

2007

The France Telecom 2007 Registration Document includes two volumes:

- this document;
- the Annual Financial Report.



A Société Anonyme (Public Limited Company) with capital of 10,457,395,644 euros
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Paris Trade Register 380 129 866

2007 Registration Document



This document constitutes the English translation of the France Telecom 2007 Registration Document
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pursuant to Article 212-13 of the AMF General Regulation.

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nota

This Registration Document incorporates by reference the financial reports for 2006 and 2005 forming the second volumes of the France Telecom Registration Documents relating to 2006 and 2005 as filed with the AMF on March 30, 2007 and March 10, 2006 respectively.

Forward-looking information

This document contains statements regarding France Telecom's objectives, notably in Section 6.1 "Strategy", Chapter 12 "Trend information" and Section 1 "Overview" of the Group Management Report (which is part of the Annual Financial Report). These statements can sometimes be identified by the use of the future and conditional verb tenses and words such as "believes", "expects", "should", "estimates" or "may". These indications are not statements of historical facts and are not guarantees that the forward-looking information will prove accurate or that the desired results will be achieved. By their very nature, these objectives are subject to numerous risks and uncertainties, which may lead to differences between the objectives announced and actual results. The most significant risks are described in Chapter 4 "Risk factors".

Definition

In this Registration Document, unless otherwise indicated, the terms "Company" and "France Telecom S.A." refer to France Télécom S.A. and the terms "France Telecom", the "Group", and the "France Telecom Group" refer to France Télécom S.A. together with its consolidated subsidiaries.

Glossary

A glossary of the main technical and financial terms used is provided at the end of this document, before the exhibits.

1. person responsible

1.1 PERSON RESPONSIBLE FOR INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT

Chairman and Chief Executive Officer
Didier LOMBARD

1.2 STATEMENT BY THE PERSON RESPONSIBLE

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

I hereby certify, to the best of my knowledge, that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and all of the companies included in the scope of consolidation, and that the Management Report provided on pages 5 to 55 of the Annual Financial Report forming the second volume of this document presents a true image of the change in the business, results and the financial position of the company and all of the companies included in the scope of consolidation as well as a description of major risks and uncertainties that they are faced with.

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 Registration Document and have read the entire Registration Document.

The statutory auditors have issued reports on the historical financial data presented in this Document. These reports contain the following observations:

Without qualifying the opinion they expressed on the financial statements in their report on the consolidated financial statements for the year ended December 31, 2007, as presented on page 57 of the 2007 Annual Financial Report forming the second volume of this 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 33 relating to litigation.

Without qualifying the opinion they expressed on the financial statements in their report on the annual financial statements for the year ended December 31, 2007, as presented on page 202 of the 2007 Annual Financial Report forming the second volume of this 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 6.3.1 relating to litigation.

Without qualifying the opinion they expressed on the financial statements in their report on the consolidated financial statements for the year ended December 31, 2006, as presented on page 88 of the Financial Report of the 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 on the financial statements in their report on the consolidated financial statements for the year ended December 31, 2005, as presented on Pages 103-104 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.”

Paris, March 5, 2008

Chairman and Chief Executive Officer
Didier LOMBARD

2. statutory auditors

2.1 STATUTORY AUDITORS

Ernst & Young Audit

Represented by Christian Chiarasini

11, Allée de l'Arche
92037 Paris La Défense Cedex, France

Ernst & Young Audit was appointed by Government decree on September 18, 1991. Its term of office was renewed by Government decree on May 14, 1997 and again on May 27, 2003, for a period of six years.

Deloitte & Associés

Represented by Etienne Jacquemin and Jean-Paul Picard

185, Avenue Charles de Gaulle
92524 Neuilly sur Seine Cedex, France

Deloitte Touche Tohmatsu (currently known as Deloitte & Associés) was appointed by Government decree on May 27, 2003 for a period of six years.

2.2 DEPUTY STATUTORY AUDITORS

Auditex

Tour Ernst & Young
Faubourg de l'Arche
11, Allée de l'Arche
92037 Paris La Défense Cedex, France

BEAS

7-9, Villa Houssay
92524 Neuilly sur Seine Cedex, France

Auditex and BEAS were appointed by Government decree on May 27, 2003 for a period of six years.

Their terms of office will end further to the General Shareholders' Meeting convening to approve the annual financial statements for the year ending December 31, 2008.

3. selected financial information

The selected financial information presented below relating to the years ended December 31, 2003, 2004, 2005, 2006 and 2007 is extracted from the consolidated financial statements audited by Ernst & Young Audit and Deloitte & Associés.

periods. See section 5.2 “Investments”, Chapter 9 “Operating and financial review”, Chapter 10 “Liquidity and capital resources” and Chapter 20 “Financial information concerning assets and liabilities, financial position and results”.

The selected financial information for the years ended December 31, 2006 and 2007 must be read with the consolidated financial statements and the Group Management Report for these

3.1 CONSOLIDATED STATEMENT OF INCOME

Amounts in accordance with French GAAP

(in millions of euros, except share data)

	2004	2003
Sales of services and products	47,157	46,121
Operating income before depreciation and amortization of actuarial adjustments in the early retirement plan	18,261	17,303
Operating income (loss)	10,824	9,554
Interest expense, net ⁽¹⁾	(3,397)	(3,965)
Other non-operating income (expenses), net	113	(1,119)
Net income (loss) from integrated companies	5,305	6,710
Goodwill amortization	(1,788)	(1,677)
Exceptional goodwill amortization	(519)	(1,137)
Net income (loss), group share	2,784	3,206
Net earnings per share - basic ⁽²⁾	1.14	1.64
Net earnings per share - diluted ⁽²⁾	1.12	1.60
Dividend per share for the year	0.48	0.25

Amounts in accordance with IFRS

(in millions of euros, except share data)

	2007	2006	2005	2004
Revenues	52,959	51,702	48,082	45,285
Gross operating margin	19,116	18,539	17,953	17,516
Operating income (loss)	10,799	6,988	10,498	8,770
Finance costs, net	(2,650)	(3,251)	(3,367)	(3,645)
Consolidated net income after tax of continuing operations	6,819	1,557	5,712	2,796
Consolidated net income after tax of discontinued operations	-	3,211	648	414
Consolidated Net income after tax attributable to equity holders of France Telecom S.A.	6,300	4,139	5,709	3,017
Net earnings per share - basic ⁽²⁾	2.42	1.59	2.28	1.23
Net earnings per share - diluted ⁽²⁾	2.36	1.57	2.20	1.22
Dividend per share for the year	1.30 ⁽³⁾	1.20	1.00	0.48

(1) Including perpetual bonds redeemable in shares (TDIRAs) interest expenses.

(2) Earnings per share on a comparable basis.

(3) Subject to approval by the Ordinary General Shareholders' Meeting.

3.2 CONSOLIDATED BALANCE SHEET

Amounts in accordance with French GAAP (in millions of euros)

	2004	2003
Intangible fixed assets, net ⁽¹⁾	41,710	42,392
Property, plant and equipment, net	29,034	30,635
Total assets	96,325	99,833
Bank overdrafts and other short-term borrowings	3,886	1,570
Long-term debt including long-term debt due in under 1 year	43,504	47,821
Gross borrowings net of cash, cash equivalents and marketable securities	43,938	44,167
Shareholders' equity (group share)	15,681	12,026

Amounts in accordance with IFRS (in millions of euros)

	2007	2006	2005	2004
Intangible fixed assets, net ⁽¹⁾	48,047	50,230	52,591	43,221
Property, plant and equipment, net	27,849	28,222	28,570	26,502
Total assets	101,183	103,171	109,350	98,693
Net financial debt	37,980	42,017	47,846	49,822
Shareholders' equity (attributable to equity holders of France Telecom S.A.)	29,855	26,794	24,860	14,451

(1) Includes goodwill and other intangible assets.

3.3 CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in accordance with French GAAP (in millions of euros)

	2004	2003
Net cash provided by operating activities	12,818	11,322
Net cash used in investing activities	(5,564)	(3,737)
Purchases of property, plant and equipment and intangible assets, net of changes in fixed asset vendors	(5,215)	(5,102)
Net cash used in financing activities	(7,423)	(6,868)
Cash and cash equivalents at end of year	3,203	3,350

Amounts in accordance with IFRS (in millions of euros)

	2007	2006	2005	2004
Net cash provided by operating activities	14,644	13,863	13,374	12,697
Net cash used in investing activities	(6,881)	(4,691)	(11,677)	(5,591)
Purchases of property, plant and equipment and intangible assets	(7,064)	(7,039)	(6,142)	(5,141)
Net cash used in financing activities	(7,654)	(9,271)	(860)	(7,346)
Cash and cash equivalents at end of year	4,025	3,970	4,097	3,153

4. risk factors



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In addition to the other information contained in this Registration Document, prospective investors should carefully consider the risks described below before making any investment decision. These risks, or any one of them, could have an adverse effect on France Telecom's business, financial position or results. Moreover, additional risks not currently known to France Telecom, or risks that France Telecom currently deems immaterial, may have a similar adverse effect and investors could lose all or part of their investment.

The risks described below concern:

- risks relating to France Telecom (see Section 4.1);
- risks relating to the telecommunications sector (see Section 4.2);
- risks relating to financial markets (see Section 4.3).

Risks relating to France Telecom, the telecommunications sector and financial markets are described below by category, in order of decreasing importance, according to France Telecom's current assessment. The occurrence of external or internal events may lead France Telecom to modify this order of importance in the future.

Legal risks are presented in Section 4.1 "Risks relating to France Telecom", for risks relating to legal proceedings or disputes, and Section 4.2 "Risks relating to the telecommunications sector", for risks relating to regulations and regulatory pressure. For further information, refer to Note 33 "Litigation and claims" to the consolidated financial statements and to section 6.9 "Regulation" respectively.

Industrial and environmental risks are presented in Section 4.1 "Risks relating to France Telecom", for risks relating to the vulnerability of the technical infrastructure and environmental risks. For further information, see Section 4.4.2 .

For risks relating to the financial markets, Note 24 "Exposure to market risks and financial instruments" to the consolidated financial statements presents the management of rate, foreign exchange, liquidity, covenant, counterparty and equity market risks. For further information, refer to this note. In addition, derivatives are described in Note 23 to the consolidated financial statements. The framework for managing rate, foreign exchange and liquidity risks is set by France Telecom's Cash and Financing Committee.

The dedicated insurance program for covering what are seen as the highest risks is presented in Section 6.11 "Insurance". For further information, refer to this section.

4.1 RISKS RELATING TO FRANCE TELECOM

In order to respond to the changing telecommunications services sector which is being rapidly and profoundly transformed in France and abroad, France Telecom has opted for an integrated operator strategy currently being deployed with the "NExT" (New Experience in Telecommunications) plan. If this strategy is not effective or is not adapted to the challenges presented by the changes in its business sector, France Telecom's results and financial position could be adversely affected.

The rapidly changing telecommunications sector in France and abroad has led France Telecom to adopt an integrated operator strategy, based in particular on developing fixed-line/mobile telephony/broadband Internet convergent service offers. The transformation plan for France Telecom into an integrated operator, known as "NExT" (New Experience in Telecommunications), calls for developing convergent offers, and also aims to drive down costs and strengthen the Orange brand. Success of this strategy is not however guaranteed, and its failure could have an adverse effect on France Telecom's financial position or results.

If France Telecom fails to implement this integrated operator model successfully (especially as part of the "NExT" plan), or if it fails to implement it completely, France Telecom's business, financial position and results would be adversely affected.

Success in implementing this strategy depends on the following:

- ability to pool the different networks, information systems, service platforms, shared services centers, and call centers by strengthening the Group's integration in all areas;
- ability to simultaneously manage development efforts in the areas of research and development, the strategic partnerships, centralized strategic marketing and launching of convergent offers;
- ability to develop, implement and market innovative, integrated, "multi-network" and "multi-terminal" services;
- ability to offer services carried over broadband that meet customer demand, especially in terms of multimedia content;

- ability to carry out the accelerated transformation of the Group's structures, operating procedures and cost structure, with savings on purchasing and network costs;
- ability to develop the Group's skills, thanks in particular to the ACT (Anticipation and Skills for Transformation) program, while implementing, especially in France, scheduled plans to reduce and renew the workforce ;
- ability through acquisitions to improve the presence of the Group in high-growth geographic markets.

If France Telecom fails to implement this integrated operator model in line with the "NEXt" plan, or fails to implement it completely or does not implement it quickly enough, the objectives of the "NEXt" plan may not be achieved, which could adversely affect France Telecom's business, financial position and results.

France Telecom has chosen a single brand (Orange) strategy which in certain cases may not meet expectations and which could have the effect of amplifying any problem concerning its image.

The "NEXt" plan is based, in particular, on the consolidation of the Group's products and services under the Orange brand, both in France and abroad. France Telecom could have difficulty in implementing this brand policy. Furthermore, the positive image currently enjoyed by the Orange brand could be adversely affected if a significant incident occurs or if the level of service falls short of expectations in any area in which France Telecom deploys its activities using this brand.

If the implementation of the brand does not meet expectations or if the brand's image were to suffer damage, France Telecom's business, financial position and results would be adversely affected.

If France Telecom is unable to reduce its costs, its operating margins, financial position and results could be adversely affected.

The "NEXt" plan aims, in particular, to reduce France Telecom's costs, notably its fixed costs, which, due its status as the historical operator, are still higher than some of its rivals. If France Telecom is unable to reduce such costs or reduce them quickly enough, the level of its margins, its financial position and its earnings could be adversely affected.

France Telecom may not succeed, in whole or in part, in integrating the companies that it has acquired into the Group or in achieving the planned synergies.

Successfully integrating and achieving the synergies planned in terms of the significant acquisitions made by the Group represent major challenges for the success of the "NEXt" plan.

TP Group, of which France Telecom owns 48.6% and France Telecom España (the result of the merger of Amena and France Telecom's activities in Spain), of which France Telecom holds almost 80%, are in particular strategic assets for the Group.

In the process of integrating these companies, or other acquired companies, France Telecom could:

- have difficulty integrating the operations and personnel of the acquired entities;
- fail to successfully incorporate acquired networks or technology into its network and product offerings;
- fail to implement within these companies the marketing strategy and brand policy defined under the "NEXt" Plan;
- fail to generate the anticipated synergies;
- fail to maintain uniform standards, controls, procedures and policies; or
- fail to maintain satisfactory relations with the personnel of the entities acquired as a result of changes in management and control.

Any major difficulties related to the integration of Amena or the TP Group or other businesses acquired by France Telecom could adversely affect its business, financial position and results.

France Telecom faces risks relating to certain subsidiaries and joint ventures in which it shares control or does not hold a controlling interest.

France Telecom conducts some of its activities through companies that it does not control. Under the documents or agreements governing certain of these activities, certain important decisions such as the approval of business plans or the timing and amount of dividend payments require the agreement of France Telecom's business partners. In the event that France Telecom and its partners disagreed on these decisions, the contribution of these companies to the results of France Telecom and the strategy pursued by France Telecom in the countries where these companies are located could be adversely affected.

In particular, risks of this type may involve Mobinil, subsidiary of France Telecom in Egypt, consolidated at 71.25%, as well as the Mauritius operator (Mauritius Telecom), consolidated at 40%, in which France Telecom shares control with another shareholder.

In Egypt, the outcome of the arbitration proceedings currently taking place between France Telecom and Orascom (minority shareholder of Mobinil) could adversely affect France Telecom's strategy, its results or financial position.

On an ongoing basis, France Telecom is involved in legal proceedings and disputes with regulatory authorities, competitors or other parties. The outcome of such proceedings is generally uncertain, and could have a significant impact on its earnings or financial position.

France Telecom's position as the main operator and provider of network and telecommunications services in France and Poland, and as one of the leading telecommunications operators worldwide, attracts the attention of competitors and competition authorities. In addition, France Telecom - notably in France and Poland - is frequently involved in legal proceedings with competitors and regulatory authorities due to its preeminent position in their market, and the claims filed against France Telecom may in certain cases involve very significant amounts. The outcome of disputes is by definition unpredictable. For proceedings involving competition authorities, the maximum amount of fines provided for by the law represents 10% of the consolidated revenues of the company at fault (or the group that it is part of, as relevant). In 2007, the Office for Electronic Communications (OEC) in Poland imposed a fine of 86 million euros on TP Group for non-compliance with its regulatory obligations and in 2005, the French competition authorities fined France Telecom 40 million euros and then 80 million euros for abuse of its dominant position, followed by a further 256 million euro fine for anti-competitive practices.

The main proceedings in which France Telecom is involved are described in Note 33 "Litigation and claims" to the consolidated financial statements. Developments in or the outcome of some or all of the proceedings underway could have a significant impact on its results or financial position.

France Telecom's technical infrastructure is vulnerable to damage or interruptions caused by floods, storms, fires, power outages, war, acts of terrorism, intentional misdeeds and other similar events. Technical network and information technology system failures may result in reduced traffic, reduced revenues and harm to France Telecom's reputation.

A natural disaster, such as Hurricane Dean in Martinique in August 2007 and the storms in December 1999, which disrupted service in France in early 2000, and other unexpected occurrences affecting its facilities, or any other damage or failure of its networks, may lead to service disruptions. In 2000, damage of this type amounted to approximately 150 million euros. In certain cases, France Telecom has no insurance for damage to its aerial lines and must bear the cost of this damage itself. Information technology system failures (hardware or software), human error or computer viruses may also affect the quality of its services and cause temporary service interruptions. Currently, there is an increased risk of failure of the information system due to the acceleration of the implementation of new services and new applications relating to billing and customer

relationship management. More specifically, incidents may occur while new applications or software are being installed. Moreover, the rationalization of the network based on implementing all-IP technologies could lead, in case of a problem with the system, to total service interruption for a relatively greater number of customers than such a problem might have caused in the past. While the risk cannot be quantified, such events occurring on a country-wide scale could result in customer dissatisfaction and reduced traffic and revenues for France Telecom.

France Telecom has recorded in its financial statements significant amounts of goodwill following the acquisitions made since 1999 and it is possible that the company will recognize impairment of this goodwill on its books, which could have a material adverse effect on France Telecom's earnings and balance sheet.

France Telecom has recorded significant goodwill in connection with its acquisitions since 1999, including in particular the acquisitions of Orange, Equant, Amena and the stake acquired in TP S.A. At December 31, 2007, goodwill represented approximately 31.4 billion euros.

Pursuant to IFRS, the current value of goodwill is reassessed annually and, when events or circumstances indicate that a decrease in value may occur, France Telecom writes down (impairs) this goodwill, particularly in the case of events or circumstances that involve lasting material adverse changes adversely affecting the economic environment or the assumptions and objectives used at the time of the acquisition. France Telecom has notably impaired the value of its investments in Equant, TP Group and in some subsidiaries of Orange and Wanadoo in 2002, 2003, 2004 and 2006. France Telecom cannot guarantee that new events or adverse circumstances will not occur causing it to review the current value of its goodwill and record material impairments that could have a material adverse effect on France Telecom's results.

In addition, when reviewing the present value of goodwill, France Telecom conducts impairment tests at the level at which the Group assesses the return on investment of the goodwill. This level may be a cash generating unit or a group of cash generating units for the same business or geographic region. These groups of cash-generating units can be modified based on changes in the Group's structure, as was the case in 2007 (see Note 7 "Impairment" to the consolidated financial statements). Moreover, with the possibility that new rules will be adopted for the definition of business segments, the Group may have to modify the groups currently defined. Such changes may have an impact on the results of impairment tests and, therefore, on the impairments recognized.

For further details on the impairment of goodwill, see the Annual Financial Report: I Group Management Report, Section 2.2 "From Group gross operating margin to operating income".

The value of France Telecom’s international investments in telecommunications companies outside Western Europe, as well as the achievement of the expected return on investment, may be materially affected by political, economic and legal developments in those countries.

France Telecom has invested in telecommunications businesses in Eastern Europe, the Middle East, Asia and Africa, and plans to make further investments in countries in these regions. These companies contribute significantly to the Group’s growth. The political, economic and legal or labor situations of the countries in these regions of the world may evolve in an unpredictable manner, as was the case in the Côte d’Ivoire. Furthermore, the outlook for growth that is expected for these investments may not materialize and, in this case, France Telecom may not achieve the expected return on investment. Finally, certain planned changes, which should have a positive or stabilizing influence on France Telecom’s business and results, such as the adoption of the euro by Poland, Slovakia and Romania, could be delayed. Political or economic developments of this type and certain legislative changes may adversely affect the operations of companies in which France Telecom has invested or may invest in the future. This could affect the value of such investments or the results of France Telecom.

France Telecom is exposed to risks linked to its ability to attract or to retain skilled personnel as well as to losses of skills that could result from large numbers of employees taking retirement over a short period of time.

The success of France Telecom depends in part on its capacity to attract highly-qualified personnel and to retain and motivate the most capable members of its personnel. If France Telecom is not sufficiently attractive in comparison with its rivals recruiting qualified personnel to develop its business as and when needed, its commercial activities and its operating results could be affected.

