Telecom, pursuant to Articles L. 225-209 et seq. of the French Commercial Code, to repurchase its own shares, without

exceeding 10% of the outstanding share capital on the day of the shareholders' meeting (which represents 261,434,891 shares based on the share capital at December 31, 2007), to retain or transfer the shares under the following conditions:

- the maximum purchase price shall not exceed €40 per share, it being specified that in the event of capital transactions, in particular by incorporation of reserves and/or through a stock split or reverse stock split, this price will be adjusted accordingly;

The maximum amount of funds allocated to the share repurchase program would amount to €10,457,395,644 calculated based on the share capital at December 31, 2007, (recorded on January 21, 2008), and this maximum amount may be adjusted in order to take into account the amount of the share capital on the day of the Shareholders' Meeting;

- this authorization would be valid for a period of eighteen months;
- the acquisitions carried out by the Company pursuant to this authorization can in no event cause it to hold, directly or indirectly, more than 10% of the shares comprising the share capital;
- The acquisition or transfer of these shares could be carried out, including during a public offer period subject to an offer exclusively in cash, under the conditions and limits, in particular involving volumes and prices, provided for by legislation in effect on the date of the transactions considered, by any means, in particular on the regulated markets, multilateral systems of negotiation or over-the-counter, including by acquisition or assignment of block shares, by use of derivative securities negotiated on the regulated markets, multilateral systems of negotiation or over-the-counter, under the conditions, if any, specified by the stock market authorities and at the times so determined by the Board of Directors or by a person acting by delegation of the Board of Directors.

Details on the objectives of buying back these shares are provided in the sixth resolution.

In particular, the purpose of the share repurchase program would be to allow for the repurchasing of the Company's shares (i) in order to allow the latter to cover the obligations related to debt instruments giving access to the capital or to stock option plans or any other form of granting shares to employees (and especially in application of liquidity contracts signed between France Telecom and holders of shares or stock options of Orange) as well as to carry out all hedging relating to these transactions, (ii) to guarantee the liquidity of the France Telecom share by a financial services intermediary pursuant to a liquidity agreement compliant with the Code of ethics approved by the French stock market authority (*AMF - Autorité des marchés financiers*), (iii) to keep shares for subsequent exchange or payment as part of possible external growth transactions and (iv) to reduce the capital of the Company in accordance with the sixteenth resolution of this Shareholders' Meeting, subject to its adoption, or to implement any market practice that may be approved by law or by the AMF.

The number of actions acquired by the Company with a view to their retention or their subsequent delivery in payment or exchange as part of a merger, divestment or capital contribution may not exceed 5% of its capital.

The Board of Directors will inform the shareholders, at each annual Shareholders' Meeting, of the purchases, transfers or cancellations of shares that have taken place as well as the allocation and, where applicable, reallocation, under the conditions provided by law, of shares acquired under the various objectives pursued.

The Shareholders' Meeting would grant full authority to the Board of Directors, with the right to delegate, to place all market orders, enter into all agreements, draw up all documents, in particular those providing information, carry out all formalities, including to allocate or reallocate the shares acquired for the different objectives sought, and make all declarations to all agencies, and generally, do whatever is necessary.

Adopting this resolution would terminate with immediate effect, for the unused portion, the authorization granted by the combined Shareholders' Meeting of May 21, 2007 in its fifth resolution, to purchase the Company's shares,

### **Seventh and eighth resolutions: Ratification of the cooptation of directors**

After the departure of Stéphane Richard and Arnaud Lagardère following their resignation, on February 5, 2008 and in accordance with Article 13.1 of the Bylaws, the Company's Board of Directors, proceeded with the cooptation of two new directors, Mr. Filippi and Mr. Durán, who have been designated by the Board of Directors to serve out their predecessors' terms. In accordance with Article L. 225-24 of the French Commercial Code, the purpose of the resolutions proposed for a vote to the Shareholders' Meeting is to ratify these temporary appointments.

