

FRANCE TÉLÉCOM
Conference call
April 22nd, 2009

Conference coordinator

Ladies and gentlemen, welcome to today's FRANCE TELECOM new segment reporting presentation conference call. We are currently waiting for the arrival of the different participants and we will be starting shortly. Thank you for your patience and please continue to hold. As usual for the Q&A session, to ask the line for the floor; please press the Star or Asterix followed by the digit 1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has been answered, you may remove yourself from the queue by pressing Star 2, thank you.

Ladies and gentlemen, welcome to today's FRANCE TELECOM new segment reporting presentation conference call. The call will be hosted by Gervais PELLISSIER, Group CFO and Marie Christine LAMBERT, Head of controlling. The Q&A session will start after the presentation. Thank you and let me hand over to Gervais PELLISSIER.

Gervais PELLISSIER

Good afternoon or good morning depending on where you are calling from. Thank you very much for joining us this afternoon. Exceptionally, I will switch to French because the matter of rules and choices we have been currently making is relatively complex and I want to make sure that our reasoning and all what we say is clearly understood. My fear is that because of let's say, our lack of capacity in English, we may be not fully clear in what we say.

So thank you for taking part in this conference call today. The objective is to present the new breakdown in terms of the Group's business lines in compliance with IFRS 8 and we will come back to explain to you why we choose this standard now. I have Marie-Christine

LAMBERT with me, in charge of the Group controlling, Jacques DE GALZAIN in charge of Group accounting, and Vincent BENOIT in charge of Financial Communication. We have decided to organize this conference in French with a simultaneous translation in English for the non-French speakers.

I must also point out that the changes in the presentation of the Group's internal scope and therefore, the new business segments and their financial indicators that will reflect these activities have no impact on the historical accounts, nor on the outlooks or objectives of the Group in the future, nor on the Group's total consolidated budget. The presentation that we will try to keep short, though it is technical, will be followed by a Q&A session and of course the team from Financial Communications is at your disposal to answer any question that you may not be able to ask during the session.

The cautionary statement here is important; naturally it points out that all figures in this presentation are based on IFRS as adopted by the European Union and that the figures included in the new reporting segments are unaudited. They were discussed with our auditors but were not audited as such. There are a certain number of financial measures that are not defined by IFRS rules. These are the aggregates chosen by FRANCE TELECOM Group, more particularly EBITDA, which we will define later on.

First of all, let's begin with the main principles, then Marie Christine will give you more details on what is happening in each segment and the transition between the previous framework and the new framework.

A few basic points: first of all, since early 2006, the Group started to evolve in terms of its strategy and also in terms of its organization. You may recall that we launched the NExT plan in June 2005. It included a certain number of strategic changes, mainly the convergence between fixed and mobile in the mass market segment. We have progressively implemented a country-based organization where the main P&L responsibility would be carried by the head of the country. This is a major change. For those who have been following our Group for some time now, you may remember this. For those who are newer, this is something that is maybe new to you. FRANCE TELECOM is the outcome of the merger of four main listed entities. There were others, but there were four main entities listed separately: FRANCE TELECOM SA, which carried the traditional fixed business, WANADOO for the Internet, ORANGE for the mobile, and EQUANT for enterprise. Four groups listed separately and at that time, there was also a fifth group, PAGES JAUNES, which was sold. So we had five reporting segments in a way, which reflected the listed

companies with a different group of shareholders for each, and this has changed since 2003; the buyout of minority shareholders in the various activities has led to an integrated group, while the subsistence today of minority shareholders exists mainly at the level of country, not at the central level. When you look at the Group's shareholding, if you have minority stakes, it is on a country basis. In most countries we have minority stakes, and the minority stakes are aligned with FRANCE TELECOM in terms of reflecting the convergence between fixed and mobile. Take Spain and Poland : you have the same pool of shareholders, with the same level of shareholding, in the fixed and mobile, even though the entities are not entirely merged from a legal standpoint.