Moreover, if France Telecom, must confront and manage the retirement in the upcoming years of a sizeable number of its personnel, does not succeed in maintaining skills and in providing enough continuity to manage projects that are in progress within the Group, its commercial activities and its operating results could be adversely affected.

France Telecom uses certain facilities, products or substances that might represent a danger or create problems for the environment.

France Telecom believes that its activities as a telecommunications operator present no major risks for the environment. In particular, its activities do not use any production processes that seriously threaten rare or non-renewable resources, natural resources (water, air) or biodiversity (see Section 8.2 “Environmental issues”).

However, France Telecom does use certain facilities, products and substances that could represent a danger or create problems for the environment. Prevention programs have been adopted in light of the corresponding risks.

In general, France Telecom applies accounting rules relating to environmental liabilities, and notably those concerning reserves for remedial action and the dismantling of sites, in accordance with current legislation and regulations (see Note 28 to the consolidated financial statements, “Provisions”). However, France Telecom cannot rule out the possibility of a change in legislation or regulations that would require it to incur additional expenditure and to set aside larger provisions in this respect.

The French government directly and indirectly owns 26.79% of France Telecom’s share capital and 26.88% of the voting rights, which could, in practice, allow it to determine the outcome of shareholder votes during Shareholders’ Meetings.

At January 31, 2008, the French government directly and indirectly owned, via ERAP, 26.79% of France Telecom’s shares and 26.88% voting rights, and had three representatives on its Board of Directors out of a total of 15 members. As the main shareholder, whose interests could differ from those of other shareholders, the French government could in practice, given the low participation rate for Shareholders’ Meetings and the absence of any other significant shareholder blocks, determine the outcome of shareholder votes, on any matter submitted to a simple majority vote at the Shareholders’ Meeting. Nevertheless, the French government does not have a golden share, which does not exist in France Telecom’s capital structure, or any other special advantage other than the right to have a number of representatives on the Board of Directors in proportion to its interest in the share capital (see Section 18.2 “Direct or indirect control of France Telecom”).

4.2 RISKS RELATING TO THE TELECOMMUNICATIONS SECTOR

The telecommunication sector's in-depth transformation is continuing its course. A deficiency in the way France Telecom adapts to technological developments and new customer practices could lead to the loss of customers or market share in the sectors in which France Telecom operates, adversely affecting its revenues, margins and results.

The telecommunications industry has undergone a number of major changes over the last few years, and France Telecom believes that these changes are continuing at the same fast pace, with the increase in wireless and fixed-line broadband speeds, an increase in terminal and platform performance in the network and widespread all-IP uses. If France Telecom fails to rapidly and cost-effectively adapt its networks, its technologies, including technologies acquired from third parties under patents, licenses and partnerships, its processes and its services in response to developments in the telecommunications industry and the expectations of its customers, it may be unable to compete effectively and its business, financial position, margins and results may be adversely affected.

Furthermore, new technologies that France Telecom chooses to develop may cause it to incur significant costs and may not be successful. As a result, France Telecom may lose customers or market share or may be obliged to spend significant amounts in order to keep its customers.

Intense competition in the European telecommunications sector may affect France Telecom's resources.

On the mobile telecommunications market, France Telecom faces intense competition on all of its main markets from existing players, new players in the market and virtual mobile network operators (for further information regarding competition within each of the France Telecom group's business segments, see Section 6.8 "Competitive Position"). In France, a fourth 3G license could be granted as part of a new bid process. As these markets have become increasingly saturated, the focus of competition is starting to shift from customer acquisition to customer retention, which could lead to higher expenses for customer loyalty initiatives. Mobile call prices have decreased over the past few years and France Telecom expects them to continue to decrease in the main markets in which it operates, notably due to decisions by third parties over which France Telecom has no control.

On the French market for fixed telephony services, France Telecom is facing competition that has resulted in a massive reduction in rates, as well as a reduction in its market share. Changes in regulations, such as the unbundling of the local loop, pre-selection of operators, wholesale subscription sales and the

portability of numbers have made it easier for customers to use services offered by rival operators. France Telecom is expecting a further reduction in its market share, and is expecting rates to continue to decrease in the fixed-line sector in France. In addition, telephone calls that used to be carried over the switched telephone network are increasingly being carried over the Internet (Voice over IP), or using mobile telephones. The arrival of Internet players, such as Yahoo, Google, MSN and Skype, on the electronic communications market is contributing to this trend. Similar changes are being seen in Poland, affecting TP Group. France Telecom also faces competition on the market for Internet and multimedia services, and more specifically in ADSL broadband Internet access, reflecting the development of unbundling, the implementation of a "naked ADSL" wholesale offering, and new Wimax technology-based access. In addition, France Telecom has had to launch ADSL consumer access services without telephone subscription, giving rise to a downturn in revenues from subscriptions.

On the enterprise communication services market, France Telecom faces intense competition. The France Telecom group's success in this market depends on its ability to compete with the other major telecommunications operators, IP and data specialists as well as new players in this market, including rival network operators, network integrators and suppliers of Internet services or other high value added services. France Telecom believes that the number of rivals or the presence of competitors with a greater critical mass - due to the vertical and horizontal consolidation of this business - may increase in the future, which could generate pressure on prices, reduce its market share and lower its margins.

Competition in any or all of France Telecom's business lines could lead to:

- price and profit erosion for France Telecom's products and services;
- a loss of market share;
- increase in costs linked to investments in new technologies that are needed to retain customers and market share;
- and overall, increased pressure on France Telecom's profit margins.

France Telecom continues to operate in highly regulated markets in which it has limited flexibility to manage its business and is subject to intense regulatory pressures.

France Telecom must comply with a range of regulatory obligations relating to the supply of its products and services, and with the supervision by authorities designated to ensure

effective competition in the electronic communications markets. Furthermore, France Telecom faces a number of regulatory constraints as a result of its dominant position in the fixed line telecommunications market in France and Poland. France Telecom believes that, in general, it fulfills the requirements imposed by the applicable regulations, but it cannot predict the opinions that may be expressed by regulatory or judicial authorities, which could be asked to review or which have already been asked to review certain claims.

France Telecom's activities and operating income may be significantly adversely impacted by legislative, regulatory or government policy changes, and in particular by decisions made by regulatory and competition authorities in relation to:

- the granting, modification or renewal of licenses. Thus, the relevant French authorities could again launch a call for bids for the allocation of a fourth 3G license in France. Furthermore, in most countries, engaging in the operation of certain types of networks, especially mobile networks, or the supply of services requires that a license be obtained. This type of license often entails various obligations concerning network completion deadlines and network quality and coverage. Non-compliance with these obligations could result in fines and other sanctions ultimately including the withdrawal of licenses awarded;
- the possibility of extending France Telecom's activities to new markets, or the possibility of developing products and services that ensure convergence on the various markets on which France Telecom operates in countries such as France and Poland;
- the accessibility of networks and civil engineering infrastructures to rival network operators;
- service tariffs. For example, regulatory authorities in Europe have set price reductions for call termination charges and in 2007 the European Commission imposed price reductions in international roaming rates, and it is possible that these authorities could decide on further reductions in the future.

Such decisions could have a material adverse impact on France Telecom's earnings.

Furthermore, in the European Union, national laws enacted under EU directives require the national regulatory authorities to create lists of relevant markets, for which they will conduct market analyses. Following this market analysis phase, they are entitled to impose remedies on operators that exert a significant influence on the wholesale markets, such as the publication of standard offer terms, access to components of networks and related resources, and the accounting separation of certain interconnection or access activities. Although regulations are now restraining the field of application of these measures primarily to wholesale offers, the national regulatory authorities can, for a limited number of relevant retail markets, prohibit

bundling deemed abusive, impose rates reflecting costs, or contest the implementation of a rate. The regulators therefore have various tools that enable them to increase the burden of regulatory constraints for operators. The France Telecom group, given its position in certain markets in France and in Poland, is particularly exposed to this risk.

In markets where France Telecom is not the incumbent operator, the national regulatory authorities can follow a policy that favors the incumbent operator to the detriment of France Telecom or other new entrant operators, by failing to make decisions that sufficiently favor conditions for conducting business and the development of competition.

In France, the Arcep has broad authority to oversee and to sanction since it can conduct on-site and documentary investigations as part of its mission, and impose conservatory measures without advance notice.

Overall, the regulatory, investigative and sanctioning powers granted to regulatory authorities have been strengthened, which could have a material adverse impact on France Telecom's business and results.

For further information on regulations, see Section 6.9 "Regulation".

If mobile telephony and Internet revenue growth slows down, and if revenues from new convergent, broadband and new content services do not take their place, France Telecom's revenues may fail to increase or may even decrease, which could adversely affect its margins and profitability.

Over the last few years, growth in France Telecom's revenues on a constant exchange rate and comparable basis has been driven primarily by the rapid expansion of its Internet and wireless communications businesses, in line with growth in the Internet and wireless markets in Europe.

If these markets do not continue to develop, particularly in France, Poland, the United Kingdom and Spain and notably in the areas of convergent, broadband and content services, France Telecom's revenues may not grow or may even decrease, which in turn could affect its financial position and results, notably in the event of a continued downturn in revenues on fixed-line services.

For further information on changes in France Telecom's revenues and its components over 2007, refer to the Group Management Report, Section 2.1.1 "Revenues".

Alleged health risks in relation to wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations or litigation, which could adversely affect France Telecom's results.

In some countries in which France Telecom conducts its wireless telephony business, concerns have been expressed over the last few years as to the possible health risks to humans (including children) caused by exposure to radio-frequency emissions or electromagnetic fields emitted by mobile telephones and wireless transmitter sites. Such concerns have been taken up by opinion campaigns, but they do not currently reflect a consensus among experts in the countries in which France Telecom operates. Based on the results of research carried out up until now, the World Health Organization has concluded that there is no danger to health below the exposure thresholds currently set by international standards.

While to date France Telecom is not aware of any substantiation of alleged health risks associated with wireless telephony, potential or perceived health risks may have a material adverse

effect on France Telecom's earnings or financial position due to a reduction in the number of customers, reduced usage per customer, a slowdown in the deployment of transmitter sites, the Orange brand being adversely affected, potential litigation or other reasons, including acts of vandalism at transmitter sites. Moreover, France Telecom cannot be certain in the future that publications of scientific research or medical research in general will rule out any link between radio frequency emissions and health risks. If such a link were discovered, it could have an adverse impact on France Telecom's business and results.

For further information, see the Annual Financial Report: III Report of the Board of Directors to the Shareholders, Section 4.4.2.

4.3 RISKS RELATING TO FINANCIAL MARKETS

France Telecom's earnings and cash position are exposed to changes in exchange rates.

A significant portion of France Telecom's revenues and expenses are accounted for in currencies other than the euro. The main currencies for which France Telecom is exposed to a significant foreign exchange risk are the pound sterling and the Polish zloty. From one period to another, fluctuations in the average exchange rate for a given currency may significantly affect the revenues and expenses in the currency, which could significantly adversely affect France Telecom's earnings. For example, based on data for 2007, the theoretical impact of a 10% depreciation against the euro for all the currencies in which the Group's subsidiaries operate would have translated into a 2.8% reduction in consolidated revenues and a 2.2% reduction in the gross operating margin. In addition to the main currencies, France Telecom carries out its activities in other monetary zones, including some of the countries in the CFA Franc zone, which are furthermore considered to be sources of future growth for France Telecom. Any devaluation of the CFA Franc could adversely affect France Telecom's revenue as well as its growth potential.

In addition, France Telecom manages the exchange rate risk for commercial transactions (linked to operations) and financial transactions (linked to financial debt) as set out in Note 24.2 to the consolidated financial statements: "Exposure to market risks and financial instruments: Foreign exchange rate risk management".

In general, France Telecom uses derivative instruments to hedge its exposure to exchange rate risk, but it cannot guarantee that these derivative transactions will effectively or totally limit this risk. To the extent that France Telecom has not used any derivative instruments to hedge part of this risk, or if its strategy for using such instruments is not successful, France Telecom's

cash flow and earnings could be adversely affected. See Notes 23 and 24 to the consolidated financial statements, respectively "Derivatives" and "Exposure to market risks and financial instruments".

For consolidation purposes, the assets and liabilities of foreign subsidiaries are converted to euros at the year-end exchange rate. This conversion, which does not affect the income statement, has an impact on consolidated balance sheet items, assets and liabilities, against the lines for shareholders' equity currency translation differences, and represents amounts that may be significant.

Managing the exchange rate risk and analyzing the sensitivity of the Group's position to changes in interest rates are described in Note 24.2 to the consolidated financial statements, "Foreign exchange rate risk management".

France Telecom's business may be affected by fluctuations in interest rates.

In the ordinary course of its business, France Telecom is exposed to changes in interest rates. Where appropriate, France Telecom uses derivative instruments to hedge its rate risk exposures, but it cannot guarantee that such derivative transactions will effectively or completely hedge this risk. To the extent that France Telecom has not used any derivative instruments to hedge part of this risk, or if its strategy for using such instruments is not successful, France Telecom's cash flow and earnings could be adversely affected.

The management of interest rate risk and the sensitivity analysis of the Group's position to changes in interest rates are described in Note 24.1 to the consolidated financial statements, "Exposure to market risks and financial instruments: Interest rate risk management".

France Telecom's earnings and financial position could be adversely affected by an equities market downturn.

A downturn in equities markets could have a negative impact on France Telecom's earnings and financial position. In the event of a reduction in the share prices of France Telecom's listed subsidiaries, notably TP S.A. (Poland), Mobistar (Belgium) and ECMS (Egypt), it may be necessary to test the value of the corresponding assets, which could lead to an impairment in value being recorded.

France Telecom's share price may fluctuate due to a wide range of factors.

These factors include:

- a change in France Telecom's credit rating, or level of indebtedness or sales of assets;
- changes in financial analysts' recommendations regarding France Telecom;

- changes in analysts' forecasts regarding the markets in which France Telecom operates;
- an announcement by France Telecom or one of its competitors regarding strategic partnerships, financial results, changes in capital structure or other significant changes in its activity;
- the recruitment or departure of key employees;
- general stock market fluctuations.

Future sales by the French government of its shares in France Telecom may impact France Telecom's share price.

As of January 31, 2008, the French government held directly or indirectly, through the ERAP, 26.79% of the capital and 26.88% of the voting rights of France Telecom (see Section 18.2 "Direct or indirect control of France Telecom"). If the French government decides to further reduce its stake in France Telecom, such a sale by the French government, or even the perception that such a sale is imminent, could have an adverse impact on France Telecom's share price.

5. information about the issuer

5.1 HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1 Legal name and commercial name

“France Telecom”

5.1.2 Registration location and number

Trade register no.: 380 129 866 R.C.S. Paris

APE code: 642 C

5.1.3 Date of incorporation and duration

France Telecom S.A. was incorporated as a French limited company (société anonyme) on December 31, 1996 for a period of 99 years as of that date. Barring early liquidation or extension, the company will expire on December 31, 2095.

5.1.4 Registered office, legal form and governing law

6, Place d'Alleray, 75015 Paris, France
Telephone: +33 (0)1 44 44 22 22

France Telecom S.A. is governed by French corporate law, subject to specific laws governing the company, notably Law 90-568 of July 2, 1990 relating to the organization of public postal and telecommunications services, as amended by Law 96-660 of July 26, 1996 and Law 2003-1365 of December 31, 2003.

The regulations applicable to France Telecom in respect of its activities as an operator are discussed in Section 6.9 “Regulation”.

5.1.5 Important events in the development of the company's business

France Telecom is the leading broadband Internet service provider and the number three mobile operator in Europe and is a worldwide leader in telecommunication services for multinational corporations. France Telecom has been listed on the Euronext

Paris Eurolist market and on the New York Stock Exchange (“NYSE”) since October 1997, when the French government sold 25% of its shares to the public and to France Telecom employees. France Telecom's transfer from the public sector to the private sector took place on September 7, 2004 further to the government's disposal of 10.85% of France Telecom's capital. At December 31, 2007, the French government directly or indirectly owned 27.34% of France Telecom's capital.

Since the 1990's, France Telecom's business, and the regulatory and competitive environments in which it operates, have undergone significant changes that have affected the structure of its revenues, as well as its business and its internal organization. All segments of the telecommunications market in France have been opened up to competition since January 1, 1998 with the exception of local calls, which were opened up to competition on January 1, 2002.

In this context of deregulation and increased competition, from 1999 to 2002 France Telecom pursued a strategy aimed at developing new services and accelerating its international development through external growth. In this regard, France Telecom has extended its activities towards new areas of telecommunications services, including wireless telephony, the Internet and data transmission services in France and internationally. Also in line with this strategy, France Telecom has made a number of strategic investments (acquisitions, minority investments, UMTS licenses). In particular, it acquired Orange Plc. in 2000, Global One and Equant in 2000 and 2001, interests in NTL between 1999 and 2001, in the Polish operator TP S.A. in 2000 and 2001, and in MobilCom in 2000. However, following various transactions, France Telecom no longer has any stake in NTL and its investment in the share capital of MobilCom is limited to 1%. The majority of such strategic investments could not be financed through equity issues, leading to a significant increase in France Telecom's debt.

In December 2002, France Telecom launched the “Ambition FT 2005” plan, focused on refinancing its debt and strengthening its equity, as well as the “TOP” operational improvement program, whose success has enabled the Group to develop its global integrated operator strategy by anticipating changes in the telecommunications industry.

Since the end of 2003, this strategy has been reflected in the acquisition of all minority shareholder interests in Orange and Wanadoo, the acquisition of all the assets and liabilities of Equant, the integration of Wanadoo into France Telecom S.A.,

the implementation of a new organization for the Group in line with this strategy, and the sustained launch of new services.

In June 2005, France Telecom launched the Group's "NExT" plan (New Experience in Telecommunications), aiming to transform the Group over three years, making France Telecom the benchmark operator for new telecommunications services in Europe. In 2006, "Orange" thus became the Group's unique brand for Internet, television and mobile services in most of the countries where the Group operates, and all business services for the world moved under the "Orange Business Services" brand.

Within this context of the NExT plan, France Telecom acquired close to 80% of the capital of the Spanish mobile operator Amena in November 2005 for 6.4 billion euros. In 2006, all of France Telecom's mobile, fixed-line and Internet activities in

Spain were consolidated within one single 79.3% owned entity (France Telecom España), operating under the Orange brand.

At the same time, France Telecom has rationalized its asset portfolio, selling off non-strategic assets, including the following subsidiaries and equity interests:

- in 2003: Casema, Eutelsat, Wind, CTE (Salvador) and Telecom Argentina;
- in 2004: Noos, BITCO (Thailand), Orange Denmark, Radianz (Equant equity interest), and ST Microelectronics;
- in 2005: Tower Participations (the company that owns TDF), Intelsat, cable network activities, and MobilCom AG;
- in 2007: Internet and mobile businesses in the Netherlands.

Furthermore, PagesJaunes Groupe, the Group's directories subsidiary, was listed on the stock market (Euronext Paris) in 2004, and France Telecom's stake in PagesJaunes Groupe (54% at the end of 2005) was sold off in October 2006.

5.2 INVESTMENTS

See the Annual Financial Report: I Group Management Report: Section 2.4: "Group capital expenditures".

6. description of activities



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6.1 STRATEGY

France Telecom's strategy is designed to respond to the changing telecommunications service sector which is being profoundly transformed, resulting in significant changes in the offer, usages and the competitive framework.

France Telecom believes that the main drivers of this transformation are:

- evolving technologies: general use of the IP protocol, broadband, mobility; development of multi-access handsets and network interoperability;
- evolving customers habit: growth in the consumption of audiovisual content, abundance, the customization of utilization contexts and services;
- changing industry structures and strategies, and more intense competitive pressures.

As a result, in the broadband fixed network segment, we are seeing a consolidation in the market for Internet service providers (ISP) around a few major players that offer Multiplay (Internet, Voice over IP, TV), as the competitors of the historical operator take advantage of the unbundling of local loops. In the mobile market, the MVNO (Mobile Virtual Network Operators) are now strong players. In the most mature markets, convergence has gained further ground with the forming, through buyouts, of integrated operators able to provide Multiplay Internet / fixed-line / mobile and TV offerings. Finally, the players in the Internet services market intend to expand significantly into the communication and content services market on a non-regulated basis.

6.1.1 In 2005, France Telecom launched NExT, the Group's transformation plan to become the leading operator for new telecommunications services

On June 29, 2005, France Telecom presented the Group's 2006 – 2008 program. The "NExT" plan – (New Experience in Telecommunications) is a 3-year plan for transformation that will enable the Group's customers to access a universe of enriched and simplified services and the Group to pursue its transformation as integrated operator. It is designed to make France Telecom the benchmark operator for new telecommunications services in Europe in terms of innovation, service quality and economic performance.