### **Ninth and tenth resolutions: Appointment of directors**

In order to comply with the rules of proper governance concerning the term of office of directors (a maximum of 4 years is recommended by the AFEP/Medef report of October 2003), and to introduce a consistent interval in the renewal of its directors, the Board of Directors, via the resolutions proposed, propose that you terminate the terms of office of the two directors co-opted on February 5, 2008, and to designate them for a new term of office, starting from the date of this Shareholders' Meeting. Since the term of office of the directors of the Company is subject to a proposal for modification in terms of the twelfth resolution submitted to you for a vote, if the latter were to be adopted, these two people would be designated for the statutory term in the functions of director, as amended by the Shareholders' Meeting, i.e. four years. If the statutory modification proposed is not adopted, the term of their office would be five years, in accordance with Article 13.6 of the current Bylaws.

Since Mr. Filippi and Mr. Durán meet the criteria for independence as defined by AFEP/Medef, these appointments would make it possible to complete the members of the Board, by increasing the number of independent directors.

The Board therefore presents you Charles-Henri Filippi and José-Luis Durán as candidates.

**Charles-Henri Filippi**, 55, has been non-executive Chairman of HSBC-France since August 2007. He was previously the company's Chairman and Chief Executive Officer. He joined HSBC France in 1987 after spending many years in the French civil service and in Ministerial offices. He was appointed Executive President of HSBC France in 1998, then appointed to the Group Management Board of HSBC in 2001, as Group General Manager & Global Head of Corporate and Institutional Banking. Filippi is also a Director of HSBC Bank Plc.

Filippi holds 1 share of the Company to date.

**José-Luis Durán**, 43, has been Chairman of the Carrefour Group Management Board since April 2005. After studying economics, José-Luis Durán began his career in 1987 at Arthur Andersen. He joined Pryca (a subsidiary of Carrefour) in 1991, where he held successive posts of management controller (1991-1994), management controller of Southern Europe (1994-1996), then management controller of North & South America until 1997. After his term as Chief Financial Officer of Pryca, he became Chief Financial Officer of Carrefour Spain in 1999. In April 2001, he was appointed Chief Financial & Management Officer and Organization & Systems Manager of Carrefour, and joined the Group's Executive Committee. On February 3, 2005, José-Luis Durán was appointed a Director and Managing Director of the Carrefour Group. Durán has also been a director of HSBC Holding plc, since January 1, 2008.

José-Luis Durán holds 10 shares in the Company to date.

### **Eleventh resolution: Attendance fees**

After the transfer of the Company to the private sector and the application of the general laws concerning the allocation of attendance fees to all directors, the Shareholders' Meeting of April 22, 2005 set the amount of these fees to €500,000. The seventeenth resolution, as voted, provides for the fact that this amount shall remain valid until decided otherwise by the Shareholders' Meeting.

In order to take into account in particular the appointments that are proposed and in light of the amount of work carried out by the Board and its committees and the frequency of their meetings, you are asked to vote on a resolution making it possible to set a new attendance fee to be granted to the 15 directors in office starting from fiscal 2008, according to the distribution decided upon by the Board of Directors.

The maximum amount proposed, €600,000 for the current fiscal year and for every subsequent year, is compliant with the average amount observed in CAC 40 companies.

## **2 PRESENTATION OF THE RESOLUTIONS TO BE SUBMITTED WITHIN THE COMPETENCE OF THE EXTRAORDINARY MEETING**

### **2.1 Statutory amendments**

#### **Twelfth resolution: Amendment of Article 13 of the Bylaws**

In order to comply with generally accepted rules of proper governance (contained in the AFEP/Medef report of October 2003) and to allow shareholders and employees to voice their opinion more often on the designation or renewal of the directors that represent them, your Board of Directors believes that it is advantageous to propose that the Shareholders' Meeting reduce the term of office of the directors from five to four years (this amendment would not apply to the terms started prior to this shareholders' meeting).