In compliance with IFRS8 aligned with US GAAP, since the rule already existed in US GAAP for several years now, we must reflect in the breakdown of our business as presented in our financial reporting, this change in organization, the weight gained by each country, and the fact that the head of each country is leading our operations and carrying out our activities. We then move from an analysis with the four main businesses at the time we had PAGES JAUNES, towards a country-based analysis as presented to you today. We also seize this opportunity to bring about changes and suppress an aggregate which was a bit specific to us, namely the gross operating margin or GOM as the main indicator of operational profitability. This indicator was set up in 2002 primarily to take into account two factors. On one hand, the major disposals by our main shareholder, the French state, which at that time disposed of a good portion of its capital with, as a result of a legal requirement in France, its obligation each time to offer 10% of each disposal to employees. In US GAAP and IFRS this was dealt as a labor cost. It was not at all a labor cost for the company, since the cost of this disposal at a preference price was fully born by a particular shareholder, with no impact on the other shareholders in the Group or in the company in general. The capacity of American rules to understand the European and French phenomena in particular led us to make this decision. Secondly, we had still some major restructuring plans which also required us to take into account the restructuring separately.

Today we are moving towards EBITDA which now takes into account most of the OPEX components that were not taken into account previously. If there are any exceptional items within OPEX or in our profits – because there is another component that is taken into account in the EBITDA and which is not the matter of operations, namely the income from the disposal of activities – we will mention it. When we dispose of an activity, as in the past, we will give all the details and indicate the EBITDA with the nonrecurring item and what the EBITDA would have been without the nonrecurring item. We do it on a case-by-case basis in light of the events taking place within the Group.

The fact that now the main information is given on a country basis will not reduce the level of details we have been giving per country, as regards to fixed and mobile activities for the residential market. For the main countries, we will continue to give the details we gave before as regards to fixed and mobile activities for the residential market, or even a bit more details in some cases, in a bit more structured and formal way than what we have been doing so far. We also seized the opportunity of these changes to introduce new KPIs taking into account some changes in our business. This has already been done for the official parts of the reporting by segments. So far it has been flexible. As regards to aggregates and KPIs, we still have the possibility of introducing new ones over time, once it appears relevant, to help you to better understand our business and how it evolves.

Now to coming back to the topic, as you can see on page number 5, as I said earlier, the Group after buying out the minority shareholdings in the major branches mainly ORANGE, WANADOO as well as EQUANT, and after shifting to IAS 14, the Group switched from an organization based on networks and technologies, and with separate legal entities, to an organization that is focused on customers and usages. We should know that clients, except for the enterprise division, are mainly national, except for a certain number of large multinationals. A client is attached to a given geographic territory which is generally a state with regulations such as consumer rights, rules on telecom, rules in terms of competition law, corporate law, laws on sales and purchases, which are primarily at a national level. This organization was well suited for product innovation. It has evolved. As I said earlier, since the implementation of the NExT Plan at the end of 2005, we are moving towards convergence with more and more elements shared, more and more synergies between fixed and mobile for the residential market within a country. We speak in terms of the convergence of offerings, marketing approach, allocation of resources, or even the merger of portions of the networks and information systems. We can ultimately imagine that for example the backbone between fixed and the mobile may be common. The billing systems between fixed and mobile may be merged, which is not yet the case but that will happen one day, bearing in mind that what has been merged in many countries today is distribution; the same sales teams distributing fixed and mobile products. Furthermore, you now find fixed and mobile tools on the same portal, without mentioning convergence in usage, which tends to grow more and more. The only limit to convergence, depending on the case and on the country, is based on regulation, or acceptance by the markets, or market development. So this is what we take into account today with a country-based organization.

The accounting rules are explained on page 6. Since the 1st of January 2009, we have

implemented IFRS8 which no longer requires a single dimension in terms of primary analysis, either per geography or per activity, enabling FRANCE TELECOM as well as our major competitors to communicate on segments that are consistent with changes in our activities, which may be a mix of segments per country and per activity.