Backed by a complete portfolio of offers and solutions, its control of all type of networks, and its capacity for integrated innovation, France Telecom intends to develop a new world of services in communication, information and entertainment, everyday life and business services to meet the expectations of all customers (consumers, professional customers, businesses, local authorities) in all situations (mobile, home, office), whatever the network, platform or handset used. To reflect this strategy,

the Group adopted a new brand identity based on the simplified Orange brand with greater international recognition in June 2006.

Four major challenges structure the strategy of the NExT Plan over the 2005-2008 period:

- to move from a logic of access to networks to a logic of access to services;
- to innovate in telecom services, customer services, and network services;
- to strengthen the integration of the Group;
- to manage the development of the Group's expertise.

6.1.2 A rapidly changing sector, with economic models that need to be adapted

In a sector marked by rapidly changing technologies with the increase in wireless and fixed-line broadband speeds, storage capacities and increases in terminal and platform performance in the network, digitalization of content and an overall greater generalization of all-IP utilizations, four major trends are structuring the transformation of the competitive challenge:

The first trend concerns the utilizations. In just a few years, we have moved from utilizations billed by the minute, by distance or capacity to abundance offers up to unlimited access for voice and SMS communications as well as new free broadband uses with instant messaging and peer-to-peer uses.

The second trend is convergence. With its NExT program, France Telecom was the first operator to place this trend at the core of its strategy. Traditionally, the customer was at the end of several networks, fixed-line, mobile, broadband; the customer now becomes a node within several networks and many communities. Convergence reaches far beyond the simple bundling of services or unique customer contact services; for the customer, this means no-cost services available over different networks, different terminals and in different situations in life, at home, in the office or on the go. Unik, Net and Unik, Business Everywhere or Internet Everywhere are the first convergence offers that have been successfully launched by France Telecom.

The third trend is that of a drastic change in the value positions of the main players in the sector. Telecommunications operators, terminal or network suppliers, players in media or suppliers of on-line services must now move out of their traditional areas of skills and touch upon related areas in order to provide richer services and develop their revenues. This results in making the relations between the actors in this "ecosystem" more complex, with stiffer competition and the need to form partnerships. France Telecom has clearly foreseen this change with initiatives in the areas of content and audience.

The fourth trend is that competition now will be stimulated more by innovation than by regulatory decisions. Indeed, regulations are becoming more predictable than in the past and are limited to the area of wholesale offers. It is now the ability of operators to create new offers of value for their customers, with increased differentiation in terms of their competitors, that will allow for growth in the market and changes in the share of the market for each of the players. The priority that is given to anticipation and innovation, which has resulted in creating the Technocenter and substantial means (1.7% of 2007 revenue invested in R&D), is at the core of the NExT program.

6.1.3 France Telecom has solid assets on which to build its future growth

One of the major assets is the Orange brand which is recognized as a leading brand in the sector for the values of innovation, responsibility, customer confidence and dynamism that it carries. Since the rebranding decision taken in June 2005, many operations have adopted the Orange brand which now regroups 68% of the Group's customers.

The commercial presence and customer proximity is also a major asset. The Group has developed a vast direct distribution network in order to be as close as possible to its customers, and 68% of acquisitions are in the form of direct sales.

Network assets support the Group's capacities to anticipate and innovate. 95% of France Telecom's customers are directly connected to its infrastructure in which the Group is continuing to invest dynamically in order to develop new services and improve service quality from end to end.

Since the NExT plan was announced, France Telecom has rationalized its operating assets, selling off operations when it was no longer possible to remain among the top two leaders in the country, but has also acquired operations that allow it to acquire or consolidate new positions as leader. Currently, 74% of France Telecom's customer base is located in countries where the Group is either the leader or number two in the market.

6.1.4 The Group's strategic priorities

Innovation is the Group's top priority. In order to provide the market with a regular flow of innovation, France Telecom has structured this activity in a way that has no equivalent in terms of its competitors, by creating a network of Orange R&D centers called the "Orange Labs", located right next to the places where the new trends are being designed (San Francisco, China) or right next to local needs (United Kingdom, Warsaw, Cairo, Jordan, Egypt).

The "Technocenter" is in charge of co-ordinating the development of new products by associating the skills of Marketing, R&D, Networks and IT, while the "Explocenter" tests new product designs, and "Orange Valley", created in mid-2007, is responsible for developing innovative projects stemming from initiatives that are either internal or external to the Group.

Broadband is at the heart of the innovation strategy, and fixed-line (ADSL) or mobile (3G) broadband coverage in the four key markets (France, UK, Spain, Poland) is very advanced. This will be further reinforced by an increase in HSDPA coverage and by selective investments in optical fiber.

The goal is to accelerate the renewal of the product portfolio in order to stimulate growth in revenue. In mid-2007, the Group decided to launch or strengthen 20 **growth initiatives** addressing three themes:

- access and convergence;
- multimedia and audience;
- new territories including e-health offers.

In summary, the Group is expecting the share of new products and services in the Group's revenue to evolve by 5 to 6% in 2007 to about 10% in 2010.

The second priority is service quality. Service quality is indeed increasingly important in order to differentiate oneself from the competition. Better quality is also a source of savings. Already, Orange is recognized for the level of its service quality with France having the lowest claim rate, the highest broadband quality in Spain, and the designation of Orange Business Services as best global operator for the second year in a row.

These efforts will continue in this area and new opportunities for improvement will be sought, especially through developing broadband installation services at the customer's domicile, or improving the reliability of products and services.

The third priority is to continue developing a strong and recognized brand and to have it bear fruit across the various markets. As the Group's activity becomes more and more complex, diversified and evolving, the brand represents a point of reference for major growth. The confidence that it inspires facilitates the conquering of new markets and new audiences. From this standpoint, several outside studies (Interbrand, Milward Brown Optimor) show that Orange is among the leading brands in telecommunications and is at the top in Europe thanks to the rebranding operations carried out recently.

The fourth priority is to continue improving our operational performance in order to continue reducing costs. The NEXt transformation projects covering the increase in productivity and reductions in costs continue to be essential for the Group's performance. They address all of the processes and the various types of expenses:

- commercial expenses: the objective is to stabilize these in terms of a percentage of revenue and to improve the effectiveness of these expenses through better allocation of resources towards the most profitable channels. As such, France Telecom is planning to increase its on-line commercial activity sharply (customer sales and assistance);
- inter-operator costs will be optimized by accelerating the use of unbundling in Spain and in the United Kingdom;
- the reduction in network intervention and maintenance costs and IT costs will continue, while agreements to share the mobile network have been negotiated in Spain and in the United Kingdom;

- all of the other costs are undergoing improvement in performance, such as in the call center area for example;
- finally, the Group is continuing the effort underway in reducing its workforce.

The fifth major priority involves orientating the Mergers/Acquisitions activity towards improving the Group's presence in markets that are a priority for the Group's strategy.

This strategy has recently led the Group to sell its operations in the Netherlands and to reinforce operations in Spain by buying out ya.com, as well as taking new positions in high-growth markets such as Kenya (controlling interest taken in the historical operator) or in Niger (new fixed-line and mobile licenses).

6.1.5 The transformation of the Group into an integrated operator is bearing fruit

As a top rate actor worldwide, France Telecom has been able to transform itself into a global integrated operator with 170 million customers in 28 countries, including 115 million under the Orange brand (figures for the end of 2007).

By giving priority to innovation and developing the new "Business Lines" in the areas of content, health and audience, France Telecom is demonstrating its capacity to invest in new sectors of growth.

6.2 GENERAL DESCRIPTION OF THE BUSINESS

The France Telecom group offers its individual customers, businesses and other telecommunications operators an extended line of services covering fixed and mobile communications, data transmission, the Internet and multimedia, and other added-value services.

As of December 31, 2007, France Telecom provided services to 170.1 million customers, up from 158.6 million customers at December 31, 2006.

Table of all Group customers (as of December 31, in thousands, for controlled companies)

	2007	2006
Mobile		
France	24,226	23,268
Europe (excluding France)	59,596	57,157
World (excluding Europe)	25,840	17,208
Total	109,662	97,633
Fixed		
France	34,174	33,873
Europe (excluding France)	11,998	13,504
World (excluding Europe)	1,214	1,304
Total	47,386	48,681
Internet		
France	7,917	6,884
Europe (excluding France)	5,033	5,298
World (excluding Europe)	152	100
Total	13,102	12,282
Total		
France	66,318	64,025
Europe (excluding France)	76,625	75,959
World (excluding Europe)	27,206	18,612
TOTAL	170,149	158,596

The definition of customers is provided below for each category of service:

Mobile service customers

A mobile service customer is anyone holding a SIM card or anyone holding a prepaid card who has placed at least one call and has not passed the date after which it is contractually impossible to receive calls.

Fixed-line telephony service customers

This number is the aggregate of standard analog lines and ISDN access lines in service (including fully unbundled lines), with each ISDN channel being treated as one line. ISDN: Integrated services digital network.

Internet access customers

Internet access customers are those who have entered a monthly payment subscription contract as well as the active customers of free access accounts, i.e. access customers showing activity in the last month, identified by measurable consumption.

Business segments

In order to reflect the change in the Group and the structure of its businesses, France Telecom has selected the following three business segments:

- the **Personal Communication Services** (PCS) segment consists of the mobile telecommunication services in France, the United Kingdom, Spain, Poland and Rest of the World. It includes all the Orange subsidiaries, and the mobile operations of France Telecom España in Spain and TP Group in Poland (with its subsidiary PTK Centertel), and the other Group companies abroad;
- the **Home Communication Services** (HCS) segment includes the fixed-line telecommunication activities (fixed-line telephony, Internet services, operator services) in France, Poland and the Rest of the World, as well as the distribution and support functions provided to the other segments of the France Telecom group;
- the **Enterprise Communication Service** (ECS) segment holds the communication solutions and services dedicated to businesses in France and worldwide.

The Group's businesses are described in the 2007 Registration Document, in this order, for each of these business segments.

6.3 PERSONAL COMMUNICATION SERVICES

6.3.1 Overview of the segment

The Personal Communication Services (PCS) segment consists of the mobile telecommunication services in France, the United Kingdom, Spain, Poland and the Rest of the World. It includes all the Orange subsidiaries, and the mobile operations of France Telecom España in Spain and TP Group in Poland (with its subsidiary PTK Centertel), and the other Group companies abroad.

These activities are focused primarily on the transmission of voice and data over digital networks using the GSM standard. In order to enhance its services, France Telecom has deployed the General Packet Radio Services ("GPRS") system over its network in most of the subsidiaries and the EDGE and HSPDA technology in some of its networks in Europe (for further information, see Section 8.1.1 "Networks").

In order to offer third-generation services, France Telecom has participated in several UMTS licensing award procedures in Europe. The controlled companies hold UMTS licenses in

France, the United Kingdom, Spain, Poland, Belgium, Romania, Slovakia and Switzerland.

France Telecom considers the development of mobile broadband and the third generation to be a strategic priority and an activity with high growth potential, and wants to be a leader in these services in Europe.

France Telecom also intends to remain at the leading edge of changes in the mobile telecommunications market by pursuing a policy of systematic innovation, particularly by offering enhanced, simplified and convergent services.

The Personal Communication Services segment recorded revenues of 29.1 billion euros in 2007 (compared with 27.7 billion euros in 2006 and 23.5 billion euros in 2005). As of December 31, 2007, France Telecom had 109.7 million mobile customers worldwide (up from 97.6 million at December 31, 2006 and 84.3 million customers at December 31, 2005).

The following tables list the countries in which France Telecom currently operates, the operators, the consolidated share in each operator, the total number of customers, and the licenses held in each country.

FRANCE/UNITED KINGDOM/SPAIN/POLAND

Country	Operator	Consolidated share (%)	Total number of customers of the companies controlled by France Telecom (in millions)			2G Licenses	3G Licenses Grant date/ Renewal date
			2007	2006	2005		
France	Orange France ⁽¹⁾	100.0	24.2	23.3	22.4	GSM900/1800	August 2001/ August 2021
United Kingdom	Orange UK	100.0	15.6	15.3	14.9	GSM1800	September 2000/ December 2021
Spain	France Telecom España ⁽²⁾	100.0	11.1	11.1	10.3	GSM900/1800	March 2000/ April 2020
Poland	PTK Centertel ⁽²⁾	100.0	14.2	12.5	9.9	GSM900/1800	December 2000/ January 2023

(1) Excluding MVNO. There were 25.6 million Orange France customers including MVNO at December 31, 2007.

(2) Companies operating under the Orange brand.

REST OF THE WORLD

Country	Operator	Consolidated share (%)	Total number of customers of the companies controlled by France Telecom (in millions)				2G Licenses	3 G licenses Grant date/ Renewal date
			2007	2006	2005			
Belgium	Mobistar	100.0	3.3	3.1	2.9	GSM900/1800	March 2001/ March 2021	
Romania	Orange Romania	100.0	9.8	8.0	6.8	GSM900	March 2005/ March 2020	
Slovakia	Orange Slovensko	100.0	2.9	2.7	2.5	GSM900/1800	June 2002/ July 2022	
Switzerland	Orange Communications SA	100.0	1.5	1.4	1.2	GSM1800	December 2000/ December 2016	
Moldova	Voxtel	100.0	1.1	0.9	0.7	GSM900	-	
Egypt	Mobinil/ECMS	71.25 ⁽¹⁾	10.8	6.6	4.8	GSM900	October 2007 / October 2022	
Botswana	Orange Botswana	100.0	0.5	0.4	0.3	GSM900	-	
Cameroon	Orange Cameroon	100.0	2.0	1.3	1.0	GSM900	-	
Ivory coast	Orange Côte d'Ivoire	100.0	2.5	1.7	1.3	GSM900/1800	-	
Madagascar	Orange Madagascar	100.0	1.3	0.6	0.3	GSM900	-	
Dominican Republic	Orange Dominicana	100.0	2.00	1.5	1.0	GSM900	-	
Senegal	Sonatel Mobiles ⁽⁴⁾	100.0	2.5	2.1	1.0	GSM900/1800	-	
Mali	Ikate ⁽⁴⁾	100.0	2.0	1.2	0.6	GSM900	-	
Jordan	Mobilecom ⁽⁴⁾	100.0 ⁽²⁾	1.5	1.4	0.3	GSM900	-	
Mauritius	CellPlus	40.0 ⁽³⁾	0.2	0.2	0.2	GSM900/1800	-	
Equatorial Guinea	Orange Guinée équatoriale ⁽⁵⁾	40.0	0.09	-	-	GSM900/1800	-	
Guinea Bissau	Orange Bissau	100.0	0.04	-	-	GSM900/1800	-	
Guinea	Orange Guinée	100.0	0.18	-	-	GSM900/1800	-	
Central African Republic	Orange Centrafrique	100.0	0.03	-	-	GSM900/1800	-	

(1) Orange and Orascom Telecom jointly control Mobinil, which holds 51% of the operational company ECMS. Therefore, pursuant to IFRS, the financial and operating data of Mobinil/ECMS are consolidated proportionately at 71.25%. The total customer base of Mobinil (100%) was 15.1 million at December 31, 2007.

(2) At December 31, 2005, France Telecom held 40% control of the operator Jordan Telecom, which itself controlled 100% of its mobile subsidiary Mobilecom. Thus, pursuant to IFRS, the financial and operating data for Mobilecom were consolidated proportionately at 40% on that date.

(3) France Telecom controls 40% of the operator Mauritius Télécom, which itself controls 100% of its subsidiary CellPlus. Thus, pursuant to IFRS, the financial and operating data of CellPlus are consolidated proportionately at 40%. The total customer base of CellPlus was 552,000 as of December 31, 2007.

(4) Companies operating under the Orange brand.

(5) France Telecom controls 40% of the operator Orange Guinée équatoriale. Thus, pursuant to IFRS, the financial and operating data of Orange Guinée équatoriale are consolidated proportionately at 40%. The total customer base for Orange Guinée équatoriale was 220,000 at December 31, 2007.

6.3.2 France

The table below presents the principal features of the French mobile telecommunications market and the businesses of Orange France (including, except where otherwise indicated, the French Overseas Departments).

	At December 31		
	2007	2006	2005
Market penetration rate in France (as %) ⁽¹⁾	87.6	81.8	79.7
Total number of users in France (in millions) ⁽¹⁾	55.3	51.7	48.1
Contract customers (millions) ⁽¹⁾	36.3	33.6	30.5
Prepaid customers (millions) ⁽¹⁾	19.0	18.1	17.5
Registered customers of Orange France (in millions) ⁽²⁾	24.2	23.3	22.4
Contract customers (millions) ⁽²⁾	15.7	14.7	13.8
Prepaid customers (millions) ⁽²⁾	8.5	8.6	8.6
Market share of Orange France (in %) ⁽²⁾	43.8	45.0	46.7
Coverage of the Orange France network (as a % of the population) ⁽³⁾	99.0	99.0	99.0

(1) Source Arcep.

(2) Source: Orange France, excluding MVNO. There were 25.6 million Orange France customers including MVNO at December 31, 2007.

(3) Excluding Overseas Departments and based on Orange France estimates.

As of September 30, 2007, France was the fourth largest mobile telecommunications market in Western Europe, behind Germany, Italy and the United Kingdom (source: Orange).

The penetration rate of 87.6% calculated on the basis of the 2006 census (source: Arcep) (81.8% at December 31, 2006, 79.7% at December 31, 2005), which is lower than the European average, is due to three specific features of the French market:

- France is characterized by a low average density of 106 inhabitants per km² and by major disparities in the country;
- the penetration of fixed-line telephony is higher than the European average;
- the multi-equipment rate is low in France: 6% compared with 18% on average in Europe.

As of December 31, 2007, Orange France had approximately 24.2 million customers registered (excluding the MVNO) (23.3 million at December 31, 2006, 22.4 million at December 31, 2005). Including MVNO, Orange France had 25.6 million customers at December 31, 2007.

The priority for Orange France has moved from customer acquisition to value creation and customer retention.

The Orange brand, present in France since June 2001, enjoyed spontaneous brand recognition of 94% in December 2007 (source: monthly Orange study).

As of December 31, 2007, the Orange France network covered, according to its estimates, 99.0% of the French population for broadband (excluding Overseas Departments).

GSM and UMTS licenses

Orange France holds a GSM license, which was renewed for a 15-year period as of March 25, 2006, and a UMTS license

obtained in August 2001 for a period of 20 years from the date it was granted. See Section 6.9.2.5 "Frequency management".

Moreover, in the Overseas Departments, Orange Caraïbe operates a GSM network in Guadeloupe, Martinique and Guyana under the "Orange" brand. Orange Caraïbe had approximately 602,000 customers as of December 31, 2007, compared with about 582,000 customers at December 31, 2006, and approximately 601,000 as of December 31, 2005. In December 2000, Orange Réunion launched its GSM service in La Réunion, where it competes with the existing operator. At December 31, 2007, Orange Réunion had about 284,000 customers, compared with about 256,000 customers as of December 31, 2006 and approximately 229,000 at December 31, 2005 (Source: Orange France).

6.3.2.1 The Orange France offers

Orange France offers four major types of products targeted at different categories of users: the offers with subscription, offers without commitment, the new multimedia Orange World offer and, for businesses, the Orange Business Solutions offers. In addition, Orange's first convergence offers were launched in the fourth quarter of 2006.

Offers with subscription

Orange France proposes two categories of offers with commitment:

- **Blocked contract offers** allow young people from the ages of 11 to 25 to totally control their budgets:
 - The Orange ZAP contracts, specifically designed for adolescents, offers reduced rates within certain time frames (from 5:00 p.m. to midnight during the week, All day on Wednesdays, weekends and during school vacations),

- The M6 mobile by Orange contracts, designed more specifically for the 18 to 25 age group, offers unlimited calls in the evening from 10:00 p.m. to 8:00 a.m. and/or every weekend to Orange and M6 mobiles, which is over 23 million numbers.

These packages are all-inclusive and are blocked once the threshold is reached, but can be reloaded using a credit card, a mobicarte, or using the "Reload me" function;

- **The "à volonté" contracts** offer three ranges based on usage and including the unlimited KDO:
 - Orange Classique, which has 3 plans (1, 2 and 4 hours) which can be adjusted or carried over, with unlimited calls to 3 Orange numbers,
 - Orange Intense, a choice from among 5 plans (from 1 to 6 hours) with SMS included, calls, MMS and unlimited remote video to Orange mobiles in the evening and on the weekends, and unlimited calls to 3 Orange numbers, 24/7,
 - Orange Pro, a range of 8 plans (from 3 to 30 hours) all included, for business or private use, with unlimited calls during the day.

The customer can change the contract or plan at any time.

Orange Intense

In October 2005, Orange France launched a new line of contract packages that include mobile broadband access in all plans. The Orange Intense line is now the multimedia benchmark for all customers, whatever the mobile selected (2G, Edge or 3G).

The new Orange Intense contracts consist of a voice and video communication credit and the multimedia offer included with an usage credit for sending SMS (up to 60 SMS). The TV – music surf option is offered for 4 months. The new line consists of 5 voice and video plans (from 1 to 6 hours). All of these contracts offer free voice and video calls, MMS photos and videos to 3 Orange numbers 24/7, as well as unlimited voice/video calls and MMS photos and videos to Orange mobiles in the evening and on the weekend.