Therefore the purpose of the twelfth resolution submitted to you is to amend Article 13 of the Bylaws in order to set the term of office for directors to four years and to update or remove certain stipulations from this article.

### **2.2 Financial Authorizations**

The Shareholders' Meeting of May 21, 2007 authorized your Board of Directors, for a period of eighteen months to:

- (i) issue shares reserved for persons signing a liquidity contract with the Company in their capacity as holders of shares or stock options of Orange S.A.
- (ii) issue, without consideration, options liquidity instruments for holders of Orange share subscription options covered by liquidity contracts
- (iii) cancel all or part of the France Telecom shares acquired as part of the share purchase programs set up by your Company and, consequently, to reduce the capital.

These delegations are due to expire on November 21, 2008. Your Board of Directors requests that you terminate these delegations with immediate effect on the day of your Meeting, and to renew them for the same period of eighteen months.

The Shareholders' Meeting of May 21, 2007 also authorized your Board of Directors, for a period of 26 months, to increase the share capital reserved for employees who are members of the France Telecom group corporate savings plan, including through the free allocation of shares or securities giving access to the Company's capital, especially by the incorporation of reserves, profits or premiums up to the maximum nominal amount of one billion euros.

Legal measures provide for the fact that the delegation in terms of an increase in capital reserved for employees are presented to the Shareholders' Meeting voting on a financial delegation likely to result in the increase in capital by cash, which is the case in the thirteenth resolution. Consequently, and even though this delegation comes to term on July 21, 2009, it is proposed that the Shareholders' Meeting terminate it immediately, and renew it, for the same period of 26 months but with a maximum nominal amount of five hundred million euros.

By requesting that you grant these delegations, your Board of Directors wishes to inform you, in order to comply with the requirements of regulatory and legal texts, of the scope of the corresponding resolutions that are submitted to you for approval.

Moreover, the overview table appended hereto shows, where applicable, the transactions carried out during the financial year in terms of the current delegations that have already been voted by the Shareholders' Meetings.

**Thirteenth resolution: Issue of shares reserved for persons signing a liquidity contract with the Company in their capacity as holders of shares or stock options of Orange S.A.**

In connection with the Simplified Public Exchange Offer for Orange shares that occurred in 2003, you have approved that, at the close of the Offer and of secondary importance to the latter, holders of stock options of Orange shares as well as Orange shareholders whose shares, resulting from the exercise of options or acquired within the framework of employee stock plans, would be unavailable, to sign a liquidity contract for their Orange shares which are no longer listed.

At December 31, 2007, 39,838,976 Orange shares were outstanding. If these options were to be exercised, this would result in the issue of a maximum of 17,567,903 France Telecom shares, representing a potential dilution of 0.67% of the share capital at December 31, 2007, as determined on January 21, 2008.

In order to proceed, in application of said liquidity contract, with the exchange of Orange shares for newly-issued France Telecom shares, you are requested, where applicable, to renew the delegation granted to the Board of Directors, voted by your Shareholders' Meeting in 2005, 2006 and 2007 to increase the capital by offsetting debts. The delegation granted by the combined Shareholders' Meeting on May 21, 2007 in its fifteenth resolution would thus be terminated with immediate effect, for the unused portion.

The issue of these shares benefiting a category of people is, in accordance with Article L. 225-138 of the French Commercial Code, the responsibility of your Shareholders' Meeting.

The issue of new shares may be subscribed either in cash or by offsetting debts. Indeed, it is planned that the beneficiary who has transferred his Orange shares to France Telecom in terms of the liquidity contract would offset the debt of the price of said transfer with the subscription price for the new France Telecom shares.