So we are globally moving towards a communication segmented per country, while keeping the previous enterprise segment, which is a segment per activity on multiple countries. For each segment, we will provide a P&L up to the EBIT level, CAPEX, and a balance sheet, bearing in mind that equity and debt will not be broken down per segment. The statement of cash flows will stay at the consolidated level.

Regarding EBITDA, as I said earlier, the main changes between today's EBITDA structure and what was not in the GOM yesterday are :

- primarily additional remuneration for employees, either in the form of incentive plans, additional compensation using shares, stock options, free shares, profit sharing, or share-based compensation, which are now a part of the labor expense,
- disposal of assets,
- restructuring costs as well
- and share of profit or loss of associates, that is companies in which we have a minority shareholding. The two best examples are Portugal and Austria, for those of you who remember that, as they are not consolidated proportionally but are taken into account as a portion of earnings.

As for EBITDA, we will be very careful that those components that are added to our core structure or to our revenues, but are not necessarily directly operational, will be well presented and analyzed. I must point out that the interest of the gross operating margin (which we presented before) and which still remains, is that it is both an internal and an external measure, as it was the main tool used by the countries' management. We should ensure the consistency between internal and external measure of performance. That is what IFRS8 really is all about. If taking into account EBITDA meant that there is too much of dissociation between the measurement of internal and external performance, we would not be in line with the objectives set by the super accountants.

Regarding what we plan to do beyond IFRS8 segment reporting, here are just a few additional information on the home and personal product lines.

As for the four main countries - France, UK, Spain and Poland - the detailed breakdown on home and personal will be given every quarter for revenue, and every half year for EBITDA and CAPEX in accordance with what we did before; we will provide even a bit more

information now, because earlier we did not give a breakdown between home and personal for the UK and Spain.

As for the Rest of the world, we have decided to gather all the countries within a unique segment. Why ? because the list of countries is something that can change and we can have different forms of organization. Nevertheless, we will provide revenues for each country on a quarterly basis with a distinction between home and personal, for countries where FRANCE TELECOM has a fixed network and is the incumbent. We considered that, in countries where there is not a large fixed business in which we have not invested massively, there was no reason to dissociate the fixed figures from the mobile figures, which would represent the bulk of what is really reported. Nor is relevant for us, in terms of external communication, the breakdown of EBITDA and CAPEX per country or per business, because there are over 30 countries in this segment. For the major assets, the companies are listed, so there is already a separate reporting. I am referring to the three main assets: MOBISTAR in Belgium, ECMS in Egypt and SONATEL listed in Abidjan.

As for the enterprise segment, revenue will be detailed per activity but EBITDA and CAPEX will only be given at the level of the segment.

On page 9, so as to support changes in segments, we will provide you with an enriched KPIs file with new financial indicators including a detailed P&L at group level, simplified balance sheet and statement of cash flows at group level, financial indicators in local currencies, exchange rates used and their impacts, as well as the impact of changes in scope and accumulated figures since the start of the year, so that you can match the historical accounts with the comparable base. We know that pro forma, the capacity to compare, is very important and that it is not simple for you to fully grasp in real time how we deal with this comparability. This is what we should try to enhance and the investors' relations team will be working on in the coming weeks.

New operational indicators will give greater visibility on changes in mobile data usage, especially the number of 3G customers, USB keys and dongles. We are starting to track this. It was a question that was put by some of you as a matter of fact last year. We did not yet set up the required tools last year, but we think that it is important to keep track of this. There is another component: machine to machine. We cannot count the same way a SIM card inserted in an EDF or electric meter somewhere, bringing one euro ARPU per year or per quarter, and a SIM card that is used by a physical person in a telephone. So we will keep track of all this and provide you with the information as it becomes significant and relevant. We also account for new technologies in fixed, more particularly in fiber and satellite; we have launched the Internet by satellite as well as the Internet via fiber. We will be keeping

track of these activities as well. Also as regards to new businesses for content, we have started to give the number of subscriptions for Pay-TV. We gave you figures as of the 31st of December, or even the 28th of February when we last communicated on the 5th of March and this will continue.