Orange Pro

The Orange Pro contracts are intended for both "premium" customers and professional customers (those who hold a Siren business number) who are demanding and heavy mobile users.

The Orange Pro "all included" packages offer a range of 8 plans (from 3 to 30 hours, starting at 46 euros including tax/month). All communications and usages are counted against the contract (international calls, roaming, surf, SMS, MMS). Services are also included: after-sales service 24 hours/24 months, coverage against theft, suspension of the contract, carryover of minutes, mobile conferencing.

The contracts also include:

- unlimited calls to all Orange mobiles every day from 8:00 a.m. to 6:00 p.m.;
- calls to fixed-line phones in Europe and to fixed/mobiles in the United States and Canada, at the price of national calls.

Moreover, the option of unlimited calls to fixed-line phones in France from 8:00 a.m. to 6:00 p.m. 7 days/week is offered in addition to the Orange Pro contract for 15 euros including tax/month.

For artisans, merchants, professionals, independent workers and business entrepreneurs (those holding a Siren number), the professional option offers, for 14.35 euros including tax/month, unlimited calls to fixed-line phones from 8:00 a.m. to 6:00 p.m. 7 days a week, including professional services (dedicated customer service open 24/7, after-sales service 24 hours/24 months, annual consulting report, and a backup SIM card).

Finally, Orange offers solutions to allow receiving emails on mobiles (Orange Black Berry), or solutions to work while travelling via a portable PC with the "Internet Everywhere" offer. This offer gives Internet access, and integrates the GPRS, EDGE, Wi-Fi, 3G and 3G+ technologies. The "Internet Everywhere" access offers are available starting at 24 euros including tax/month (3-hour plan).

Offers without commitment

Orange proposes two categories of offers without commitment, billed by the second from the first second:

- the mobicarte is based on the "no bill – no subscription" principle. This offer gives access to all the handsets of the Orange line. The reload choice is the largest in the market, with eight offers ranging from five euros to 100 euros, and up to 50 euros in bonuses offered. In 2005, the mobicarte offer was expanded with options for less expensive calling (unlimited weekends, unlimited evenings, unlimited days). Since November 2005, mobicarte customers have been able to access 3G and video;
- Orange initial is the simplest access to mobile telephony, without reloading. This plan offers a subscription for calling and being called, for seven euros/month and a single rate of 0.45 euro/minute for all calls to fixed-line and mobile telephones.

The Orange multimedia offer: Orange World

The Orange World portal offers a multitude of rich and diversified content. This portal offers access to more than 60 live television channels, 700,000 music titles, 3000 videos, over 200 games, Orange League 1, and the Top 14 in video.

Orange World has launched new, unlimited multimedia options offering simple themes (TV, Surf, Sports, Music). Orange proposes a line of seven unlimited theme options (from 6 to 12 euros) and four Internet options (including a discovery option) billed by data volumes transmitted, along with a large selection of handsets. Connections to Orange World, Gallery or Internet are possible per session up to 20 minutes per session. Rates are then by volume or per session.

The introduction of the 3G+ in November 2006 and the HSUPA technology in September 2007 allowed an offer of high definition TV for unlimited viewing on mobile handsets.

- As of December 31, 2007, Orange had 1.6 million customers with a multimedia option and over 4.6 million active customers on the Orange World portal. In December 2007, they made 5.7 million TV/video connections.

“Orange Business Solutions”

The objective of Orange France is to assist all businesses every day (very small businesses, small and medium-sized enterprises (SMEs), major corporations or multinationals), by assisting them with mobile and convergent solutions to boost their efficiency and competitiveness. Thus, Orange France offers these customers:

- an extended line of voice solutions:
 - convergent solutions: Unik for business, fixed and mobile contracts for very small businesses, SMEs, Business Talk pack and Premium for mid-sized and large corporations,
 - solutions to optimize fleet management and control costs for very small businesses, SMEs (Optima Mobile Shared Plan), and for medium and large corporations (Real Time Plan),
 - rate solutions including unlimited (small and medium business performance, internal unlimited, Duo unlimited),
 - value-added services such as the mobile virtual private network offer (Business Talk Mobile) and a unified fixed/mobile VPN offer (Business Talk);
- mobile data solutions to receive emails on mobiles and PDAs (Orange Black Berry, Orange Mail solutions), or solutions to work while travelling via a portable PC with the “Business Everywhere” offer. This offer allows access to messages, company data, the Intranet, business applications and the Internet, and integrates the GPRS, EDGE, 3G and Wi-Fi and 3G+ technologies;
- machine-to-machine services;
- after-sales service dedicated to businesses;

- a line of selected terminals;
- online services to place orders (online boutique) and to manage a fleet and mobile usage (Customer Mobile Space).

6.3.2.2 Convergence offers

Unik, first convergence offering for the general public, is a mobile that connects to Livebox for unlimited calls to fixed-line telephones and all Orange mobiles from home, with a single number, a single address book and an automatic network change when the customer leaves home, without a break in the call. Since June 2007, Unik terminals can connect to the 30,000 Wi-Fi hot spots in metropolitan France.

Launched in August 2007, “Net and Unik” allows access to Broadband Internet and more than 60 television channels, as well as being able to make unlimited calls to fixed-lines and Orange mobiles from home.

6.3.2.3 Sales, distribution and customer service

In metropolitan France, Orange France sells its products and services through a full range of retail circuits:

- the France Telecom retail network, which had 684 points of sale as of December 31, 2007 (700 at December 31, 2005 and 658 at December 31, 2004);
- supermarkets and superstores;
- about 1,000 independent distributors.

Orange France has also developed its own network of points of sale: 175 “Mobistore” stores were open as of December 31, 2007 (175 at December 31, 2005 and 150 at December 31, 2004).

The offers for Businesses are sold by specialized networks: five Major Account Agencies, 11 France Telecom Business Agencies, and independent distributors.

Mobicarte reloads are available primarily from retailers, particularly in tobacco shops and in France Telecom points of sale.

About 6,000 advisors are available to serve Orange customers in France seven days a week. These specialists are located in the customer centers of the France Telecom group (Orange France and France Telecom) and at outside service providers. Customer service is also available in the France Telecom points of sale and the Mobistore stores. Finally, subscribers may access certain customer service features via the Orange World portal or the Orange voice servers. They can check information concerning their bill, change their rate plan or select a new one.

6.3.3 United Kingdom

The table below indicates the principal features of the mobile telephony market in the United Kingdom and the activities of Orange UK.

	At December 31		
	2007	2006	2005
Market penetration rate in the United Kingdom (%) ⁽¹⁾	117.8	116	110.6
Total number of users in the United Kingdom (millions) ⁽¹⁾	71.7	70.3	65.1
Orange UK active customers (millions) ⁽²⁾	15.6	15.3	14.9
Contracts (millions) ⁽²⁾	5.6	5.0	5.0
Prepaid customers (millions) ⁽²⁾	10.0	10.4	9.9
Market share of Orange UK (%) ⁽²⁾	21.5	21.8	22.1
Coverage of the Orange UK network (as a % of the population) ⁽²⁾	99.2	99.4	99.4

(1) Source: Informa Telecoms & Media (3rd quarter for 2007).

(2) Source: Orange UK.

In terms of number of users as of December 31, 2007, the United Kingdom was the third largest mobile telephony market in Western Europe after Germany and Italy.

The number of mobile users in the United Kingdom represented approximately 117.8% of the population of the United Kingdom (116% at December 31, 2006 and 110.6% as of December 31, 2005).

As of December 31, 2007, Orange UK had approximately 15.6 million active customers (15.3 million at December 31, 2006 and 14.9 million as of December 31, 2005) (source: Orange UK) with a market share estimated at about 21.5% of active customers in the United Kingdom at September 30, 2007 (21.8% at December 31, 2006 and 22.1% at December 31, 2005) (source: Informa Telecoms & Media).

Orange UK owns one of the most extensive mobile networks in the United Kingdom. As of December 31, 2007, its network covered, based on its own estimates, about 99.2% of the population (99.4% at December 31, 2006 and at December 31, 2005).

6.3.3.1 GSM and UMTS licenses

A GSM license was awarded to Orange UK in February 1994 and remains in effect on the basis of an annual renewal. Moreover, Orange UK holds one of the five UMTS licenses for twenty years awarded in 2000 for a cost of approximately 6.6 billion euros (see Section 6.9.3.3. "Frequencies").

Orange UK's third-generation network was officially opened in July 2004 with the launch of the "Mobile Office Card" PC card for businesses. In December 2004, Orange opened the third generation network to all users.

6.3.3.2 Orange UK offers

Orange UK offers two kinds of plans for consumer and special plans for businesses under the name "Orange Business Services".

Consumers

Monthly contracts

In order to simplify its offer, Orange has four plans. Each plan is designed to fit the different type of lifestyles customers lead. "Dolphin" is intended for heavy text message users, with an option for unlimited text transmission for 30 pounds sterling per month under an 18-month contract. "Racoon" is primarily geared to users who call fixed lines, with an option for unlimited calls to fixed lines for 35 pounds sterling per month under an 18-month contract. "Canary" is targeted primarily at users who make calls in the evening and on weekends, with an unlimited call option on evenings and weekends for 30 pounds sterling per month under an 18-month contract. Finally, "Panther" is the broadest rate plan designed for heavy users, which includes for 75 pounds sterling per month the transmission of text messages and unlimited mobile Internet navigation for 2 months, voice mail, a dedicated customer service, mobile insurance and a package of 1,600 minutes of communications.

Customers who subscribe to a monthly service plan may, in principle, terminate their contract with one-month advance notice, subject to having remained a subscriber for a minimum initial term which is generally eighteen months.

"Pay as you go" offers without commitment

The Orange "Pay as you go" offers allow customers to purchase a phone and call time when they need it, depending on the quantity they want. This offer currently includes no fixed fees, the "reloads" have no expiration date, and there is no minimum commitment period. Customers have several quick methods to reload their account: credit cards, cash payment or payment with a magnetic swipe card at a point of sale or with some automated teller machines.

The new "Speak Easy" plan provides a single communications price of 15 p per minute regardless of the destination in the United Kingdom, fixed-line or mobile, at any time of the day or night.

These offers are completed by the Orange "Extras", which offer customers the possibility of purchasing text messages, voice or access to Orange World at a reduced price. The Orange "Extras" must be used within a certain time (one day, one week, a weekend, one month, etc.) from the date of purchase, but there is no time commitment for any of the "Pay as you go" plans.

"Orange Business Services"

"Orange Business Solutions" is a fully integrated entity that can meet the mobile and fixed-line communication needs of medium and large companies and government agencies.

"Orange Business Services", which is responsible for the complete management of its customers, offers a broad portfolio of specific products and services for businesses, including a flexible line of options for voice, Orange business messaging and a full series of other innovative wireless services. Orange also meets the needs of small companies by offering voice and data transmission services designed to facilitate work "on the road".

The "Orange Business Services" offer currently has three main plans: "Solo", "Venture" and "Momentum".

"Orange Solo" is intended for independent workers and includes additional services such as "Orange Care", which guarantees a fast replacement telephone in the event of loss, theft or breakdown. "Orange Solo" has defined three rate levels, £30, £35 and £40, which provides access to communications times ranging from 400 to 800 minutes per month, with a 50% bonus under a 24-month contract. "Orange Solo" also includes a promotional offer for unlimited calls to fixed-lines or unlimited text messages, according to the plan chosen, and a certain volume of data is sent free of charge, intended for professionals who want to use mobile email and Internet.

"Orange Venture" is intended for very small companies of up to 10 employees managed under a proper name. "Orange Venture" has simple flat-rate plans with shared communications plans and is available in seven rate levels ranging from £28 to £165 per month. Communication time granted ranges from 275 to 3,400 minutes, and "Orange Venture" also includes unlimited calling between the users that are registered to this plan, as well as a review of the contractual conditions halfway through the contract in order to guarantee that the customer is benefitting from the best-suited plan. In addition, "Orange Venture" includes a promotional offer with 40% more minutes and unlimited calling at off-peak times to fixed-lines and Orange mobile numbers in the United Kingdom, under a 24-month contract.

"Orange Momentum" is designed for larger-size companies that must be able to operate in a flexible manner and that need a plan that allows their employees to continue to work when they need to. "Orange Momentum" offers simple plans with

nine rate levels for more flexibility and choice. Rates range from £155 for 2,500 minutes to £3,000 for 45,000 minutes a month. "Orange Momentum" also includes unlimited calls and text messages between co-subscribers, allowing the employees in the company to communicate freely. For longer contractual periods, a promotional offer for three months that offers 25% extra minutes or unlimited calling is proposed.

Orange World

Orange UK offers its customers mobile Internet access and content from the Orange World portal. Orange World is a customized, continuously updated portal, which offers access to the best mobile Internet sites and content. Orange World facilitates the content sharing created by users with flagship services such as "Buff or Rough" (photo sharing) and "Chat". The content includes: entertainment and news services from Sky, BBC and many other media; "streaming" from more than thirty television channels through Orange TV; film, music and ringtone downloads from Warner Music, EMI, Sony/BMG, Universal Music, and Ministry of Sound; console-type games like "Sonic the Hedgehog" and "Deal or No Deal"; sports info including privileged access to the locker rooms of several soccer clubs; and practical applications including "Traffic TV" and "Photography". This last service allows users to store high-quality photos from their mobile in an online album.

As of December 31, 2007, Orange World had approximately 4.1 million active customers (compared with 3.1 million at December 31, 2006).

6.3.3.3 Sales, distribution and customer service

Orange UK sells its products and services in the United Kingdom through a full range of distribution circuits:

- the Orange UK stores, which sell only Orange and France Telecom products. In 2007, the number of stores rose to 336, up from 323 in 2006 and 291 in 2005;
- non-speciality retailers, who continue to generate a significant percentage of new Orange customers;
- specialized distributors and retailers, who offer the different Orange UK services and Orange "Pay as you go" cards, as well as products and services. In 2007, about 150 of these points of sale offered Orange UK services and products.

A specialized sales team under the responsibility of Orange UK Business Services is dedicated to the acquisition and retention of business customers.

Customers can also obtain Orange products and services and purchase accessories at the Orange UK website: www.orange.co.uk.

6.3.4 Spain

The table below presents the principal characteristics of the mobile telephony market in Spain and the mobile activities of France Telecom España, which operates under the Orange brand and is referred to below as Orange.

	At December 31		
	2007	2006	2005
Market penetration rate in Spain (%) ⁽¹⁾	112.2%	104.6%	97.4%
Total number of users in Spain (millions) ⁽¹⁾	50.2	46.8	43.0
Contracts (millions) ⁽¹⁾	29.4	25.8	22.2
Prepaid customers (millions) ⁽¹⁾	20.7	21.0	20.7
Orange active customers (millions) ⁽²⁾	11.1	11.1	10.3
Contracts (millions) ⁽²⁾	6.0	5.4	5.0
Prepaid customers (millions) ⁽²⁾	5.1	5.7	5.3
Market share of Orange (%) ⁽¹⁾	22.1%	23.8%	24.0%
Coverage of the Orange network (as a % of the population) ⁽²⁾	99.0%	98.8%	98.8%

(1) Source: Spanish regulatory authority (3rd quarter for 2007).

(2) Source: France Telecom España.

Orange is one of the four mobile operators in Spain, with Telefonica Moviles (Movistar), Vodafone, and Yoigo, which is a UMTS network operator with a national roaming agreement.

At December 31, 2007, Orange was in third place in this market with 11.1 million subscribers (compared to 11.1 million at December 31, 2006 and 10.3 million at December 31, 2005) and a 22.9% share of the market in the third quarter of 2007 (compared to 23.8% at December 31, 2006 and 24% at December 31, 2005).

On the date of terminating its contract with Euskaltel in March 2007, Orange had lost 271,000 customers.

At the end of 2007, Orange covered about 99% of the Spanish population with its 2G network and 82% with its 3G network.

With regard to the Group's NEXt strategy, convergence has remained a priority in 2007 with the strengthening of the integrated organization of mobile, fixed-line, broadband and content businesses, and with the launch of new services, such as "Unik B2B", "Business Everywhere" and "Internet Everywhere".

Moreover, a new entity has been set up to manage and drive the new activities created in the mobile sector, with the appearance on the market of mobile virtual network operators (MVNO).

GSM and UMTS licenses

Orange (previously Amena) obtained the third GSM license in June 1998 and launched its commercial activity in January 1999, thus ending a duopoly in mobile telephony held until that date by Telefónica and Vodafone.

Four UMTS licenses were awarded in March 2000, through competitive bidding, to Amena, Telefónica Móviles España, Vodafone, and Xfera. UMTS was launched on the Spanish market in 2004. Yoigo, the successor to Xfera, and the fourth operator to win a UMTS license launched its activity in December 2006.

Orange offers

Residential market

Prepaid offers

For customers wanting pre-paid plans, Orange offers a large selection of rate options ("Tarjetas"). The rate range was recently revised in order to better accommodate the various needs of the market (intra- and inter-network communications, peak times, off-peak times) as well as competitive offers, in order to avoid any competitive lack and to strengthen commercial propositions of intra-network communications (on-net) between mobiles.

The subscriber thus benefits from several additional options, with special rates that meet his needs; for example, calls to one Orange number billed only 3 euro centimes per minute, coupons for SMS or weekly promotional offers ("Orange Sundays").

A number of possibilities are available to reload the prepaid card, by combining the traditional "scratch" cards, automatic bank distributors and call centers. In addition, in the last quarter, Orange started to develop other distribution channels, especially petrol stations and newspaper stands, for the sale of prepaid cards.

Frequent purchasers of high-volume reloads who are long-time Orange customers are offered free reloads.

Orange has improved its SIM card offering sold separately by creating new rates likely to attract users that already own a terminal. This is a strategic action within the perspective of new competition focused on the "low cost" consumption market.

Contract offers

The contract plans offer the customer lower prices once a minimum monthly usage is reached. Special rates are offered, for example, for off-peak hours or for the youngest customers.

As with prepaid plans, the customer can enjoy lower rates for the most frequently called numbers (calls to an Orange number are only billed 3 euro centimes a minute), coupons for SMS or other promotional possibilities.

In the spirit of continued efforts striving to anticipate customer's future needs, and in order to avoid a lack in the offer in terms of the competition, the series of offers paid at term was recently supplemented with an "all network" offer. As such, in this range of contracts, we have the Spanish market's first contract offer, "Tarifa Plana", which allows the subscriber to call all national fixed-line and mobile numbers from 6 p.m. to 8 a.m., or "Tarifa Plana Plus", which also offers 24-hour calling to all fixed lines.

Moreover, Orange offers convergence solutions to consumers in order to meet their needs, regardless of the access technology, especially "Numeros plus" (economic rates for calls between the home's fixed lines and mobiles) or "Internet Everywhere".

Offers for this market are based on services that are useful as well as entertaining. Thus, the offer is designed to ensure user-friendliness and transparency, and to allow customers to easily try the various services offered. The portfolio of Orange data services includes SMS, MMS, WAP, news alerts via SMS and

MMS, and other services including chat, tunes and images, video calls, television, email video games and music, Internet access and Orange Messenger.

Professional market

For the professional market, Orange adapts its offer to different needs, uses, types of calls, number of lines and other characteristics of businesses.

Custom solutions have been specifically developed for different sectors (real estate, transport) and are offered in partnership with other companies (software designers, for example).

In data services, email receipt is the most frequently requested service. For this purpose, a full line of handsets and technical solutions are available to meet individual customer needs. The other data services completing the portfolio are news services, video calls, Internet or Intranet access.

During the year 2007, Orange launched new convergence services, for example "Unico para empresas", which allow customers to take advantage of economical rates on their mobiles when they place calls at home via their ADSL Orange access.

Orange attaches great importance in offering innovative solutions to high-end customers, in order to anticipate expectations in the professional market. It was with this in mind that the "Inteligente Empresas" plan was launched last year, which automatically offers more interesting rates as the subscriber increases his consumption.

Furthermore, Orange designs telecommunications solutions for corporate clients whose needs are taken into account, like those of a partner, and for other telecommunications operators (MVNO) who are offered wholesale rates.

6.3.5 Poland

The table below shows the principal features of the mobile telephony market in Poland and the activities of PTK Centertel, the mobile subsidiary of TP Group, which is wholly owned by TP S.A.

	At December 31		
	2007	2006	2005
Market penetration rate in Poland (%) ⁽¹⁾	108.9	96.5	76.6
Total number of users in Poland (millions) ⁽¹⁾	41.5	36.5	29.2
Active customers of PTK Centertel (millions) ⁽¹⁾	14.2	12.5	9.9
Contracts (millions) ⁽¹⁾	5.6	4.8	4.0
Prepaid customers (millions) ⁽¹⁾	8.6	7.7	5.9
Market share of PTK Centertel (%) ⁽¹⁾	34.1	34.1	34.0
Coverage of the PTK Centertel network (as a % of the population) ⁽¹⁾	99.5	99.4	99.4

(1) Source: PTK Centertel.