For these reasons, we hereby request, in accordance with the measures of Article L. 225-138 French Commercial Code, that you,

- delegate to the Board of Directors, giving them the right to delegate under the conditions provided for by Law, for a period of 18 months as of the day of your Shareholders' Meeting, the powers needed to carry out, on one or more occasions, in the proportion and at the times it shall so determine, the issue of the Company's ordinary shares which may be subscribed either in cash or by offsetting of liquid and payable debts concerning the Company,
- decide to waive the preferential subscription right of shareholders to these ordinary shares and to reserve the right to subscribe them to holders of stock options or shares of Orange S.A. that are beneficiaries of a liquidity agreement.

The maximum nominal amount of the capital increase resulting from all issues carried out pursuant to this delegation would be set at €80,000,000, without taking into account the adjustments that may be made to protect the interests of persons signing a liquidity agreement in accordance with legal and regulatory provisions as well as with applicable contractual stipulations. This amount would be charged against the maximum of 8 billion euros set by the seventeenth resolution adopted by the Shareholders' Meeting on May 21, 2007.

The subscription price would be calculated, the list of beneficiaries would be set and the characteristics, amount and terms of any issue as well as the terms for the ordinary shares issued to be fully paid-up, would be determined according to the terms of the thirteenth resolution proposed to your shareholders' meeting.

We also hereby request that you decide that the Board of Directors have full powers for the purpose of implementing this resolution.

This power may be delegated, up to the limits the Board of Directors will have fixed beforehand, and in accordance with current legal and regulatory measures.

For these reasons, we request that you approve the thirteenth resolution.

**Fourteenth resolution: Issue, without consideration, of options liquidity instruments for holders of Orange share subscription options covered by liquidity contracts with the Company**

In order to simplify the method for delivering the consideration in cash or in France Telecom shares within the framework of implementing the liquidity contracts described in the previous resolution, and in application of the resolutions voted by the Shareholders' Meetings in 2005, 2006 and 2007, the free allocation was authorized to holders of Orange options benefiting from a liquidity contract, of option-based liquidity instruments ("ILO"), comprised of warrants exercisable in cash and/or new ordinary shares and/or existing ordinary shares of France Telecom. These ILOs are marketable securities giving access to the capital as defined in Article L. 228-91 of the French Commercial Code and which, when exercised, entitle the holder to receive cash and/or existing shares and/or new shares, according to the compensation system chosen by France Telecom. The delegation granted by the combined Shareholders' Meeting on May 21, 2007 in its sixteenth resolution would thus be terminated with immediate effect, for the unused portion.

You are now requested to renew the delegation granted to the Board of Directors in order to continue, where applicable, the implementation of the ILO with holders of Orange share options that did not benefit from the initial allocation in 2005, since they did not sign a liquidity contract on that date. Please note that the amounts to be paid, or the number of France Telecom shares to be delivered as a result, shall not be different from those provided for in the liquidity contracts that exist to date, subject to the method of calculating the amount of the fractional shares.

For these reasons, we request, in accordance with the provisions of Article L. 225-138 French Commercial Code, that you,

- delegate to the Board of Directors, with the right to delegate under the conditions provided for by Law, for a period of 18 months as of the day of your Shareholders' Meeting, the powers needed to carry out, on one or more occasions, in the proportion and at the times it shall so determine, the issue or free allocation of ILOs for which, where applicable, the payment in full for the Company's shares would be accomplished via offsetting of debts;
- decide to waive the preferential subscription right of shareholders to these ILOs and to reserve the right to subscribe them to holders of stock options of Orange S.A. who are beneficiaries of a liquidity agreement.

The maximum nominal amount of the capital increase resulting from all the issues that can be carried out pursuant to this delegation would be set at €1,000,000, without taking into account the adjustments that may be made to protect the interests of ILO holders in accordance with the legal and regulatory provisions as well as applicable contractual stipulations. This amount would be charged against the maximum of 8 billion euros set by the seventeenth resolution adopted by the Shareholders' Meeting on May 21, 2007.