There is a new Excel file for the key performance indicators. As I am not a true expert of this file, you should not ask me for detailed information. I think it will be very useful for you nevertheless and it gives you the background of what I just presented with all the detailed information, for 2007 on a comparable basis and for 2008, on the new segments that we are introducing today. Naturally, there is a detailed glossary and there is a lot of information I believe.

Marie Christine LAMBERT will perhaps more clearly tell you how we are shifting from the old to new segments as reported as of next week.

Marie-Christine LAMBERT

Thank you. At this point, we are going to the explanation that will be analytical regarding the changes made in terms of reporting segments. Now, as Gervais PELLISSIER has just underlined, in order to reflect the operational organization of our Group, communication will be broken down henceforth into six country segments and one segment that will comprise international carrier and shared services. Now the countries are France, UK, Spain, Poland, Rest of the world - which comprises countries of Continental Europe excluding France, Spain and Poland, and also Africa and Middle East; and then the last segment is Enterprise. The managers of the country segment will have total operational responsibility regarding their P&L. Our integrated organization also translates into the creation of the international carrier and shared services segment. That encompasses the Group central functions - general counsel, finance, human resources, legal affairs - and shared functions such as IT systems and R&D. That segment also comprises the lines of business, including the new growth activities such as content, audience, health care and those lines of business contribute across the Group to strategy, to coordination, and to the development of our marketing efforts in each of the countries.

Finally this segment includes also the international carrier activity, that is the provision of international networks infrastructure and also the sale of traffic to international carriers, international wholesale as we call it.

How then are we going to move to the new segment from the old one? On this chart, you see an overview of how we will make the move. On the graphical form on the left, you have the former segments and the new segments on the top.

There are three major features to flag up here: firstly, the former home France segment will now be split into France home and International carrier and shared services. The second point is that the former personal Rest of the world segment and home Rest of the world segment, excluding home in the UK and in Spain will be merged into the Rest of the world henceforth. And thirdly, the major point is that the former home Rest of the world segment, that is the overall home segment apart from France and Poland, will now be split into UK home, Spain home and Rest of the world.

A couple of words next on the way in which we will address the chargeback of internal services provided within the Group. We have decided to classify into other operating income certain types of services provided internally. And the consequence of that will be that it will curb down the inter-group eliminations in the revenues line.

We will therefore present in terms of revenues, the internal flows that reflect our basic business lines, and we will hence transfer to other operating income, the flows that reflect the chargeback of shared services. As Gervais PELLISSIER said a moment ago, the sharing of certain functions reflects the organizing principles we have and the strategy of being an integrated group. As a consequence, it is less relevant to keep in the revenues line the internal services provided to other segments, therefore they will be transferred into other operating income from now on. This is the case for example with customer services or maybe a shared service platform, as we already have right now. Another case would be staff on temporary postings, where thanks to resource sharing, staff may be assigned to some given department and sell products or maintain networks for several lines of the business. Obviously, at group level, the revenue figure for the other operating income has not changed. In the segments, this reclassification will reduce mechanically the internal revenue figures, hence their amount of inter-segment elimination, and will increase mechanically the other operating income and their amount of inter-segment elimination.

Now on slide 15, we see the figures as they will now look, going from the old to the new. Also we have mentioned on the slide the comparable basis for 2007. The total for the Group and the figures for the segments are represented in the orange color. Regarding the additional information, it is now presented on a grey background. Now the Group consolidated revenues did not change, of course. The changes between the two reporting formats result, firstly, from the transfer from one segment to another, and I will go back to

the details in a minute, and secondly, from the reclassification of internal revenues into other operating income, as I have just mentioned.

So here, the transition between the former and the new segmentation per activity is shown, but to better understand the changes between the older and the new reporting segments, we have shown the GOM; it is the last time that we will be presenting the gross operating margin, of course, but it is just to help you to understand the transition process from the older to the new segments. Obviously the main impact comes from transfers from one segment to another, and more particularly from home in France, with the classification into the international carrier and shared services segment.