The Polish mobile telephony market has been growing rapidly in recent years. At the end of 2007, the penetration rate was 108.9% and subscribers totaled 41.5 million (Source: PTK Centertel). At year-end 2007, the market share of PTK Centertel, which has operated since 2005 under the Orange brand, was approximately 34.1%.

Licenses and brand

PTK obtained four licenses to supply telecommunication services: one 15-year license (expiring in August 2012) to operate a GSM1800 digital network, a 25-year license (expiring in December 2016) to operate an NMT 450i analog network, and a 15-year license (expiring in July 2014) to provide GSM900 services, as well as a UMTS license obtained in December 2000 for 650 million euros, 260 million of which had been paid, with the balance scheduled in 18 payments beginning in 2005. This license expires in January 2023. At the end of 2007, coverage for this network reached 25.5% of the population, in accordance with the general conditions of the UMTS license (which required minimum coverage of 20% of the population by the end of 2007). The coverage for this network will be extended progressively. PTK commercially launched its UMTS services in November 2005, available to residential customers as well as business customers.

PTK Centertel products

Since September 2005, PTK Centertel has offered its services under the Orange brand.

In 2007, PTK Centertel enriched its subscription offers by developing plans for consumers: "Nowy Twoj Plan", "Plan na Rozmowy" and "Nowy Twój Mix" (a hybrid offer combining contracts and pre-paid services). Each of these offers allows customers to choose among services based on cost control or usage flexibility in order to adapt better to the needs of each customer. Actions have been carried out successfully to encourage subscribers to take out flat-rate plans in order to strengthen their loyalty as well as their level of satisfaction.

The prepaid offer includes two price levels, "Orange POP" and "Orange Go", aimed at two different customer segments.

In addition, the "Orange Music" offer (hybrid or prepaid offer), which targets young people and favors music content and message exchange (SMS, MMS), was launched in October 2007.

In 2007, the offer baptized "Zetafon" (sale of a telephone at a reduced price with a prepaid plan, and a commitment to recharge regularly) was maintained.

Business customers benefit from flexible dedicated plans in order to meet their needs, called "Orange dla Firm" and "Nowa Firma Mix" (hybrid offer).

The range is supplemented by a mobile broadband data transmission offer via GPRS, EDGE, UMTS and HSPDA, sold under the name Orange Free for consumers and Business Everywhere for businesses. In addition, in October 2007, PTK Centertel launched the Orange Freedom ADSL service, and as such became the only operator in the Polish market with an Internet access offer by fixed-line as well as by mobile.

Across all of its networks, PTK Centertel offers several dozen forefront mobile services, including video calls on the 3G network, the Orange interactive voice mailbox, plans including voice and SMS, data and fax transmission, the Orange World multimedia services, MMS, special SMS services, GPS services ("What/Where/Which Way", "Orange Navigator", "Where Are You", "Where Are They"), loyalty programs ("Profit", "ProPosal") and roaming services.

The Orange offer is available in several thousand sales outlets throughout Poland.

6.3.6 Rest of the world

6.3.6.1 Belgium

The table below provides the principal characteristics of the mobile telecommunications market in Belgium and the Mobistar activities.

	At December 31		
	2007	2006	2005
Penetration rate in Belgium (%) ⁽¹⁾	98.3	91.4	85.9
Total number of users in Belgium (millions) ⁽¹⁾	10.2	9.5	8.8
Active customers of Mobistar (millions) ⁽¹⁾	3.3	3.2	2.9
Mobistar market share (%) ⁽¹⁾	32.7	33.2	33.1
Mobistar revenues (millions of euros) ⁽²⁾	1,510	1,549	1,453
Coverage of the Mobistar network (as a % of the population) ⁽³⁾	99.7	99.6	99.0

(1) Source: Informa Telecoms & Media (3rd quarter for 2007).

(2) Including VOXmobile.

(3) Source: Mobistar (including MVNO, excluding VOXmobile customers).

Orange is present in Belgium through Mobistar. The Mobistar company was formed and obtained its GSM900 license in 1995 and launched its services in August 1996. As of December 31, 2007, Orange held 50.17% of the capital of Mobistar. The balance is held by the public following the public offering of Mobistar stock in October 1998 on Euronext Brussels.

In March 2001, Mobistar obtained a 20-year UMTS license for an auction bid of 150 million euros. Mobistar has fulfilled its obligations to this aim by implementing the technology as early as September 2003 and by deploying on January 1, 2007 a network covering 40% of the population. At January 1, 2008, Mobistar's UMTS network should be covering 50% of the population. By March 2009, it should be covering 85% of the population.

Mobistar was the second operator to enter the Belgian market and held the second largest market share as at the end of 2007 (Source: Informa Telecoms & Media).

Mobistar currently offers a broad range of both fixed-line and mobile solutions to meet all the needs of the various market segments, from residential customers to major corporations. In the consumer market, Mobistar has launched a new range of prepaid cards (Tempo Comfort, Tempo Friends and Tempo Music) and a new range of contracts. In the prepaid segment, Tempo Music is a new reload concept that combines mobile telephony, music and multimedia. This was launched in February 2006 and reached 579,000 customers at December 31, 2007. In the contract segment, Mobistar is the only significant operator to have recorded gains subsequent to the portability of mobile phone numbers. In addition to its mobile offers, Mobistar has launched the Internet Everywhere product, combining a mobile

USB modem with an attractive rate of five euros a month and one euro per day of use.

For the business market, Mobistar has introduced the first combined voice telephony offer, with One Office Voice Pack, providing substantial savings on mobile and fixed-line invoices, and processing the two types of services with a single contract and the same Customer Service Department. During the last quarter of 2007, 40% of new customers of the SME and SoHo ("small office home office") types took out this convergence offer.

During the year 2007, Mobistar reinforced its controlled distribution channels, increasing the number of its specialized boutiques to 148 and by opening an e-boutique on its Website that allows Internet users to subscribe online to any prepaid or flat-rate offer.

Since 1998, Mobistar has had fixed-line telephony licenses and infrastructure licenses allowing it to offer indirect access telephony service to consumers and small and medium businesses. Mobistar also provides fixed-line telephony services, data transmission and mobile telecommunications services to businesses.

6.3.6.2 Netherlands

On October 1, 2007, Orange Nederland NV was sold to T-Mobile, therefore the France Telecom group no longer has any holdings or activities in the Netherlands.

6.3.6.3 Romania

The table below shows the principal features of the mobile telecommunications market in Romania and the activities of Orange Romania.

	At December 31		
	2007	2006	2005
Market penetration rate in Romania (%) ⁽¹⁾	95.5	78.5	59
Total number of users in Romania (millions) ⁽¹⁾	21.2	17.4	13.3
Orange Romania active customers (millions) ⁽²⁾	9.8	8.0	6.8
Market share of Orange Romania (in %) ⁽¹⁾	43.6	46.0	51.06
Revenues of Orange Romania (millions of euros) ⁽²⁾	1,234	1,082	870
Coverage of the Orange Romania network (as a % of the population) ⁽²⁾	96.9	96.8	96.6

(1) Source: Informa Telecoms & Media (3rd quarter for 2007).

(2) Source: Orange Romania.

Orange provides mobile phone telephony services in Romania through its subsidiary Orange Romania. Orange Romania was formed and obtained a 15-year GSM900 license in 1996. As of December 31, 2006, Orange Romania estimated that it covers approximately 96.9% of the Romanian population and holds the leading market share in the country with about 9.8 million active customers, ahead of Vodafone. Orange holds 96.82% of the capital of Orange Romania, and the balance is held by minority shareholders.

Orange Romania was the third mobile operator to enter the Romanian market and believes that since December 31, 2007, it is now ranked first in this market.

Following a bid tender launched in August 2004, 15-year UMTS licenses were awarded to Orange Romania and Vodafone Romania (ex. Mobifon) in November 2004. A minimum coverage is required for Bucharest and 10 major cities in 2011. The cost of the license was 35 million US dollars and an annual fee which amounted to 1.2 million euros in 2007.

6.3.6.4 Slovakia

The table below summarizes the principal features of the mobile telecommunications market in Slovakia and the activities of Orange Slovensko.

	At December 31		
	2007	2006	2005
Market penetration rate in Slovakia (%) ⁽¹⁾	102.2	89.9	82
Total number of users in Slovakia (millions) ⁽¹⁾	5.5	4.9	4.5
Orange Slovensko active customers (millions) ⁽²⁾	2.9	2.7	2.5
Market share of Orange Slovensko (in %) ⁽¹⁾	49.7	55.0	55.5
Revenues of Orange Slovensko (millions of euros) ⁽¹⁾	744	643	556
Coverage of the Orange Slovensko network (as a % of the population) ⁽²⁾	99.6	99.3	99.3

(1) Source: Informa Telecoms & Media (3rd quarter for 2007).

(2) Source: Orange Slovensko.

Orange provides mobile services in Slovakia through its wholly-owned subsidiary Orange Slovensko. Orange Slovensko was incorporated in 1996 and obtained its GSM900 license the same year. In August 2001, Orange Slovensko's license was extended to GSM1800. In addition, Orange Slovensko was awarded a UMTS license in June 2002 for about 1.5 million Slovak crowns (approximately 35 million euros) and an annual royalty of 0.08% of the revenues generated by the license. The

UMTS license was granted for twenty years from the date of award.

At the end of 2007, Orange Slovensko held the largest market share (49.7%) in the country with approximately 2.9 million active customers and its network covered 99.6% of the Slovak population.

6.3.6.5 Switzerland

The table below shows the principal characteristics of the mobile telecommunications market in Switzerland and the activities of Orange Communications SA.

	At December 31		
	2007	2006	2005
Market penetration rate in Switzerland (%) ⁽¹⁾	104.4	98.3	95.5
Total number of users in Switzerland (millions) ⁽¹⁾	7.9	7.4	6.8
Orange Communications SA active customers (millions) ⁽¹⁾	1.5	1.4	1.2
Market share of Orange Communications SA (in %) ⁽¹⁾	18.7	18.6	18.3
Revenues of Orange Communications SA (millions of euros) ⁽²⁾	816	867	876
Coverage of the Orange Communications SA network (as %) ⁽²⁾	99.3	99.3	99.3

(1) Source: Informa Telecoms & Media (3rd quarter for 2007).

(2) Source: Orange Communications SA.

Orange is present in Switzerland through its wholly-owned subsidiary Orange Communications SA. At September 30, 2007, Orange Communications SA had a market share of approximately 18.7% with 1.5 million active customers and estimated that its network covered 99.3% of the Swiss population.

Orange Communications SA was the third operator to enter the Swiss market and, as of the 3rd quarter of 2007, was the third in terms of market share (Source: Informa Telecoms & Media).

In December 2000, Orange Communications SA was awarded a UMTS license for 15 years at a cost of 55 million Swiss francs, i.e. approximately 35 million euros.

6.3.6.6 Moldova

The table below shows the principal features of the mobile telecommunications market in Moldova and the activities of Orange Moldova.

	At December 31		
	2007	2006	2005
Market penetration rate in Moldova (%) ⁽¹⁾	39.4	31.9	26.6
Total number of users in Moldova (millions) ⁽¹⁾	1.7	1.4	1.1
Orange Moldova active customers (millions) ⁽²⁾	1.1	0.9	0.7
Market share of Orange Moldova (%) ⁽¹⁾	64.6	61.2	59.9
Coverage of the Orange Moldova (as %) ⁽²⁾	98.0	97.0	87.4

(1) Source: Informa Telecoms & Media (3rd quarter for 2007)

(2) Source: Orange Moldova.

Orange is present in Moldova through its subsidiary Orange Moldova SA, a subsidiary controlled by the France Telecom group. In July 2007, the France Telecom group increased its holding in Orange Moldova from 61% to 94.5%. Orange Moldova SA, formerly Voxtel, was formed in 1998 and obtained its license that same year. In 2003, the license was extended to GSM1800 MHz.

In May 2006, Orange Moldova SA signed a brand use agreement with Orange, which led it to adopt the Orange brand starting in April 2007.

6.3.6.7 Other controlled mobile operations outside Europe

Egypt: Orange holds 71.25% of Mobinil (Mobinil Telecommunication S.A.E.), which holds 51% of Egyptian Company for Mobile Services (ECMS), the operational company that carries out its operations under the Mobinil brand. The remaining 28.75% of Mobinil is held by the Egyptian group Orascom Telecom, which also directly holds 20% of ECMS, the shares of which are listed on the Cairo and Alexandria stock markets.

ECMS was formed in 1998 and received its GSM900 license the same year. As of December 31, 2007, according to its

estimates, the ECMS network covered about 99% of the Egyptian population, compared with 99% at December 31, 2006 and 94% at December 31, 2005. ECMS estimates that it held a market share of about 51.9% as of the 3rd quarter of 2007 (about 51.5% at December 31, 2006 and 55.1% at December 31, 2005). It had approximately 15.1 million active customers at December 31, 2007 (9.3 million active customers at December 31, 2006 and 6.7 million active customers at December 31, 2005), representing 10.8 million active customers for the Orange share (6.6 million active customers at December 31, 2006 and 4.8 million active customers at December 31, 2005). ECMS remains the leader in its market. (Sources: NTRA for 2007 and 2006, Informa Telecoms & Media for 2005)

In 2007, ECMS was awarded a 15-year UMTS license for 3.7 billion Egyptian pounds (via a payment plan) and annual percentage of 2.4% of total revenues. After 2022, this license can be renewed at no additional cost for consecutive five-year periods. The 2G license that it already holds was extended for a period of nine and a half years and will thus expire on the same date. A detailed five-year coverage plan accompanied the granting of the license, and the regulatory authority (NTRA) guaranteed Mobinil that it would be granted other frequency bands, special rates that apply to its customers for communications within its network (“on net” mode) and a new network code reserved for Mobinil.

Botswana: Orange holds a 51% stake in Orange Botswana, which launched its GSM900 network in June 1998 under the Vista Cellular name. Since March 2003, Orange Botswana has operated under the “Orange” brand. Orange Botswana had approximately 553,000 active customers at December 31, 2007 (436,000 active customers at December 31, 2006 and 244,000 active customers at December 31, 2005) and ranked second in market share out of the two operators present in this market (second in 2006 and 2005). (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by Orange Botswana)

Cameroon: The France Telecom group holds 99.5% of the capital of Orange Cameroon, which launched its GSM900 service in January 2000 under the Mobilis name. Since June 2002, Orange Cameroon has been operating under the “Orange” brand. Orange Cameroon had approximately 1,977,000 active customers at December 31, 2007 (1,353,000 active customers at December 31, 2006 and 943,000 active customers at December 31, 2005). Orange Cameroon ranked

second in market share between the two operators in this market (it ranked second in 2006 and 2005). (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by Orange Cameroon)

Ivory Coast: Orange holds an 85% stake in Orange Côte d’Ivoire, which began operating its GSM900 network in 1996 under the Ivoiris brand. Since January 2002, Orange Côte d’Ivoire has been operating under a GSM900/1800 license. Since May 2002, Orange Côte d’Ivoire has been operating in Ivory Coast under the “Orange” brand. As at December 31, 2007, Orange Côte d’Ivoire had approximately 2.5 million active customers (1.7 million active customers at December 31, 2006 and 1.3 active customers at December 31, 2005) and ranked first in market share among the four operators in this market (first in 2006 and 2005) (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by Orange Côte d’Ivoire). The regulatory authority announced the award of three new mobile licenses, two of which should be commercially available in 2008.

Madagascar: Orange holds 60.8% of Telsea, which holds 65.9% of Orange Madagascar (formerly Société Malgache de Mobiles), which launched its GSM900 network in March 1998 under the name Antaris. Orange Participation holds 31.7% of Orange Madagascar via Miaraka. Since June 2003, Orange Madagascar has operated under the “Orange” brand. Orange Madagascar had approximately 1.3 active customers at December 31, 2007 (644,000 active customers at December 31, 2006 and 279,000 active customers at December 31, 2005). Orange Madagascar ranked first in market share out of the two operators present in this market (as in 2005 and in 2004). (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by Orange Madagascar)

Dominican Republic: Orange holds 100% of Orange Dominicana, which launched its GSM900 network in November 2000 under the “Orange” brand. Minority interests, representing 14% of the capital, were purchased in September 2005. At December 31, 2007, Orange Dominicana estimated that it had about 2,070,990 active customers (1,414,600 active customers at December 31, 2006 and 1,000,000 active customers at December 31, 2005) and ranked second in market share at December 31, 2007 among the four operators present in this market (it ranked second at December 31, 2006 and December 31, 2005). (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by Orange Dominicana)

Senegal: The table below shows the principal features of the mobile telecommunications market in Senegal and the activities of Orange Sénégal.

	At December 31		
	2007	2006	2005
Penetration rate in Senegal (in %) ⁽¹⁾	29.8	24.4	14.8
Total number of users in Senegal (in millions) ⁽¹⁾	3.5	2.9	1.7
Orange Sénégal active customers (millions) ⁽²⁾	2.5	2.1	1
Market share of Orange Sénégal (in %) ⁽¹⁾	71	70	59

(1) Source: Informa Telecoms & Media for 2005 – Data for 2006 and 2007 provided by Orange Sénégal.

(2) Source: Orange Sénégal.

Orange Sénégal (formerly Sonatel Mobiles SA), a wholly-owned subsidiary of Sonatel SA, in which France Telecom owns 42.3%, was founded in 1999, taking over a GSM license awarded to Sonatel SA in 1996. Since November 2006, Orange Sénégal has been carrying out its activities under the “Orange” brand. The competition is Sentel, a subsidiary of the Millicom International group. The regulatory authority announced the award of a new mobile license, which should be commercially available in 2008.

Mali: Ikatel SA, in which Sonatel SA has a 70.2% stake, started operating commercially in 2003 following a license granted in 2002 by the Malian government for the fixed-line, mobile and Internet activities. Since November 2006, Orange Mali has been carrying out its activities under the “Orange” brand. At December 31, 2007, Ikatel SA estimates that it held a market share for mobile activities of approximately 80% (about 80% at December 31, 2006 and about 71.3% at December 31, 2005) with approximately 2 million customers at December 31, 2007 (1.2 million at December 31, 2006 and 561,000 at December 31, 2005). (Source: Informa Telecoms & Media for 2005 and 2006. Data provided by Ikatel for 2007).

Jordan: Orange is present in Jordan through its subsidiary Orange Jordan (formerly MobileCom) a full subsidiary of Jordan Telecom, which is 51%-owned by France Telecom. Orange Jordan was incorporated in 2000 and obtained its license the same year. Orange Jordan was the second GSM operator to enter Jordan’s mobile telephone market, ending MTC-owned Eastlink’s five-year monopoly. Since September 2007, Orange Jordan has carried out its activities under the “Orange” brand.

At December 31, 2007, Orange Jordan had an approximately 33.7% market share (30% at December 31, 2006, and 22.6% at December 31, 2005) with approximately 1.5 million customers (compared with 1.4 million at December 31, 2006, and 660,000 at December 31, 2005) (Source: Informa Telecoms & Media for 2005, Orange Jordan figures for 2007 and 2006)

Mauritius: CellPlus Mobile Communications Ltd, created in March 1996, is a wholly-owned subsidiary of Mauritius Telecom, which is 40% controlled by France Telecom. CellPlus Mobile Communications Ltd was the second operator to enter the mobile telephony market in Mauritius after seven years of the exclusive presence of Emtel (a joint company formed by Millicom and a local company).

CellPlus Mobile Communications Ltd obtained a license and started its commercial operations in October 1996. The company is expanding its services on the GSM900 MHz and GSM1800 MHz bandwidths and has offered GPRS service since December 2004. CellPlus covers 99% of the population. CellPlus is the leader in the local mobile market,

with a market share of about 59% at December 31, 2007 (67% at December 31, 2006 and 65.2% at 31 December 2005), with about 552,000 customers at December 31, 2007 (480,000 customers at December 31, 2006 and 394,000 at December 31, 2005) representing approximately 221,000 active customers for the Orange share (Source: Informa Telecoms & Media for 2005 and 2006. Data for 2007 provided by CellPlus)

Equatorial Guinea: GETESA, Equatorial Guinea’s historical operator now held 40% by the FT Group and 60% by the government, became Orange Guinée Equatoriale in November 2006. It has a monopoly for fixed-line, mobile and Internet communications services. As at December 31, 2007, Orange Guinée Equatoriale had 220,000 mobile customers, representing approximately 88,000 active customers for the Orange share.

New activities: In 2007, three new companies launched their operations under the Orange brand subsequent to licenses acquired at the end of 2006. These companies are Orange Bissau, Orange Guinée and Orange Centrafrique.

Central African Republic: Orange Centrafrique, a wholly-owned subsidiary of the FT Group, opened its GSM service at the beginning of December 2007. At December 31, 2007, Orange Centrafrique had about 33,000 customers.

At December 31, 2007 Orange Bissau had approximately 36,000 customers and Orange Guinée 185,000 customers.