The subscription price for shares issued for the exercise of ILO would be calculated; the list of beneficiaries would be set and to the number of ILO to be issued to each beneficiary would be determined in accordance with the terms of the fourteenth resolution proposed to your shareholders' meeting.

We also request that you decide that the Board of Directors have full powers for the purpose of implementing this resolution.

This power may be delegated, within the limits set by the Board of Directors beforehand, and in accordance with current legal and regulatory provisions.

For these reasons, we request that you approve the fourteenth resolution.

**Fifteenth resolution: Capital increases reserved for members of the France Telecom group savings plan**

The Board of Directors proposes that the General Shareholders' Meeting within the competence of the extraordinary meeting, terminate with immediate effect, for the unused portion, the delegation granted by the combined Shareholders' Meeting on May 21, 2007 in its twenty-first resolution.

By virtue of Article L. 225-129-6, paragraph I of the French Commercial Code, during any decision to increase the capital by cash, the Extraordinary Shareholders' Meeting must make a decision on a draft resolution intended to increase the capital reserved for employees.

Consequently, the Board of Directors requests that the General Shareholders' Meeting delegate it, for a period of 26 months, the authority to decide to increase the share capital through the issue of ordinary shares or securities giving access to the Company's ordinary shares existing or to be issued, reserved for employees and former employees who are members of the France Telecom group corporate savings plan, including through the free allocation of ordinary shares or securities giving access to the Company's ordinary shares existing or to be issued, specifically by the incorporation of reserves, profits or premiums within the legal and regulatory limits.

The maximum nominal amount of the capital increase of France Telecom, immediately or in the future, resulting from all issues performed pursuant to this delegation is set at €500 million, it being specified that this maximum would be fixed (i) without taking into account the nominal value of the ordinary shares of the Company to be issued, if necessary, for adjustments carried out in order to protect the holders of rights attached to the securities giving access to ordinary shares and (ii) separately and distinctly from the maximum of capital increases resulting from the issues of ordinary shares or securities authorized by the eighth to fourteenth resolutions of the Shareholders' Meeting on May 21, 2007 and by the thirteenth and fourteenth resolutions proposed to your meeting.

The maximum nominal amount of the capital increase of France Telecom resulting from all issues carried out pursuant to this delegation by incorporation of reserves, profits or premiums within the conditions and limits set forth by Law, would be set at €500 million, it being specified that this maximum would be fixed (i) without taking into account the nominal value of the Company's ordinary shares to be issued, if necessary, for adjustments carried out in order to protect the holders of rights attached to the securities giving access to the ordinary shares and (ii) separately and distinctly from the maximum of two billion euros of the nineteenth resolution adopted by the Shareholders' Meeting on May 21, 2007.

If the amount subscriptions were not to attain the amount of the entire issue of securities, the capital increase will only be carried out to the extent of the amount of the subscribed securities.

The Board of Directors hereby requests that the Shareholders' Meeting decide to waive, for the benefit of these employees and former employees, the preferential subscription rights of the shareholders to the ordinary shares or securities giving access to the ordinary shares to be issued pursuant to this proposed delegation, and to waive any right to the ordinary shares or other securities allocated freely pursuant to this proposed delegation.

The issue price of new shares would be equal to the average of the share prices listed during the twenty trading sessions preceding the day of the decision establishing the opening date of the subscriptions, reduced by the maximum discount provided for by law on the day the Board of the Directors makes its decision; it being specified that the Board of Directors can reduce this discount if it so deems appropriate, in particular in the event of an offer to the members of a securities corporate savings plan on the international market and/or abroad in order to meet the requirements of the applicable local laws.

The Board of Directors may also substitute all or part of the discount by allocating shares or other securities pursuant to the provisions below;

The Board of Directors may prescribe the allocation, free of charge, of existing ordinary shares or securities giving access to the Company's existing ordinary shares, on the understanding that the total benefit arising from this allocation and, if applicable, of the discount mentioned hereinabove cannot be greater than the legal limits. The taking into account of the financial exchange value of the ordinary shares allocated freely, evaluated at the subscription price, cannot result in exceeding the legal limits.