Slide 17: after reconstituting the GOM on the base of a new segmentation, the slide presents the transition from GOM to EBITDA. I mentioned a minute ago the main differences with the integration into EBITDA of restructuring costs, profit sharing and the share of the profit or loss of the associates; and also as I said, these items can vary quite a lot from one year to the next. So to that extent, we may possibly have to present an EBITDA on a comparable basis.

The CAPEX now; the overall change in CAPEX, just like for GOM and revenues, is linked to the new segment scope. The ratio of CAPEX over revenues is impacted obviously also by the reclassification of revenues into other operating income. So the two elements combined, namely the new segment scope but also the reclassification of the revenues into other operating income, can lead to a variation in the ratio of CAPEX over revenues, and that will be particularly the case in the home businesses in France: a ratio of 13.6% in the older reporting segment translates into 11.3% in the new one.

A word then about CAPEX in the international carrier and shared services segment. This CAPEX will of course correspond to the investments made in the new growth drivers, also to investments made in networks and in the international backbone, and also to investments to optimize the support functions, and that are also necessary for shared services. That is the case, for example, for the service platforms that are shared at group level. Obviously the calculation of the ratio of CAPEX over revenues in that segment would not make sense. We will not communicate on that.

Now I will make some comments by segment. We are talking about slide number 19, concerning France. For the new France segment, revenues are 23.7 billion euros, EBITDA is 9.9 billion and CAPEX 2.3 billion. The main impacts for France are on the home France

business which henceforth will be broken down into France home, and international carrier and shared services segment.

The transition from GOM to EBITDA includes 245 million euros of profit sharing and 82 million of restructuring costs.

Between the two sub-segments, home and personal, the amount of the elimination between the fixed and mobile will obviously be the chargeback of the call termination costs between the fixed and mobile worlds, and also chargeback for fixed capacity used by the personal segment.

In the area of UK reporting, there is not much impact. We should note that for the first time we present the margin of the UK fixed activities –negative, as you know I am sure, because the critical mass has not been reached yet. Also we should note the amount of CAPEX in the UK home sub-segment : all of the home CAPEX including investments related to unbundling, are supported by personal UK and charged back to home UK. So, that explains the low level CAPEX, and partly the negative EBITDA in the UK home sub-segment.

Also, we should make a comment on the business here because the direct margins are improving but on pace with the migration of our customers towards the unbundling infrastructure: 44 % of the installed base is unbundled for the moment, and we were standing at 37 % of the installed base a year ago.

The move from GOM to EBITDA includes 28 million of restructuring costs within the scope of the UK.

Then Spain : revenues are 4.1 billion euros, EBITDA is 614 million, and CAPEX 570 million. The figures for Spain are relatively simple too and straightforward. There is not much impact really; the only impact worth to be mentioned, even though it is relatively contained in proportion, is the change in consolidation boundaries for the sub-segments. We then have no elimination in Spain because the home and personal activities are directly communicated on a contributive basis.

Spain home comprises the whole residential business but also what we do on the enterprise market there, and also on wholesale in Spain. And again a business comment here : the EBITDA results are fairly substantially negative. We are well on the way to improve the EBITDA in Spain with an unbundling rate now exceeding 75 %, leading to a much more acceptable target in terms of margins on direct costs. We are well on the way towards integrating the network, the service platforms and IT of ya.com with those of the former Wanadoo business. So, we are well on the way. It is not totally wrapped up yet. The level of fixed cost is still fairly sizable but it is constantly going down, with the optimum planned for

2010.

Finally CAPEX for Spain home also cover a shared part of the network of FRANCE TELECOM which also benefit the Spanish mobile operations, just like in France.

Let us go next to Poland: revenues are 5.2 billion euros, EBITDA is 2.1 billion, CAPEX 726 million. With this change in reporting segment, the situation of Poland as you see here, is now totally in line with the communications done by TPSA in Poland. The drop in the revenues mentioned here is due mainly to the reclassification of the certain revenue items into other operating income. Then, regarding the transition from GOM to EBITDA, restructuring costs are 50 millions, and gains on disposal of assets are worth 24 million in 2008. The eliminations between Poland home and Poland personal is mostly due to the chargeback of fixed and mobile call terminations, and also the chargeback for fixed network capacities used by personal.