In November 2007, the France Telecom group acquired a global license (fixed-line, mobile and Internet) in Niger.

Moreover, on December 21, 2007 the France Telecom group through Orange East Africa (held 78.5% by Orange Participations and 21.5% by the Alcazar financial group), acquired 51% of Telkom Kenya, Kenya’s historical operator (fixed-line, “wireless” and Internet operator).

6.3.6.8 Mobile activities: Other equity investments

Austria: ONE

Orange has a 35% stake in ONE GmbH, under a consortium with Mid Europa Partners, which purchased the company in October 2007. ONE was granted the third Austrian mobile license in 1997 and a 20-year UMTS license on November 20, 2000, in return for a royalty payment of 120 million euros. According to its own estimates, as of December 31, 2007, the ONE network covered about 98% of the population. In the 3rd quarter of 2007, ONE had 2 million active customers, and had a market share of approximately 21.2%, ranking it in third

place (Source: Informa Telecoms & Media.) The ONE brand will be replaced by the Orange brand in 2008.

Portugal: Sonaecom/Optimus

France Telecom is present on the Portuguese mobile market through its 19.2% stake in the capital of Sonaecom.

At December 31, 2007, the Sonaecom network, through its subsidiary Optimus, which is now called "Sonaecom – Serviços de Comunicações SA" following the recent merger with Novis, covered about 99% of the Portuguese population according to its own estimates. In the 3rd quarter of 2007, Optimus had about 2.2 million registered customers (compared to 2 million at December 31, 2006 and 1.9 million at December 31, 2005). Source: Informa Telecoms & Media.

Optimus was the third operator to enter the Portuguese market and ranks third in market share with 17.4% at December 31, 2007 (17.9% at December 31, 2006 and 17.7% at December 31, 2005). (Source: Informa Telecoms & Media)

When the Portuguese government awarded four UMTS licenses in December 2000, Optimus acquired one license for 100 million euros. This license was awarded for a period of 15 years.

6.3.7 License Agreements

The "Orange" brand was first launched in the United Kingdom in 1994 and has since been granted to more than 20 mobile telecommunications common carriers in Europe, Africa and Asia, as well as in countries in the Caribbean and the South Pacific.

Within the brand license agreements, Orange defines the "Orange" brand use guidelines and provides assistance to licensees for its promotion in national markets.

In application of the "NExT" plan's strategy for extending the Orange brand, it has now extended past mobile telecommunications to wide bandwidth fixed telecommunication services in Europe, online services, and business telecommunication services worldwide.

6.4 HOME COMMUNICATION SERVICES

The "Home Communication Services" (HCS) segment includes the fixed-line telecommunication activities (fixed-line telephony, Internet services, operator services) in France, Poland and the Rest of the World, as well as the distribution and support functions provided to the other segments of the France Telecom group.

The HCS segment in 2007 generated revenues of 22.7 billion euros, compared with 22.5 in 2006 and in 2005, before intra-group eliminations.

The operations in this segment are conducted in three geographic regions: France; Poland, which includes TP S.A. and its subsidiaries, excluding mobile operations; and the Rest of the World, with primarily (in Europe) fixed-line and Internet activities of the Group's subsidiaries in Spain and the United Kingdom and (outside Europe) non-mobile operations Sonatel in

Senegal, Côte d'Ivoire Télécom in Côte d'Ivoire, Jordan Telecom in Jordan and Mauritius Telecom in Mauritius.

In the home communication services segment, France Telecom's strategy in Europe is above all to offer enhanced services, based on the development of ADSL broadband and rapid deployment of the Livebox. This strategy led to the integration of Wanadoo within France Telecom S.A. and the acquisition of a leading position in the ADSL market in Europe.

In the ADSL access market in Europe, France Telecom had 11.6 million customers at 31 December 2007 and estimated that it ranked first in Europe.

The table below details the breakdown of France Telecom's ADSL customer base (in thousands) for all European countries in which France Telecom is present.

Country	At December 31		
	2007	2006	2005
France	7,296	5,920	4,457
United Kingdom	1,138	1,063	906
Spain	1,177	640	563
Poland ⁽¹⁾	2,022	1,712	1,166
TOTAL	11,633	9,335	7,092

(1) ADSL and SDI.

6.4.1 France

The operations of the HCS segment in France essentially include:

- fixed-line telephony services offered to consumer (residential and small professionals not included as small and medium businesses);
- online, Internet access, and multimedia services offered to consumers;
- other consumer services (public telephone and card services, portals and e-commerce activities);
- content-related activities;
- services to operators;
- sales, distribution and customer service operations.

The total number of fixed-line access for the consumer market is up (+1.8% in 2007). At December 31, 2007, France Telecom in France had 23 million lines billed as retail on the consumer market and 5.3 million lines billed as wholesale to other operators.

Growth of ADSL and multi-service offers

The actual coverage rate for the French population for DSL broadband is around 98%.

At December 31, 2007, 14.7 million lines carried ADSL (12 million at December 31, 2006 and 8.9 million at December 31, 2005), marketed by France Telecom or by other Internet service providers or operations (France Telecom estimate).

At December 31, 2007, 7.3 million customers had subscribed to an ADSL offer with France Telecom (5.9 million at December 31, 2006 and 4.5 million at December 31, 2005). The market share is stable in 2007 at 2006 levels (49.4%).

Finally, the number of customers subscribing to a France Telecom multi-service offer (Livebox and/or Voice over IP and/or Television) increased as follows:

(thousands)	At December 31		
	2007	2006	2005
Number of leased Liveboxes	5,209	3,437	1,559
Number of VoIP customers	4,102	2,081	830
Number of MaLigneTV customers	1,149	577	200

6.4.1.1 Consumer fixed-line telephony services

France Telecom's standard fixed-line telephone services include subscriptions, local and long-distance telephone calls throughout France, and international calls. In addition, France Telecom offers its fixed-telephone subscribers a broad range of added-value services.

The rates charged by France Telecom for fixed-line telephony are governed by specific regulations. In the bid tender for universal service launched by the French government in 2004, France Telecom submitted a general proposal defining rate changes for 2005-2008 and additional commitments, for which the French Telecommunications Regulatory Authority (Arcep) issued a favorable opinion in February 2005:

- a gradual increase of 23% in the subscription rate over the period;
- a reduction of at least 26% in per-call rates over the period;
- a reduction in unbundling costs and a decrease of 1 euro excluding VAT in the full unbundling rate;

- the implementation of a wholesale offer on subscription resale and a wholesale ADSL offer to allow the end user to benefit from broadband service without having to pay a subscription to France Telecom;

- a commitment to align the quality of service for full unbundling with the quality on partial unbundling.

The wholesale offer for subscription to telephone service has been effective since April 2006 and the naked ADSL wholesale offer since July 2006.

Since August 2007, France Telecom has had to comply with global regulations pertaining to rates for telephone calls carried over the switched telephone network. France Telecom must still replicate 100% of the drops in fixed-line to mobile termination rates in its own rates, but this now encompasses all of the two consumption baskets (metropolitan France and French overseas departments). The price of each basket will change every year, equal at most to the change in the consumer price index less 3%, minus reductions in call termination rates. These new measures will replace the previous commitments, keeping in mind that the drops that occurred in 2007 are in line with the commitments that had been made for the years 2006-2008.

As compensation, the ex-ante rates regulation concerning the rate offers for fixed-line telephony over the switched telephone network is discontinued.

Subscriptions and services

The telephone network is accessed through the telephone line, which results in flat service fees for line installation and a monthly subscription fee for line maintenance and basic services (publication in the directory, access to quality customer service, use of France Telecom services such as: voice mail, restricted calling line identification, itemized billing).

Connection to the telephone network

Startup costs for a telephone line have been 55 euros including tax since March 2005. Outgoing call costs are also billed where the installation of a line requires the onsite presence of a technician.

Subscription to telephone service

France Telecom offers a range of subscriptions designed to meet the various needs of residential, professional and business customers.

The differences primarily concern levels of service commitments (guaranteed return of service time), line-related services (caller ID, for example) or publication in professional directories.

The range of contracts for professionals includes the Professional Services Contract, which comprises eight services (for example: itemized billing, three-way conference calls, voice mail, consumption monitoring), plus three additional services to be selected from a number of services offered (for example: caller ID, call forwarding, call waiting and enhanced voice mail).

The price for a home subscription was raised to 16 euros including tax in July 2007. A Professional subscription (the Pro contract) was set at 15 euros excluding VAT in May 2007.

On October 1, 2005, the terms and conditions for a telephone subscription were modified and the minimum contract term for opening a telephone line was reduced by half, from 12 to 6 months. Greater flexibility was introduced to allow customers wishing to subscribe to a full unbundling offer to terminate their subscription without penalty.

Directory service

As a fixed-line telephone operator, France Telecom manages the directory database containing subscriber records. This database, subject to the subscriber's expressed rights for protection of personal information, is made available to information service providers and directory publishers who request it.

France Telecom sells this database for various purposes, including direct marketing, file enhancement and life-saving assistance for the emergency services (emergency medical services, fire service, police).

In addition, France Telecom has publishing responsibility for the alphabetical directory media: the Annuaire® (white pages printed by department) and the 3611 alphabetical search directory.

In an order dated March 29, 2007, France Telecom was again designated for a 2-year period to supply, as part of its universal service, a universal directory (print and electronic) and a universal information service.

Added-valued services

France Telecom continues its policy to develop services, some of which require payment of a monthly subscription fee. Thus, for individuals, for several years already France Telecom has been offering value-added services such as voice mail, call waiting, automatic redial, call forwarding, three-way conference calls, caller ID, retention of the number if moving, and 3699 (talking clock), announcement of a new number, SMS from fixed lines, "Fun Tones", a service for customized ringtones on both mobiles and fixed lines, the Stop Secret service, which allows a customer to identify and then filter calls with blocked numbers, along with expanded voice mail (MVE), the convergent service from the integrated operator, which allows customers to consult and manage voice messages from the Orange Internet mailbox.

Calling services

Calling services are billed either by unit, or by duration or at a flat rate. When calling services are billed by unit, the price includes a fixed amount (connect charge), and a variable amount charged per second. The portion billed by time is based on a price that varies by call destination, with the application of a standard rate and a reduced rate depending on the time of day.

In March 2005, France Telecom reformulated the rate scale for local and national calls, which resulted in a cut in the price per minute for local and national calls, and in two measures to simplify rates:

- the elimination of the time credit, replaced by a connect charge;
- the elimination of adjacent zones, which are now aligned with prices for local calls.

In January 2007, rates for calls to mobile handsets applied by France Telecom were again reduced: to Orange, SFR and Bouygues Télécom mobile handsets, for all residential, professional and business customers.

Rate plans for residential customers

The “Atout Téléphone” line introduced in August 2005 includes seven plans that combine flat rates and/or prices per minutes that are advantageous for calls other than flat-rate calls. The flat rates include minutes to all mobile phones in France, fixed-line and mobiles in the Overseas Departments, Europe and North America.

The “Atout Partout” service, included in all Atout offers, gives a customer the benefits of the plan away from home as simply as at home.

In June 2006, France Telecom launched a new line named “Les Optimales”, the first telephone offer that includes subscription to the telephone line, a flat call rate and the following services: caller ID, “Atout partout”, 15 SMS/month to fixed-line and mobile phones in France and, since January 2007, call waiting and call forwarding.

Each offer in the line proposes specific telephone fixed rates (tax included):

- “Optimale Illimité + 120” at 59 euros/month: unlimited calls 24 hours a day to fixed-line telephones in France, the Overseas Departments and Europe, and all fixed-line and mobile phones in North America plus 120 minutes/month to mobiles in France, the Overseas Departments, and Europe;
- “Optimale Illimité” at 39 euros/month: unlimited calls 24 hours a day to fixed lines in France, the Overseas Departments, and Europe, and all fixed lines and mobiles in North America;
- “Optimale 2h” at 25 euros/month and “Optimale 4h” at 32 euros/month: two or four hours of use, 24 hours a day, to all fixed lines and mobiles in France, the Overseas Departments, Europe and North America.

Finally the “Optimale” range was enhanced in May 2007, with a “Les Optimales 2h fixe France” entry-level offer at 19 euros/month: 2 hours to all fixed-lines in metropolitan France.

The “Optimale” range was supplemented through the launch in July 2006 of “Optimale 4h 8 MégaMax” including a flat Internet rate. At 59.90 euros/month, this offer includes “Optimale 4h” plus “Internet 8 Mégamax + TV”.

In March 2007, the range was enhanced with “Optimale 2h 8 MégaMax” at 54.90 euros/month, “Optimale 4h 1 Mégamax” at 54.90 euros/month and with “Optimale 2h 1 Mégamax” at 49.90 euros/month.

Rate plans for professional customers

The professional packages line (“forfaits Pro”) includes a series of local and national call flat rates to mobiles, Europe and North America. The “Plans Pro 10 euros” and the “Illimités Pro 1h, 3h, 5h” offers completed the range in 2007.

As it did for residential customers, France Telecom launched a line of “Optimales” plans for professionals in June 2006: “Optimale Pro 3 h” at 32 euros excluding VAT, “Optimale Pro Illimitée 1h, 3h or 5h” from 44 to 73 euros excluding VAT and “Optimale Pro 8 Mégamax” at 57 euros excluding VAT.

In 2007, the Optimales Pro range was further enhanced with “Optimale Pro 1h” at 22 euros excluding VAT, and “Optimale Pro Internet et Téléphone + 1h, 3h or 5h” from 65 to 97 euros excluding VAT.

6.4.1.2 Consumer online services, Internet access and multimedia

France Telecom offers online services on the Télétel (Minitel) network, Internet access services and multimedia and communication services on ADSL. The changes in these offers are in line with a strategy of convergence in a context of continually expanding customer equipment (fixed-line telephony, broadband Internet, television, mobile).

Minitel and Internet + kiosks

Minitel is an online service offer accessible through the Télétel network, which allows service publishers to distribute added-value content and receive compensation per consultation based on time.

After having resisted due to its practical nature, Minitel is now marginalized, faced with the generalization of the Internet.

The Télétel kiosk model, which has driven the growth of online services, will be extended to the Internet with the Internet + kiosk.

Internet access and multimedia

Since June 1, 2006, France Telecom has combined the Orange, Wanadoo and MaLigne TV brands under the Orange brand name in France, reflecting the transformation of the France Telecom group’s offer toward more convergence and simplicity.

The number one objective of the Group is to promote “higher speeds” for its customers so that they can access more services and multimedia content.

The plans offered to customers include:

- low-speed Internet offers, the “Orange accès libre” offer and a complete line of “Intégrales” contracts, ranging from five hours to unlimited 24/7 plans;

- broadband Internet offers:
 - for customers in zones not covered by DSL, satellite broadband Internet access,
 - for customers in zones covered but not eligible for ADSL, a broadband 512K extended offer based on the re-ADSL technology,
 - for eligible customers in zones covered, the offer is now structured around three product ranges:
 - an "à la carte" product range, with no time commitment or cancellation fees, including the 1 Megamax Internet access at 24.90 euros/month, 8 Megamax Internet access at 29.90 euros/month and 18 Megamax Internet access at 34.90 euros/month. The Livebox is offered for an additional 3 euros/month, as well as telephone via Internet to fixed lines in metropolitan France for 10 euros/month. Subject to eligibility, digital TV is included,
 - a "Formules" product range was launched in March 2007, including access to the Internet, television (where the customer is eligible) and telephone. The customer keeps his telephone subscription. The customer can thus place unlimited calls in IP mode to all fixed lines in metropolitan France while still maintaining the possibility to make calls from the switched telephone network line. In October 2007, the 8 Megamax plans were merged with the 1 Megamax plans, regardless of whether or not the customer is eligible for television. The range now includes two offers: the 8 Megamax plans at 29.90 euros/month and the 18 Megamax plans at 34.90 euros/month,
 - a naked ADSL offer, the "Net", launched October 5, 2006, which includes HD Internet access with TV and Telephone via ADSL without subscription to a telephone line. Two packs are marketed: "Net 8 MégaMax" at 39.90 euros/month and "Net 18 MégaMax" at 44.90 euros/month.

Launched in August 2004, **Livebox**, which is the core of France Telecom's broadband strategy, consists of a domestic gateway connected to the fixed-line telephone that connects various types of domestic terminals at high speed using several communications interfaces: Wi-Fi, Ethernet, Bluetooth. It allows one wireless ADSL connection to be shared among several PCs or online game playing with a console. It is offered on a rental basis for 3 euros/month.

Moreover, an offer combined with the rental of a laptop PC was launched as a partnership with Apple in April 2007 and with Hewlett-Packard in October 2007.

Internet access rate offers for professional customers

Since October 2007, the Internet offering dedicated specifically to professionals is built around a plan including DSL access and IP telephony to fixed lines in metropolitan France (and

television by request if eligible). This plan is also enhanced with email addresses that can be customized in the name of the company, and are secured using anti-virus and anti-spam software. Installation of the Livebox Pro is included in the price of the plan.

The Internet and Telephone Pro offer (up to eight Megamax) is offered for 39 euros excluding VAT per month. The offer is also available in the 18 Megamax version for 44 euros excluding VAT per month.

Fixed-rate IP communications for 1h, 3h or 5h to fixed lines (Europe and North America) and to mobiles (France, Europe, North America), from 8 to 40 euros excluding VAT per month is also offered.

Livebox Pro allows the broadband connection to be shared, and it benefits from a quick exchange in the event of a malfunction. It is offered on a rental basis for five euros excluding VAT per month and has an enlarged bandwidth and a Wi-Fi access function that is compatible with the mobile service user offers.

Orange TV

Orange's television offer (Orange TV) is available for no additional charge, for all eligible customers that have a Livebox and a decoder (made available to the customer after paying a deposit of 49 euros). Orange TV now offers 58 channels, five of which are high definition.

In addition, there are:

- Orange's theme pay packages: "Mes chaînes thématiques" and "Mes chaînes ciné", launched in May 2007 and billed 9.90 euros/month; "Mes chaînes chinoises", "Mes chaînes arabes", "Mes chaînes jeunesse" and "National Geographic" in high definition launched in September and October 2007, billed 4.90 to 6.90 euros/month;
- the Canal + and CanalSat packages;
- a Video On Demand catalogue with over 2,500 videos: films, TV series, documentaries, cartoons. Each video is billed when ordered;
- subscriptions to theme video programs billed 4.90 euros/month: "24/24 séries", "24/24 jeunesse", "24/24 musique"

Optical fiber

Since the beginning of 2007, France Telecom has been deploying its very high speed offer on the fiber optic network (FTTH) in Paris and in several other large cities. The "La Fibre" offer has been available for certain customers in Paris since March 1, 2007. Sold for 49 euros/month, it includes access to the Internet with 100 Megabyte download speed, television, and unlimited telephone calling to fixed lines in metropolitan France.

Other services for Internet users:

- Security services: “Antivirus Mail”, “Anti-Spam Plus” and “Anti-Virus Firewall PC” allow a customer to protect his computer against viruses and the receipt of undesirable emails. These offers include firewalls, parental controls and the coupling of security options;
- Communication services such as “mail Orange”, “web SMS”, “web MMS”, “photos”, “Orange Messenger by Windows Live” which can be accessed since May 2007 via the web as well as via the mobile telephone through the unified orange.fr portal;
- Assistance services for the Multimedia installation: installation services, assistance agreement, wiring offer;
- “Liveservices”, a line of services launched in January 2006 such as “Livezoom”, “Livetélésurveillance”, “Livemusic” and “Transfert Photos”. These services, which allow for the connection of home multimedia equipment (fixed- or mobile line, videophone, camera, television, hi-fi channel) to the broadband network using Livebox were enriched in January 2007 with “Liveradio”, a radio service that can be accessed through the Internet via Livebox, and with the “cadre photo”. The latter service allows for new uses, such as receiving photos, videos or music sent from a PC of a 3G mobile phone;
- “Livephone”, the terminal launched in October 2006, which allows Orange broadband Internet customers to telephone in “High Definition Voice” via the Livebox, with a sound quality superior to that of a telephone line.

Public phone and card services

With the growth in mobile phones, the use of public telephones and card services is declining steadily. This trend has led France Telecom to gradually reduce the number of its public telephones as follows:

	At December 31			
	2007	2006	2005	2004
Number of public telephones	166,000	179,000	180,000	189,000

However, France Telecom maintains telephones installed on public roads, including 41,000 installed for Universal Service requirements (which stipulate the equipment obligation of one booth for communities of fewer than 1,000 inhabitants, and two booths above that number).

France Telecom offers several payment methods for its customers who wish to use public telephones. The most widely used is the telecard (prepaid chip card dedicated to public phones). Other payment methods exist: the rechargeable booth card, France Telecom card which charges the price of the call later to the bill for the customer’s fixed-line phone and coded prepaid cards

New fixed-line/mobile convergent services

On October 5, 2006, Orange launched Unik, the first convergence offer for the general public. Unik” is a mobile phone that connects to Livebox for unlimited calls to fixed-line telephones and all Orange mobile phones from home, with a single number, a single address book and an automatic network change when the customer leaves home, without a break in the call.