The Board of Directors may, within the limits it will have fixed beforehand, delegate to the Chief Executive Officer or, in agreement with the latter, to one or more Deputy Chief Executive Officers, the power that would be granted to him under the proposed resolution.

**Sixteenth resolution: Authorization to cancel repurchased France Telecom ordinary shares**

Moreover, in relation to the sixth resolution previously submitted to you for approval, in the competence of your ordinary meeting, and in accordance with Article L. 225-209 of the French Commercial Code, we propose in the sixteenth resolution, that you terminate with immediate effect, for the unused portion, the delegation granted by the combined Shareholders' Meeting on May 21, 2007 in its twenty-first resolution and to authorize, for a period of 18 months, the Board of Directors to cancel all or part of the France Telecom ordinary shares acquired as part of the share purchase program currently in effect or that which would be authorized through the vote on the aforementioned sixth resolution as in the framework of the purchase program prior to your meeting and, consequently, to reduce the capital.

The shares can, by Law, only be cancelled within the limit of 10% of the Company's capital per twenty-four month period.

The excess between the purchase price of the ordinary shares over their nominal value will be charged to the "Share Premiums" account or to any account of available reserves, including the legal reserve, the latter up to a maximum of 10% of the capital reduction carried out,

The Board of Directors proposes that the General Shareholders' Meeting grant it full powers, with the power of delegation under legal conditions, to carry out the proposed resolution.

## **2.3 Additional reports in the event where delegations are used**

### **Applicable rules**

If the Board of Directors were to use the delegations that your Shareholders' Meeting granted through the vote on the thirteenth to the sixteenth resolutions, it would establish, where applicable, an additional report or, if such an additional report were not required, would inform you in its annual report, under the conditions provided for by Law and legislation in force at the time the delegation is used.

Moreover, during the issue carried out in terms of these authorizations, the auditors will establish a report to the Board of Directors, under the conditions provided for by Law and legislation in force at the time the delegation is used.

### **Current usage**

The table appended hereto includes the use that has been made by the Board of Directors of the delegations that have been granted within the scope of capital increases but also the usage made of the authorizations to allocate free of charge existing shares or subscription options and/or purchase options of the Company to members of staff and corporate officers carried out during fiscal year 2007.

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If you approve of the proposals made by the Board of Directors, we hereby request that you put to the vote the resolutions that have been submitted to you, after having read the reports established by the Auditors in accordance with the various applicable legal texts.

Board of Directors

# ANNEX

## Summary Table of delegations and authorizations Granted by the Annual Shareholders' Meeting to the Board of Directors Financial year 2007

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, the Board of Directors has appended to the management report provided in Part 2 of the *Document de Référence* on page 205, a summary table of current delegations granted by the General Shareholders' Meeting to the Board of Directors within the scope of capital increases.

With the exception of the share buyback program, which is covered by a special report, in accordance with Article L. 225-209, Paragraph 2 of the French Commercial Code, the following table shows, in addition to delegations granted in respect of capital increases, all authorizations granted to the Board of Directors by the Annual Shareholders' Meeting in 2007.