Now the Rest of the world segment: revenues are 8.3 billion euros, EBITDA is 3.4 billion, Capex 1.6 billion. It is important to note that this segment now excludes the fixed activities in Spain and in the UK, of course. These activities have been taken out of the previous home Rest of the world scope. Now they form part of their own country's operations.

As we said previously, we will supply a breakdown of the revenue figures per country in the form of additional information. A comment on the transition from GOM to EBITDA : it includes 23 million euros of restructuring costs mainly linked with the reorganization that we implemented following the integration of the Kenya businesses in 2008.

The enterprise segment: no real change to report in the enterprise segment. Just a word on the move from GOM to EBITDA. The enterprise EBITDA is mainly impacted by profit sharing and share-based compensations of 33 million euros and restructuring costs of 23 million. These are figures that you have already seen: 7.8 billion euros in revenues, 1.5 billion for EBITDA and 356 million for CAPEX.

I will give you more details now on the international carrier and shared services segment. This segment comprises two distinct features. You have first of all the international activities of network operators. Here we have recognized as revenues the supply of network based services to international external customers and to other group segments, especially France and enterprise. This activity comprises also FT Marine which deploys and maintains submarine cables. The revenue of this activity is 1.2 billion euros roughly, of which 900 million is generated externally.

I just want to point out to this slight adjustment we made to this slide. We do apologize for that. There is a slight mistake that crept in. The external amount stands for 900 million euros, not 200 million as was mentioned in the presentation you received this morning.

Apart from international activities, but also in that segment, you have got the other shared services or support functions. These are mainly costs, charged-back to other segments, via the management fees and the brand fees, and also specific re-invoicing on an ad hoc basis, on a case-by-case basis. That is the case for instance for service platforms.

A comment on the other operating incomes of that segment, amounting to 3.2 billion euros of income charged back internally. Management fees and brand fees account for 1.2 billion; re-invoicing of IT, network infrastructures, service platforms and everything related with the development of new products account for 800 million, and also the re-invoicing of property cost account for 700 million. That is mainly connected with activities located in France.

CAPEX: that comprises mainly investments and it is linked with the international backbone, property, real estate and also investments related to new growth activities and shared services, particularly the servers, the shared services platforms that I have just mentioned.

This rounds off the presentation we have prepared. I hope it was clear though it was rather technical. We are now ready to take questions you may have.

Conference coordinator

In order to ask for the floor, please press Star or Asterix followed by the digit one your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We take questions in the order received and we will take as many as time permits. If you find that your question has been answered, you may remove yourself from the queue by pressing Star 2. Again please press Star 1 to ask a question.

The first question from Nicolas COTE-COLISSON from HSBC.

Nicolas COTE-COLISSON

Hello, I have two questions. The first one is if this change in segment reporting would have an impact on the impairment per country? Would that give rise to changes in the P&L? Also would there be an impact in the recognition of tax assets; so is there any tax update per

country? Would there be a change at that level?

An intervener

Indeed in the context of this move to IFRS8, we also applied an element to IAS36 standards regarding impairment, and that really just to recognize in the opening balance sheet dated 1st of January 2007, some impairments regarding Poland and Jordan. In fact we should consider that, in each of the countries, we have retrospectively applied the breakdown that existed in the previous segments. That leads us to impairment tests of the fixed lines business in Poland and of the mobile business in Poland separately, and similarly in Jordan. And that what we pointed out in our annual accounts in fact; more than 500 million euros in Poland and 47 million euros in Jordan as of December 2008. This new breakdown, segment by segment, will not have any impact on the evaluation of the different tax assets per country.

Conference coordinator

We will now take a question from James BRITTON.

James BRITTON

Thank you very much. The first question is: how much CAPEX did home UK incur in 2008 and is personal UK going to continue to recognize all CAPEX on behalf of home UK?