In August 2007, the Unik offer was enriched with “Net and Unik”, a convergent offer for mobile and Internet access without traditional telephone line subscription, combined with a Unik terminal. This is an option for the Orange mobile flat rate that includes broadband Internet access, an ADSL line, television at home and a Unik mobile with unlimited calls to fixed-line telephones and all Orange mobiles from home.

6.4.1.3 Other consumer services

Other consumer services include:

- public phone and card services;
- information services;
- portals and e-merchant activities.

(including “Ticket Téléphone” from France Telecom). Since the end of 2006, France Telecom has also offered payment for calls using MONEO in a selection of public telephones.

Communication services using cards from any fixed-line phone are also offered: France Telecom cards allow customers to call from fixed-line phones in France, from abroad (France Direct services) and from Orange and SFR mobiles to fixed lines, mobile phones or public phones; calls are billed to the fixed line of the holder of the France Telecom card or to a bank card (CB Phone service).

The telephone ticket is a prepaid calling credit sold in the form of a coded card or a credit card slip. It can be used from public telephones or fixed-line phones, including those with selective access. It includes four families of tickets: France - Europe, International, Maghreb, Alizés.

This business is highly competitive, particularly to international destinations.

Information services

As part of market deregulation, France Telecom, backed by its experience in the information business, launched a full line of new telephone information services, organized into voice multi-channel and web (118712.fr and orange.fr, information tab) on November 2, 2005.

The offer includes:

- the **118 712** number, operator service, accessible 24/7 both from fixed-line and mobile telephones, for all operators. The customer can obtain:
 - up to five information items, including the telephone number and mailing address of a professional or an individual ;
 - reverse searches (name identification using a telephone number) ;
 - connection with the desired party.

Innovative services complete the information:

- mobile customers receive a confirmation free of charge via SMS, containing information about the nearest metro station and how far away it is, in major French cities, and also receive a link to a WAP plan that allows them to get their bearings;
- other numbers adapted to specific customer needs:
 - the **118 710** number: An innovative service using a voice synthesis and recognition technology accessible from a fixed line or a mobile, and which also provides access to a service portal: weather, horoscope, Allociné and taxi reservations ;
 - the **118 711** number: A universal information service, a base service accessible from fixed-line or mobile telephones;
 - the **118 700** number: International operator-assisted information services, from Orange fixed-line and mobile telephones. This services allows the caller to obtain two international numbers or five national numbers, a reverse search, connection with the party for some countries, and a tourist information service.

Portals and e-merchant

Since May 2007, the "orange.fr" portal offers a set of services that can be accessed whether from a personal computer or mobiles.

France Telecom is the leader among all Internet service provider portals in terms of audience in France. The audience for the "orange.fr" portal in France was 15 million Internet users in December 2007 (12.8 million in December 2006 and 11.5 million in December 2005 for the Wanadoo portal) (Source: Nielsen/NetRatings – Home & Work panel) With Voila.fr which has 7.8 million Internet users over the same period (7.5 million at the end of 2006 and 6.8 million at the end of 2005 (Nielsen/NetRatings – Home & Work panel), France Telecom has two of the twenty most visited portals in France.

Expansion of this audience is based on three essential revenue sources:

- online advertising, with an Internet advertising business for the Orange portal and a set of other sites managed by Orange (like Voila, Cityvox, mappy.com, lfrance, EMW, sports.fr, Meetic, Leguide.com). This allows advertisers to reach 67% of Internet users through the Orange Advertising network (69% at the end of 2006 and 66% at the end of 2005) (Source: Nielsen/NetRatings – Home & Work panel);
- sponsored links on the Orange search engine "Voila";
- pay content services, with everyday services (horoscope, meeting services, classified ads, music, ringtone and logo downloads), entertainment services (on-demand video and downloads of video games);
- the e-merchant activities (or e-commerce), are carried by the "Alapage" brand in a full offer of culture, high tech and entertainment products.

6.4.1.4 Content-related activities

The expansion of the Group's range of contents throughout its networks (landline, mobile, Internet) within France and abroad, placed within the responsibility of the Content division, relies upon partnership agreements and the acquisition of rights relating to cinema, music, games, sport and news. France Telecom makes every effort to provide the fullest and most attractive range of content possible, thanks to its association with various partners, such as Arte, France Télévisions, Warner, Sony, Lagardère.

All platforms of content services offers put in place by the Group include technical protection devices and digital control tools for those rights to make it possible to ensure the integrity of works, also the proper remuneration of rights-holders. Moreover, France Telecom has a presence in making content secure through the intermediary of its subsidiary Viaccess.

The most important operations carried out in 2007 were as follows:

- the launch of the television channel Orange Sports TV, available on the Internet, mobile phones, television (Orange TV) and satellite (over the BIS multi-channel package by AB group);
- the launch of the games website www.goa.com;

- launch of video-on-demand for high-definition Orange TV;
- launch of paid-for collections on Orange TV: my theme-based channels; my cinema channels; my Chinese channels; my Arabic channels; Nat Geo HD; my youth channels; the XXL channel;
- reaching new agreements to air films and series in video-on-demand (VOD), also subscription video-on-demand (SVOD):
 - agreements in France with Paramount and Gaumont studios to air new films, or films currently in the catalogue in VOD, also with Disney to air series in SVOD ;
 - multiple-country agreements with MGM studios to air new films and catalogue films in France, the UK, Spain and Poland in VOD; with Entertainment Rights studios to air animated films in VOD in the UK and Poland; with Granada Studios to air series in France and Poland (in SVOD) and films (in VOD).
- to set up STUDIO 37, an investment subsidiary in cinematography rights, which signed fifteen co-productions during 2007;
- opening of music offers in VOD and SVOD;
- reaching an agreement with France Télévision to air public-service channels (Rewind TV offer);
- carry out various partnership operations for the Roland Garros tournament (in France, Spain, Poland, Belgium and Romania), also the release of the film Asterix at the Olympic Games (in France, Switzerland, Romania and Slovakia);
- launch of the Music Store offer in the UK (purchase and download of titles onto PCs and mobile phones).

On February 6, 2008, Orange purchased three job-lot relating rights to air Premier League, including a Premium, among the 12 put up for sale by the professional football League.

6.4.1.5 Services to operators

Relations with international operators

Payment agreements signed by carriers for international communications ensure that France Telecom will be paid a fee by carriers using its network for their international calls to France and that France Telecom will pay fees to use the networks of other carriers for calls made from France.

Interconnection services

French telecommunication regulations require that France Telecom provide the interconnection of its switched public network with other operators for calls leaving the France Telecom network or incoming from the networks of competing operators.

This area of activity is regulated by the Arcep. The call volumes exchanged between France Telecom and the other operators are valued using rates approved by the Arcep.

6.4.1.6 Sales, distribution and customer service

In the area of sales, distribution and customer services, the Sales Department of the France operating division is responsible for customer relations for all Group products and services intended for consumers and small and medium businesses.

The Enterprise division works with very large national and international companies, primarily through Equant in the rest of the world.

The Networks, Operators and Information System division distributes France Telecom products and services to other telecommunication service providers and operators.

Consumer products are sold through a variety of channels, in particular:

- a network of 684 France Telecom boutiques at year-end 2007 (709 at the end of 2006 and 700 at the end of 2005) distributed throughout France;
- the France Telecom telephone customer contact centers, specialized in remote sales and customer relations and which are responsible for managing customer accounts;
- a unified customer service around the 3900 number, which provides after-sale service and remote assistance for the fixed-line and Internet products. The 1013/1015 number is now reserved for calls under the universal service. Customers can also benefit from on-site technical services and an offer to assist them in their usages of France Telecom products and services (installation, assistance);
- self-service channels via a voice portal (the 3000 number) and two Internet portals (Orange.fr and francetelecom.fr). These portals allow the customer to discover the Internet, broadband multimedia and mobile offers of France Telecom and to order them directly online. The Internet portals also allow the customer to track his Internet and mobile bills and to have information that facilitates the use of the products so that he can configure his equipment and correct certain problems on line.

Business customers (excluding major accounts) are also served by the Sales Department of the France operating division for voice, mobile and data transmission activities, with a network of 11 Business Agencies throughout France. These agencies have sales personnel dedicated to a portfolio of customers along with a network of telephone advisors ready to provide customers with information on the offers, the status of their orders, and the service quality of their installations. Moreover, the France Telecom Internet site allows companies to manage their contracts and to place additional orders in real time.

6.4.2 Poland

6.4.2.1 Fixed-line services and Internet access

TP Group offers a line of fixed-line telephony services that includes local and long-distance calls and international calls, calls from fixed-lines to mobiles, low-speed and broadband Internet. In December 2007, TP Group had 9.5 million subscriber lines and 2 million ADSL customers (Neostrada TP).

In order to stabilize fixed-line telephony revenues, TP Group has set up new rate plans offering free call minutes included in the monthly subscription price, with the goal of moving customers from standard rate plans to monthly fixed-rate plans that generate higher revenues. TP Group promoted these plans heavily during the entire 2004-2007 period and launched two new ones in 2007.

In June 2007, TP Group presented its "TP 2000" offer, which offers 2000 minutes of free local and national calls. This offer won over 145,000 customers interested in this high-end service and it should have a favorable impact on the satisfaction rate and on customer retention.

In July 2007, the appeal of "TP 60", the most popular flat rate plan, was increased by implementing a carryover of unused minutes to the following month.

In December 2007, in order to better meet the needs of customers, TP Group extended its range by introducing the "TP 250" flat rate plan, with 250 minutes of free local and national calls. Because of this, 3.1 million consumers had subscribed to one of the new contracts and the percentage of monthly contracts in total revenue from residential fixed-line telephony was 54%.

TP is developing an integrated operator strategy with the introduction in December 2005 of the Livebox TP based on the Livebox model, with Wi-Fi connection. The Livebox TP offers users telephony over IP (since February 2006), television over ADSL (June 2006), Video On Demand (September 2006), voice/Internet/TV "triple-play" (October 2006), single telephone (UMA, under the Unifon brand) and will soon offer video recording. In terms of its "triple-play" offer, TP is now providing 35-channel basic television subscription (plus the Cyfra+ package offers as an option) and over 1,200 films from its Video On Demand library. The "triple-play" offer is now promoted with programming from HBO and Canal+.

An increase in revenues from broadband traffic is a strategic objective for stabilizing revenues from the fixed-line business. In 2001, TP Group launched broadband Internet access using the ADSL technology under the brand Neostrada TP. Broadband Internet access has expanded very rapidly to reach 2 million customers as of December 31, 2007. The extended offer of Neostrada TP and a number of promotional offers are

a means to compete in a highly competitive broadband market and increase TP's market share. At December 31, 2007 nearly 100% of the lines in the TP Group provided access to ADSL.

The current ADSL offers range from an initial access at 128 Kb/s to higher speeds up to 6144 Kb/s. The most distributed ADSL option in 2006 was "Neostrada TP" at 128 Kb/s, the highest selling option in 2007 was the 512 Kb/s one, and the 1 Mb/s option has dominated the most recent sales. In fact, in order to accelerate migration to more advanced products and increase the unit revenues generated, TP Group launched a program to promote ADSL at 512 Kb/s with options for higher levels. This promotional program was reinforced in February 2007 when the limitations that blocked the speed were removed. This entailed an offer to switch from 128 Kb/s to 256 Kb/s and to 512 Kb/s free of charge. 512 Kb/s access thus represented, at the end of December 2007, 46% of the total ADSL links and the 1 Mb/s option represented 35%. In the upcoming years, TP is planning to continue its promotional operations with its ADSL customers to switch to higher speeds in order to provide them with the associated new multimedia services.

The increase in the number of ADSL service customers was also obtained by setting up a customer retention offer (with conditions equivalent to the promotional offer on the initial subscription) and the offer of additional value-added services such as rewards, anti-virus and parental control software, the MS Office suite, or the combined sale of "Neostrada" and a computer with staggered payments.

In 2005, TP Group acquired the interests of the minority shareholders in "Wirtualna Polska", which operates an Internet portal ("wp.pl") that ranks second in Poland in terms of audience. In collaboration with "Wirtualna Polska", TP is developing content services such as the "eVoucher" promotion (Neostrada customers benefit from electronic vouchers good for purchases in the on-line boutiques of TP and "Wirtualna Polska") and sales of "Neostrada" services on the "Wirtualna Polska" portal.

6.4.2.2 Business services

TP Group continued to improve its business service offer in 2007, from the standpoint of technology, rates and access policy.

Access policy

Throughout 2007, TP Group continued its promotional campaigns to sell its access offers to the business market. The main items in this offer are the sale of voice access (primarily via ISDN) and broadband access (mainly via DSL link). These offers were associated with reduced installation and/or monthly subscription fees in exchange for a 24-month commitment, which contributes to retaining customers and in guaranteeing revenues. In 2008, the development policy in terms of the customer base will continue, with further emphasis

placed on the acquisition of new broadband subscribers and retaining current voice subscribers, in the context of developing wholesale lines. Wholesale development is indeed the primary reason for subscription cancellations in 2007, not only in the consumer market, but also in the business market. In order to limit these cancellations, TP is planning to launch new rates for the business segment.

Rate and service offering

The main rate modification that took place in 2007 was the passing on of the 22% drop in the price of fixed to mobile communications in the business market. Although this involves the standard contract intended primarily for consumers, a substantial amount of business customers are also covered by this type of contract. The impact of this measure on revenues has been felt on the business market as well as with consumers, but was limited to companies using the standard contract, since the drop was postponed for the others until March 2008.

Another rate modification is linked to extending business services to the new segment of independent workers and very small companies, or SOHO (*Small Office, Home Office*). Since July 1, 2007, SOHO customers have been treated as a professional segment and are no longer integrated with consumers as was the case up until now. This approach will allow TP to better respond to the SOHO segment and take advantage of its growth potential. The development of a complete offer devoted to this segment for which voice and Internet services comprise the major portion of the revenue generated is one of the main objectives for 2008.

As for the business services offering, the portfolio of value-added services over the Intelligent Network (IN) includes the voice information servers and teleconferencing services. Two achievements are to be noted in 2007 in the area of information servers with the commercial launch of "International Infolines", designed for companies that have subsidiaries abroad, and the launch of interactive functionality on these voice servers. It is also planned to enhance the portfolio of services intended for the SOHO segment. At the beginning of 2008, a new information server offering reserved for the SOHO segment will be implemented.

VoIP/PABX/Diatonis business solutions

A new IP protocol service for corporations, "Business Talk IP", was launched commercially in April 2007. It allows interconnection with business sites equipped with PABX IP by the intermediary of the TP's IP-VPN (virtual private network) service. It offers free call transmission within the VPN network ("on-net") and extremely competitive prices for calls transmitted outside to the public network. The customer pays a monthly rate for the access and voice channels used.

In addition to the "Business Talk IP" service, TP offers a complete range of PABX delivery and maintenance services, expanded in 2007 to solutions built around IP-compatible PABX and full-IP PABX.

As such, business customers have a full range of modern IP-based communication solutions.

For the small and medium business market, in April 2007 TP launched a service called "Business pack IP TP". This is a bundled offer combining ADSL/SDSL Internet access, VoIP communications and data VPN optionally. This service allows businesses to connect their existing equipment (analog PABX and telephones) to TP's VoIP platform and take advantage of attractive voice communication rates (especially with the unlimited consumption plans) and professional-quality broadband access via DSL link. Other developments in the Business Pack and Business Talk offers are to be launched in 2008, in order to correspond to the various configurations that are possible for the customer.

Broadband data transmission

In order to meet market needs, TP has developed new options for the "DSL TP" offer for small and medium businesses, including firewalls, hosting solutions, and new speed options. Likewise, to meet customer demand, TP strengthened the attractiveness of the IDSL offer (broadband Internet access dedicated to businesses) with a number of promotions and value-added services (new type of modem, flexibility with domain names).

TP's portfolio of data transmission products was also enhanced in 2007. The most important development was with the "IP VPN TP" service. In order to attract the customer, TP introduced a new more competitive rate and has perfected new options for this service, in particular the administration of firewall functionality, ADSL Link, an alternative customer terminal for ADSL access, SHDSL access for speeds of up to 4 Mb/s and Ethernet access. Thanks to these functional improvements and voluntary sales promotions, revenues grew substantially in 2007, reaching more than 100% in growth compared to 2006.

TP has also reinforced the attractiveness of its "Data Transmission DSL TP" service thanks to various promotions (especially: "VPN SME" for IDSL customers, "Link 24", "Link 24 bis", "More Internet" corresponding to a drop in subscription fees for very high speed plans) and new functionality (firewalls, SHDSL access).

In order to stimulate "Business Everywhere" sales, a new rate has been adopted, followed by a communications campaign over the Internet and in the press.

Sales pertaining to TP's leased line service were supported by various promotions: "Migrate to digital LL for 1 pln", launched in 2006 and available up until June 2007, and "Cheaper 2Mbit/s LL", set up in September 2007 and valid until the 1st quarter of 2008. This latter promotion offers a 30% discount (for 12-month subscriptions) or a 60% discount (for a longer subscription) on installation and subscription fees.

The "Ethernet VPN TP" service was launched in 2006 in the dense urban zones (Warsaw); this is a broadband data transmission network capable of transmitting the full bandwidth of the line. In 2007, the "Metro Ethernet TP" service was implemented in seven new built-up areas, in Poznan, Cracow, Wroclaw, Lublin, Katowice, Gdansk and Szczecin.

6.4.3 Rest of the world

6.4.3.1 Europe

Outside France and Poland, the France Telecom subsidiaries in the home communications services segment in Europe are France Telecom España, which is an alternative operator in Spain (formerly Uni2) and an Internet service provider, and Orange UK, an Internet service provider in the United Kingdom.

In all these countries, priority is given to the deployment of unbundling, the development of the ADSL broadband offers and convergence offers made possible by France Telecom's positions as an integrated operator in each of these countries.

In 2006 in the **United Kingdom**, France Telecom unified its Enterprise operations (represented by Equant) and its Internet activities (represented by Wanadoo) under the "Orange" brand. As a result, the "Orange brand", is extending to non-mobile activities and is building on this diversity of services offered to customers. Orange UK is focusing its efforts on deploying unbundling, which began in 2005, with 702 switches unbundled as of December 31, 2007 (458 at December 31, 2006). Orange UK builds on its dual position in wireless and the Internet to develop combined offers and a unified portal.

Orange UK offers a line of broadband Internet access products, which currently includes the following offers:

- **Home Starter** a 2 Mbit/s offer, limited to a volume of 6 Gb per month, a Livebox and free calling in the evening and on weekends from home to any fixed line in the United Kingdom;
- **Home Select** offering speeds of up to 8 Mbit/s, with no limit to the volume transferred (subject to reasonable use), a Livebox and the use of a second line including free telephone calls at any time of the day to a fixed line in the United Kingdom or to 30 other countries;
- **Home Max** offering speeds of up to 8 Mbit/s, with no limit to volume (subject to reasonable use), a Livebox, a residential telephone line, free telephone calls in the evening and on the weekend from home to any fixed line in the United Kingdom

and free telephone calls at any time of the day to a fixed line in the United Kingdom or to 30 other countries by the intermediary of a second line.

For the other customers who want low-speed Internet access, Orange UK offers a "Pay as you go" free access plan with monthly "Anytime" rates.

In the United Kingdom, the commercial network has 336 Orange points of sale, 150 specialized retailers and a network of non-specialized retailers.

In **Spain**, France Telecom España markets low-speed Internet offers and broadband offers on ADSL and is the leading competitor of Telefonica for Internet access in Spain. This position was further reinforced by buying out Ya.com last August.

With its two commercial brands Orange and Ya.com, France Telecom España is continuing to exploit unbundling and is now focusing on first telephone line services and on developing convergent offers. At December 31, 2007, France Telecom España had 1.2 million ADSL customers taking the Orange and Ya.com brands into account (compared to about one million on a comparable basis at the end of 2006). 67% of these ADSL customers are unbundled (compared to 57% at December 31, 2006 on a comparable basis).

Taking advantage of its position as a fixed-line operator and Internet service, IP television and mobile telephone provider, France Telecom España proposes offers that combine all of these services.

As such, the last quarter of 2007 was marked by the launching of "*Todo en uno*" (All in one) in the unbundled zones which, for a price of 34.95 euros, offers the line rental, the maximum speed over ADSL, free calling at any time of the day to all national fixed lines via VoIP, 40 IP television channels, on demand video, which is all of the fixed-line telecommunication services that allow the customer to break off relations with the historical operator.

In addition to the "*Todo en uno*" offer, the service portfolio is available according to other options that meet market expectations:

- ADSL at 6 Mbit/s with 24h calling to national fixed lines, IP television and on demand video, for 24.95 euros in unbundled zones;
- ADSL at 1 Mbit/s with 24h calling to national fixed lines, for 20 euros in unbundled zones;
- ADSL at 3 Mbit/s with 24h calling to national fixed lines, for 36 euros in unbundled zones.