| Delegations granted by Annual Shareholders' Meeting  | Date of the Annual Shareholders' Meeting granting delegation | Duration of delegation and expiry date | Total amount of delegation (in euros)   | Use of delegation over the year | Balance               |
|--|--|--|---|---------------------------------|-----------------------|
| Delegation of authority to the Board of Directors to issue ordinary shares in the Company and marketable securities giving access to ordinary shares in France Telecom or one of its subsidiaries, maintaining shareholders' preferential subscription rights.<br>(8 <sup>th</sup> resolution)   | May 21, 2007   | 26 months<br>July 20, 2009             | 4 billion <sup>(2)</sup>  | —                               | 4 billion             |
| Delegation of authority to the Board of Directors to issue ordinary shares in the Company and marketable securities giving access to ordinary shares in France Telecom or one of its subsidiaries, without shareholders' preferential subscription rights.<br>(9 <sup>th</sup> resolution)   | May 21, 2007   | 26 months<br>July 20, 2009             | 4 billion <sup>(1)(2)</sup>   | —                               | 4 billion             |
| Authorization granted to the Board of Directors to set the issue price in accordance with the terms set by the Annual Shareholders' Meeting, without preferential subscription rights to ordinary shares in the Company or marketable securities giving access to ordinary shares in France Telecom or one of its subsidiaries.<br>(10 <sup>th</sup> resolution) | May 21, 2007   | 26 months<br>July 20, 2009             | 10% of share capital at the date of the Annual Shareholders' Meeting or €1,042,669,252 <sup>(1)(2)</sup><br>per 12-month period | —                               | 1,042,669,252         |
| Authorization granted to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights.<br>(11 <sup>th</sup> resolution)  | May 21, 2007   | 26 months<br>July 20, 2009             | 15 % of initial issue <sup>(2)</sup>  | —                               | 15 % of initial issue |
| Delegation of authority to the Board of Directors to issue ordinary shares and marketable securities giving access to ordinary shares in the Company in the event of a public share exchange offer initiated by France Telecom.<br>(12 <sup>th</sup> resolution)   | May 21, 2007   | 26 months<br>July 20, 2009             | 4 billion <sup>(1)(2)(3)</sup>  | —                               | 4 billion             |

| Delegations granted by Annual Shareholders' Meeting   | Date of the Annual Shareholders' Meeting granting delegation | Duration of delegation and expiry date | Total amount of delegation (in euros)   | Use of delegation over the year   | Balance  |
|---|--|--|---|---|--|
| Delegation of authority to the Board of Directors to issue ordinary shares and marketable securities giving access to ordinary shares in the Company, in return for contributions in kind to France Telecom in the form of shares or marketable securities giving access to share capital.<br><i>(13<sup>th</sup> resolution)</i>   | May 21, 2007   | 26 months<br>July 20, 2009             | 10 % of share capital<br>At the date of the Annual Shareholders' Meeting or €1,042,669,252 <sup>(2)</sup> | —   | 1,042,669,252  |
| Delegation of powers to the Board of Directors to issue shares reserved for persons signing a liquidity contract with the Company in their capacity as holders of shares or stock options of Orange S.A.<br><i>(15<sup>th</sup> resolution)</i>   | May 21, 2007   | 18 months<br>November 20, 2008         | 200,000,000 <sup>(2)</sup>  | 5,259,304 France Telecom shares were issued, corresponding to a capital increase of €21,037,216 | 178,962,784  |
| Delegation of powers to the Board of Directors to proceed with the issue at no charge of option-based liquidity instruments reserved for those holders of stock options of Orange S.A who are beneficiaries of a liquidity agreement.<br><i>(16<sup>th</sup> resolution)</i>  | May 21, 2007   | 18 months<br>November 20, 2008         | 10,000,000 <sup>(2)</sup>   | —   | 10,000,000 <sup>(4)</sup>                                  |
| Delegation of powers to the Board of Directors to issue, on one or more occasions, in France or abroad and/or on the international market, of securities giving rights to the allocation of securities such as bonds, similar securities, subordinated securities with a fixed period or not or any other securities conferring, in the same issue, the same right of debt pertaining to France Telecom.<br><i>(18<sup>th</sup> resolution)</i> | May 21, 2007   | 26 months<br>July 20, 2009             | 10 billion  | —   | €10 billion  |
| Delegation of authority to the Board of Directors to increase the Company's capital through the incorporation of reserves, profits or additional paid-in capital.<br><i>(19<sup>th</sup> resolution)</i>  | May 21, 2007   | 26 months<br>July 20, 2009             | 2 billion   | —   | 2 billion  |
| Authorization granted to the Board of Directors to allocate stock-options on ordinary shares of the Company to members of staff and corporate officers.<br><i>(20<sup>th</sup> resolution)</i>  | May 21, 2007   | 38 months<br>July 20, 2010             | 2% of share capital at May 21, 2007, or €208,533,850.40   | <sup>(5)</sup>  | 2% of share capital as at May 21, 2007, or €208,533,850.40 |
| Delegation of authority to the Board of Directors to proceed with capital increases reserved for members of the France Telecom group savings plan.<br><i>(21<sup>st</sup> resolution)</i>   | May 21, 2007   | 26 months<br>July 20, 2009             | 1 billion   | —   | 1 billion  |
| (Authorization to the Board of Directors to reduce the share capital through the cancellation of ordinary shares)<br><i>(22<sup>nd</sup> resolution)</i>  | May 21, 2007   | 18 months<br>November 20, 2008         | 10% of share capital per 24-month period, or €1,042,669,252   | —   | 1,042,669,252  |