Secondly: why do you choose to disclose the results for non-controlled items into the EBITDA line which might affect the reflection of controlled operations?

The third question is: the fact that you are now recognizing a high EBITDA margin in France home: is this going to be interesting for the regulator, would it mean more changes from the regulator in your view?

Marie-Christine LAMBERT

Ok. Your last question regarding the improvement of the EBITDA margin within home France is directly linked to the transfer of the shared services to the new segment. Everything used to be merged in the segment home France. The split between France home and shared services mechanically improved the EBITDA margin of France home.

James BRITTON

Do you think it is going to be interesting information for the regulator?

Gervais PELLISSIER

No, because there is a specific accounting done for regulatory purpose which is “regulatory accounting” where it was not accounted already in the past. So all the prices for unbundling and all the discussions we have with the regulator and our competitors are not on this accounting split. It has already been designed in specific regulatory accounts which are by the way communicated to the regulator, and the regulator makes regular publications of what we provide as information, and with the specific way to account for this, and the shared services covering the whole group are not included in it.

Regarding the share of profit or loss of associates, it is the rule according to IFRS to present it in the EBITDA. You have to know that in 2008, there are both the annual results of the associates and also the depreciation of goodwill of SONAECOM, which amounts to 197 million euros. And this depreciation could be reversed in the future.

Marie-Christine LAMBERT

Regarding your first question, the total CAPEX within UK is 453 million euros. It is mentioned on slide 20.

James BRITON

And how much will be incurred on behalf of home UK?

Gervais PELLISSIER

I mentioned at the beginning that we will more and more converge networks, and manage networks within the countries. In the UK it has already been done in terms of organization, including at the accounting level where all network costs are within mobile, and then mobile recharges a monthly fee for the use of the network by the home organization.

Conference coordinator

The next question from Antoine PRADAYROL

Antoine PRADAYROL

Good afternoon. A couple of more questions if I may. The first one concerns the comments on the slide 21: the EBITDA for home in Spain. You said that the costs were going gradually down and that the optimum would be in 2010. I just wanted to know what the “optimum” means? Does it mean the EBITDA would be neutral in 2010? Will the growth margin be positive in 2010? How should we interpret the word optimum?

And the second question concerns the new segment which is IC&SS. Can you break it down quarter by quarter with the splitting up of the revenues in the third and fourth quarters of

2008 whereas revenues were more or less flat in the first half of 2008. I just want to know why that is the case? Why did the revenue speed up in the latter half of 2008 and will that continue in 2009?

Marie-Christine LAMBERT

Concerning your first question, indeed by the end of 2010, we are aiming at a margin that will be balanced.

Concerning the second question, the IC&SS segment includes the international wholesale activities plus a lot of more activities. We will have a look at the details of the geography and come back to you, thank you.

Gervais PELLISSIER

The main difference between 2008 and 2007 on a comparable basis is due to the disposal of assets in 2007 which has a very positive impact of 745 million euros. And that is the reason why 2008 is below 2007. In fact, the adjusted EBITDA margin would have been higher in 2008.

Gervais PELLISSIER

We sold a few associates during 2007, and there was this gain of more than 700 million euros including Orange in the Netherlands and so on.

Vincent BENOIT

If you need further information, I will take care of that after the call. Thank you. We can take the next question.

Conference coordinator

The next question comes from Frederic BOULAN.

Frederic BOULAN

Yes, good afternoon, regarding the segment IC&SS, there is a contribution of the EBITDA of 755 millions euros in 2007 and it becomes negative 444 million in 2008. I was just wondering what are the drivers there, and is this something that is going to run a deficit because of its function or is it going to sometimes perhaps break even?

Gervais PELLISSIER

The main reason is that in the EBITDA of 2007, you have important gains on disposal of

assets, among which Orange in the Netherlands, and that means 750 million worth of profits. In 2008, we have restructuring costs that were pretty substantial, something like 230 million euros, and share of profit/loss of associates for 210 million euros, mostly with Sonaecom in Portugal. Otherwise the nature of this segment is to be balanced, excluding nonrecurring items. Thank you.