| Delegations granted by Annual Shareholders' Meeting   | Date of the Annual Shareholders' Meeting granting delegation | Duration of delegation and expiry date     | Total amount of delegation (in euros)  | Use of delegation over the year   | Balance   |
|---|--|--|--|---|---|
| Delegation of powers to the Board of Directors to assign free of charge ordinary shares of the Company. (12 <sup>th</sup> resolution)   | April 21, 2006   | 38 months<br>June 21, 2009                 | 1 % of share capital at the date of the Annual Shareholders' Meeting or €104,122,391 | 10,777,722 shares on April 25, 2007 and 1,808,000 shares on December 4, 2007, i.e. a total of 12,585,722 shares representing 0.48% of the share capital at April 21, 2006 | €53,779,503   |
| Authorization granted to the Board of Directors to acknowledge capital increases resulting from the exercise of Wanadoo stock-options after assuming Wanadoo's commitments towards holders of options. (2 <sup>nd</sup> resolution) | September 1, 2004  | Duration of validity of stock-option plans | Amount of stock-option plans up to €48,000,000                                       | 1,326,010 France Telecom shares were issued as a result of the exercise of options, resulting in a capital increase of €5,304,040   | 4,869,159 options can still be exercised entitling the holder to the same number of France Telecom shares with a face value of €4 |

- (1) These amounts may not be accumulated.
- (2) These amounts are within the overall limit for the maximum amount of capital increases, immediate and/or in the future, that may be carried out under these delegations, as set by the nineteenth resolution of the Annual Shareholders' Meeting of May 21, 2007, of 8 billion euros.
- (3) Writing off of the total nominal amount of the capital increase against the maximum amount set by the ninth resolution of the Annual Shareholders' Meeting of May 21, 2007.
- (4) In 2007, 6,258,131 France Telecom shares were issued as a result of the exercise of option-based liquidity instruments allocated in August 2005 on the foundation of the 32nd resolution voted by the Annual Shareholders' Meeting of April 22, 2005, resulting in a capital increase of 25,032,524 euros. In relation to this and given the number of remaining option-based liquidity instruments, 17,567,903 shares with a face value of 4 euros may still be issued.
- (5) Allocation on May 21, 2007, in accordance with the fifth resolution voted by the Annual Shareholders' Meeting of September 1, 2004, of 10,093,300 stock-options representing 0.41% of the Company's share capital as at September 1, 2004. At the end of this new allocation and previous plans, the aforementioned delegation was used for 1.02% of the Company's share capital as at September 1, 2004. Following the early exercise of options on these plans by employees of Orange's mobile and Internet subsidiaries in the Netherlands sold on October 1, 2007, 91,640 France Telecom shares were issued, resulting in a capital increase of 366,560 euros.