This offer can be supplemented by several value-added services and with mobile convergence services such as "*Numeros plus*", which offers reduced communication rates between the fixed line and mobile telephones that have been designated for this fixed line.

The table below details the breakdown of the Internet customer base by type of offer (thousands of subscribers) for the European countries in which France Telecom is present (outside France and Poland):

Country	Offers	At December 31		
		2007	2006	2005
United Kingdom	Narrowband	309	662	1,145
	Broadband	1,138	1,063	906
Spain	United Kingdom	1,447	1,725	2,051
	Narrowband	223	372	728
	Broadband	1,177	640	563
Netherlands	Spain	1,400	1,012	1,291
	Narrowband	-	66	116
	Broadband	-	488	506
Total	Netherlands	-	554	622
	Narrowband	532	1,100	1,989
	Broadband	2,315	2,191	1,975
	TOTAL	2,847	3,291	3,964

Source: France Telecom.

6.4.3.2 Outside Europe

Latin America

France Telecom indirectly holds a 25% interest in Intelig, the alternative fixed-line telephony operator for national and international long-distance calls in Brazil. This operator launched its operations in the first half of 2000. This equity interest is being held for sale.

Asia and Pacific

In July 1997, France Telecom signed a partnership agreement with "VNPT", the Vietnamese fixed-telephony operator. Under the terms of this agreement, France Telecom provides financial, technical and management assistance in a project to install new lines east of Ho-Chi-Minh City.

In March 2007, France Telecom sold Tahiti Nui Telecom, to the Office of the Post Office and Telecommunications of French Polynesia (OPT), in which it held a 34.0% interest.

Middle East and Africa

France Telecom holds a 51% interest (% of control) in Côte d'Ivoire Télécom, the incumbent telecommunications operator in Côte d'Ivoire. CI Telcom provided fixed-line telephony services on about 272,000 lines as of December 31, 2007 (compared

with 283,000 lines at December 31, 2006 and 250,000 lines at December 31, 2005). CI Telcom's activity was impacted by current local events, which led to an impairment of the full value of this asset as of December 31, 2004.

France Telecom controls and holds a 42.3% interest in Sonatel, the incumbent telecommunications operator in Senegal. Sonatel provided its fixed-line telephony services on about 308,000 lines as of December 31, 2007 (compared with 311,000 lines as of December 31, 2006, and 267,000 lines as of December 31, 2005).

France Telecom holds 51% of Jordan Telecommunications Company, which provided fixed-line telephony services on about 624,000 lines as of December 31, 2007 (compared with 648,000 lines at December 31, 2006, and 650,000 at December 31, 2005). Jordan Telecom was "rebranded" under the Orange brand in August 2007. Jordan Telecommunications Company was admitted for trading on the Amman stock exchange (Jordan) in 2002.

France Telecom indirectly holds 40% of Mauritius Telecom, the incumbent operator in Mauritius. Mauritius Telecom had approximately 390,000 lines at December 31, 2007 (compared with 405,000 at December 31, 2006 and 425,000 at December 31, 2005).

6.5 ENTERPRISE COMMUNICATION SERVICES

The “Enterprise Communication Services” (ECS) segment includes the business solutions and communication services in France and the global business services of Equant, a subsidiary of France Telecom, marketed under the “Orange Business Services” brand. The ECS segment in 2007 generated revenues of 7.7 billion euros, compared with 7.7 in 2006 and 7.8 billion euros in 2005, before intra-group eliminations.

6.5.1 Business network legacy

Business network legacy services include all services corresponding to the traditional activity of a fixed telecommunications network operator, including access offers and switched voice traffic as well as traditional data services (infrastructure and non-IP managed networks IP).

6.5.1.1 Traditional fixed-line telephony

Traditional fixed-line telephony services include access, telephone calls and customer relationship management (CRM).

Access

The “Analog Line” subscription range is a service offering intended for Professionals and Businesses. It provides access to France Telecom’s telephone network.

The line of subscriptions designed to meet the specific needs of professional customers and businesses differs from consumer subscriptions primarily in the level of service commitments (guarantee of re-establishment time, 24/7 assistance) and the availability of line-related services (for example, caller ID or call waiting).

In addition, professional customers and businesses have had access since 1987 to the ISDN service (Integrated Service Digital Network) under the “Numéris” brand, which connects the telephone installations with a high degree of reliability, security and compatibility with end-to-end digital quality.

Beyond telephony uses, Numéris ensures operation of monetary applications, remote security, M2M (Machine to Machine), backups for permanent lines, and videoconferencing.

National and international calls

As for residential customers, telephone calls may be billed per unit based on time or at a flat rate.

The “Business rate” is the basic rate for all business customers and professionals that have professional contracts. This rate takes into account the telephone needs of professionals which are primarily concentrated during the day, contrary to residential customers.

For flat-rate offers, diversified rate plans, particularly unlimited flat-rate plans, have been developed to meet different user profiles and to retain customers. The “SME flat rate” thus offers monthly communication plans to fixed lines or mobile telephones located in metropolitan France or telephones located in French overseas territories or abroad, with a sharing of communication time across all the lines of the same site.

Since 2005, France Telecom has capitalized on its positioning as an integrated operator by marketing convergent offers such as the “Business Talk” line.

The “Business Talk classic” and “Business Talk premium” offers provide corporate sedentary and traveling employees with a large panel of services that are modern and easy to use. These offers combine preferred rates with many innovative telephone and management services such as unique voice main and numbers, telephone reception services, analysis and control of fixed-line and mobile traffic, re-routing of calls from one business site to another.

Customer Relationship Management (CRM)

The “Audiotel” service consists of a kiosk service call numbers (e.g., home banking and weather services), a portion of which revenues is repaid to the service provider company.

The “Numéros Accueil” services consist of providing dedicated numbers for business telephone answer centers. Three types of numbers are available (“Vert”, “Azur” and “Indigo” numbers), according to how much of the call the business wants to pay for (full, partial or no payment):

These services are easy to use and can be driven using a Web interface, which allows each customer to manage his telephone activity and to modulate it in real time.

These services are currently moving towards a more complete range under the IP environment and towards single management of incoming and outgoing calls regardless of the communication channels used (fixed-line or mobile, SMS, MMS, email, web, fax).

6.5.1.2 Traditional data services

Traditional data services consist of traditional infrastructure services and non-IP managed data service solutions.

Traditional infrastructure services

Leased lines

France Telecom provides "leased lines" to its professional and business customers that are either digital (Transfix digital lines) or analog, which are progressively being replaced with the new DSL and Ethernet technologies.

Fiber optic services

France Telecom has been using fiber optic cable at the core of its national network for several years. This is also the support that allows multi-site companies, who have substantial needs in terms of speed, to group all of their communication together between their establishments on a local, regional or national scale, and their customers or partners can also be connected (SMHD, MultiLAN, InterLAN solutions).

Non-IP managed data services

Various service plans have been offered in this context for several years based on Frame Relay, X.25 or Global Intranet technologies. Customers using these services, in France and internationally, are, however, gradually migrating to solutions like "IP-VPN" or "Oléane VPN".

6.5.2 Advanced business network

6.5.2.1 Advanced infrastructure services

DSL and Wi-Fi services

In France, the "DSL Enterprise" services allow the various sites of a company, such as regional agencies, maintenance sites and commercial branches, to be interconnected through DSL.

For areas that are not connected to ADSL, France Telecom has a broad range of access to broadband Internet ("Pack Surf") via satellite and Wi-Fi and provides, in collaboration with the local authorities, broadband coverage to local districts located in rural areas.

Fiber optic services

France Telecom continues to develop its new generation of very high speed services in France, and is deploying the "Giga Ethernet" technology on its lines to reach a speed of 10 Gbit/s.

Marketed since the end of 2005, the "Ethernet Link" solution is a broadband backbone network offer allowing companies to link up to their local networks (LAN) and their PABX across the entire country, with a high level of service quality, much flexibility in speed and the simplicity of Ethernet.

This service was expanded internationally in 2007, with "International Ethernet Link", allowing multinational corporations to connect their head office with their data centers around the world.

The Ethernet backbone line was enhanced with the MAN Ethernet plan, which offers speeds ranging from 100 Mbit/s to 1 Gbit/s and is available in the 15 largest French cities, and allows businesses to integrate new usages such as VoIP or critical applications.

With the i-SAN solution, a storage network interconnectivity solution via Ethernet, medium and large corporations also benefit from constant replication of data on a remote backup center, which thus avoids any disturbances in their business in the event an IT problem occurs.

6.5.2.2 IP network services

The Internet Protocol (IP) has become the technological base for all communication solutions. The IP Enterprise network is the platform for a broad range of services, including IP-VPN, Internet access services, possibly packaged with other services such as email, hosting and security. France Telecom is developing its convergence offers, particularly in telephony over IP, allowing its customers to make gains in productivity, to increase flexibility and adaptability, and to develop new uses such as collaborative work, and to converge the different communication media.

Internet/IP virtual private networks/convergence/ VoIP access

In France

In 2003, France Telecom launched the "unified VPN" offer in France, the first fixed-line/mobile convergent telephony offer based on a Virtual Private Network.

A broad range of IP communication solutions operates around the "Business Livebox", the single platform for convergence services launched in France in June 2006. It allows businesses to make a simple and progressive migration toward voice over IP and integrate traditional Internet access services and the networking of the companies sites over an xDSL link.

Via its "Business Internet" line, France Telecom offers a set of secure high performance Internet solutions that can be customized, and which combine all of the advantages of broadband IP-based services: instant navigation, secure data exchange, high-performance network support for building Internet solutions, and collaborative work

The "Business Internet Centrex" offer is therefore an integrated solution for broadband business Internet and VoIP access with which the customer can eliminate the management and maintenance requirements of a telephone switchboard.

This line was also enhanced in 2007 with the “Business Internet Premier” offer, providing the advantage of very high speed with optical fiber support in particular for building e-business and multimedia solutions and for developing collaborative work.

France Telecom offers solutions to large companies that allow them to migrate at their own speed to IP telephony, such as:

- “Business Talk IP”: this offer allows for easy migration to IP telephony. It provides the internet working and interoperation of PABX and IPBX, but also connectivity with switched networks. It allows all of the sites of a large corporation to be grouped into a single network. Whatever the private telephone equipment may be, “Business Talk IP” guarantees equipment interoperability;
- “Business Talk IP Centrex”, hosted and operated by France Telecom, is an outsourced service. It provides the business with conventional functions (PABX) and advanced business telephony functions (unified messaging, click to dial, Web user), without the necessity of equipment or internal telecoms skills on its sites.

The “Business Together” plan launched at the end of 2006 and based on IP-VPN solutions, is a unified communications suite that gives the user easy access from his computer via IP telephony software (softphone) to the company’s collaborative working tools: audio and web conferencing.

International

Outside France, France Telecom also combined its expertise in network services with an expanded offer of value-added services to provide global, integrated and customized communications solutions. These solutions are based on network services that allow users to access information systems, applications and their mailboxes. France Telecom’s network service offer includes IP-VPN MPLS, used at the end of 2007 by over 1,450 customer businesses (compared with 1,450 at the end of 2006 and about 1,300 at the end of 2005) and available in 146 countries and territories at the end of 2007 (compared with 146 at the end of 2006 and the end of 2005).

For smaller sites, France Telecom has offered a line of solutions known as “Small Office Solutions” since 2005. These solutions are based on three levels of DSL services to allow customers to enhance performance and optimize the level of support they need on their different sites through their global virtual private network.

6.5.2.3 Mobility solutions

The “Business Everywhere” offer gives businesses of all sizes a solution, that gives their travelling employees remote access from their PCs or communicating PDAs to their applications (messages, business applications) via any network using a single-user interface.

As of December 31, 2007, the “Business Everywhere” plan had 571,000 users in France, an increase of 18% over December 31, 2006 (compared with 486,000 users at December 31, 2006, an increase of 19% over December 31, 2005).

6.5.3 Extended business services

The convergence of telecoms and IT is at the core of the company’s stakes.

In France and abroad, France Telecom is developing a complete offer of services pertaining to networks that are innovative and have high added value. France Telecom is in a position to assist its customers in switching their communication systems over to IP, answer their security problems and manage their critical applications and to offer them a complete range of services, from advice up to operations, including the design and implementation phases for their IT and telecom infrastructures.

This level of services can go as far as including the outsourcing of communications infrastructures and the integration of complex networks.

In this area, France Telecom has carried out several acquisition operations, allowing it to strengthen its portfolio of offers and skills as well as its geographical presence in key sectors:

- the acquisition of the Diwan Group (July 2006) has allowed the Group to supplement its offer in terms of network integration services and to consolidate its skills in the area of security, collaborative tools and call centers in France;
- subsequent to the acquisition of Néocles Corporate (October 2006), Orange Business Services customers now have a complete service offering to implement secure infrastructure solutions, especially in the “light client” field (simplified access to applications moved to a central server) and with the associated technologies;
- the acquisition of Groupe Silicomp (January 2007) completes the Orange Business Services offering in the areas of company network integration services and critical communicating applications and strengthens its position in the market for convergent offers with recognized expertise in software solutions and on-board real time technology solutions in France and abroad;
- the acquisition of the “Business” and “Managed services” division of GTL Limited in India (September 2007) reinforces the Group’s presence in the Asia-Pacific region as an integrated communications solutions operator.

6.5.3.1 Integration services

France Telecom offers end-to-end integration services ranging from WAN to LAN to PBX up to the customer’s telephone

station and also offers setting up “data centers”. To assist its customers in their transformation to IP and in the utilization of new usages, France Telecom is implementing solutions to allow companies to migrate progressively from traditional switched networks (PBX) to leading edge IP communication services, including consistent and global service level agreements (SLA).

France Telecom provides integration services on site or remotely as well as providing on-line support services.

6.5.3.2 Project consulting and management

In both France and abroad, France Telecom offers value-added services, such as project consulting and management, to assist businesses in defining their strategy from assistance with solution design up to and including installation, and then providing them with support.

Since the beginning of 2007, Group customers have been able to take advantage of consulting and assistance services that are compliant with the ITIL® (IT Infrastructure Library) standard, thanks to its experts who are certified. This expertise allows our customers to improve the quality of their services and to save money. To assist its customers in their transformation to IP and the convergence of IT and telecoms, the Group has also strengthened its consulting services in fields such as “M2M”, collaborative work and multi-channel customer relations management.

France Telecom also assists businesses to deploy their telecommunications solutions. The deployment offer ensures the service of the business network and related services under the best conditions in terms of engineering, coordination and delivery times.

6.5.3.3 Extended business services

Management of customers’ critical applications

In the context of the convergence of telecommunications and information systems, France Telecom offers services related to information systems by positioning itself on critical applications.

France Telecom hosts, manages and operates very critical communications service platforms on behalf of its customers: voice mail (launch of the “Business Together” collaborative offer with Microsoft in May 2007), security, customer relations management platforms, “M2M” communications and collaborative work tools.

In order to ensure the global security of the information system, France Telecom offers a line of solutions such as the integrated “Business Continuity” offer or the “Unified Defense” offer that are among the broadest in the market in order to secure access to the network, protect the company’s resources and detect and anticipate attacks.

Since the end of 2007, France Telecom has also been providing “IP VPN Protected”, in association with its data services, that is a service intended to secure remote sites and which integrates

into the company’s IP VPN network without any additional equipment.

Backed by dedicated skills and expertise, France Telecom is also positioned in specialized integration, management, application and intermediation systems, particularly in the financial, health (Almerys subsidiary) and “e-administration” sectors.

France Telecom offers electronic payment, dynamic virtual card and secure flow management services via the hosting of interbank trading platforms performed by its subsidiary SETIB.

Because it allows remote equipment to communicate without human intervention, “Machine-To-Machine” is open to all kinds of applications in all business sectors: tracking, maintenance, replenishment, localization, remote security, alert systems, patient telemonitoring. With its “Business Machine-To-Machine” offer (including the “Fleet” line for interactively managing vehicle fleets), France Telecom is the first operator in Europe to launch a complete M2M offer, including connectivity solutions and platforms and packaged and custom offers that meet complex integration needs.

Customer relationship management

France Telecom offers a broad range of services to businesses to manage incoming and outgoing contacts (colored numbers) and offers a line of custom, multi-channel contact solutions such as “Contact Everyone” so that businesses can progressively manage all of their customer contacts, whatever the communication method used (telephone, fax, e-mails, chat, SMS, MMS, call-back, virtual call centers, voice recognition services). France Telecom has completed this line with a turnkey solution for small and medium businesses.

6.5.3.4 Value-added services related to the network or infrastructure

In France, France Telecom offers a number of services linked to its access offer (voice, data, mobility).

For access to the telephone network, there are services such as speed dialing, call management and telephone conferencing, invoice management, communication of the new number, number retention and virtual private networks (voice) with speed dialing and network management services.

For data access, there are options such as web opening for VPN access, or response or re-establishment time guarantees.

In mobile solutions, France Telecom offers optimization solutions with a plan for flow concentration.

6.5.4 Other Business Services

Other Business services include broadcast services and equipment sales and leases.

6.5.4.1 Broadcast services

France Telecom is present in the broadcast market through its subsidiary GlobeCast. GlobeCast is established worldwide through its 15 teleports and technical centers. GlobeCast transmits video and multimedia content on its satellite and optical fiber network on behalf of television and radio broadcasters, businesses, government institutions or point of sale networks. GlobeCast offers ingest services that digitize and distribute content on all types of networks or platforms, such as satellite television, cable networks, video on mobile, television on ADSL or even work station streaming.

6.5.4.1 Equipment sales and leases

France Telecom installs and integrates network equipment for its customers, such as routers, PBXs and LANs (offered for sale or lease). As part of its overall assistance to the customer, France Telecom also offers PC fleet management services.

Through its subsidiary Etrali, France Telecom provides connectivity systems, services and solutions to the international financial community to manage its voice and data communications between trading rooms and their integration in the corporate information system. Etrali is the primary partner with more than 1,600 trading rooms in 48 countries.

6.6 EXCEPTIONAL EVENTS

None

6.7 DEPENDENCY ON PATENTS

None

6.8 COMPETITIVE POSITION

6.8.1 Personal Communication Services

Orange faces significant competition from European and international wireless telecommunications providers such as Vodafone, T-Mobile, TIM (Telecom Italia Mobile), Telefónica Móviles, NTT DoCoMo and Hutchison Whampoa, all of which have international networks. In addition, Orange faces competition from national operators in each of the countries in which it operates. To the extent that use of mobile telephones is complementary to fixed-line telephones, Orange also competes with fixed-line telecommunications providers.

6.8.1.1 France

Orange France's main competitors are SFR and Bouygues Telecom. SFR, which is controlled by Vivendi and partially owned by Vodafone, started its GSM900 operations in 1992. Bouygues Telecom, which is controlled by Bouygues, has operated a GSM network since 1996. Orange, SFR and Bouygues Télécom are the three operators that hold UMTS licenses in the French market. A bid tender to award a fourth 3G license was launched in March 2007. Iliad, the only company that declared itself in March 2007, was rejected by Arcep in October 2007 since it did not comply with the financial terms for the granting of a license that are defined by law. A fourth license could be granted in terms of changes in the current legislation.

The following table shows the market shares of each of the network operators in France (at December 31):

	At December 31		
	2007	2006	2005
Orange	46.9%	46.6 %	46.6 %
SFR	36.2%	35.9 %	36.1 %
Bouygues Telecom	16.9%	17.5 %	17.3%

Source: Informa Telecoms & Media (3rd quarter for 2007).

In addition, the French market includes many brands that have reached MVNO or license agreements with the three network operators Orange, SFR and Bouygues Telecom. The commercial launching of the following new brands took place in 2007:

- Saint Hubert Telecom and Leclerc mobile using the SFR network;
- TF1 Mobile, Mobiho and Horizon Telecom using the Bouygues Telecom network;
- Casino Mobile and Hub Mobile using the Orange network.

6.8.1.2 United Kingdom

The principal competitors of Orange UK are the three mobile telephony network GSM operators: Vodafone, O2 (a wholly-owned subsidiary of Telefónica) and T-Mobile (a wholly-owned

subsidiary of Deutsche Telekom). All launched their operations before Orange UK.

In addition to these three operators, Orange UK also faces competition from the UMTS market from Hutchison 3G UK Ltd, held by a consortium with majority control by Hutchison Whampoa, which launched its services in March 2003 under the brand "3".

In November 1999, a joint venture between the Virgin Group and Deutsche Telekom became the first virtual wireless network operator in the United Kingdom, when it launched its service that operates by purchasing call time from One2One (now T-Mobile). Virgin was bought out by NTL in 2006 and is still operating under a new supply agreement with T-Mobile. Other mobile network virtual operators are presently operating in the United Kingdom.

The following table shows the market share of each of the network operators in the United Kingdom:

	At December 31		
	2007	2006	2005
Orange	21.5%	21.8%	22.2%
Vodafone	22.2%	20.9%	22.8%
O2	27.1%	27.3%	26.1%
T-Mobile	23.7%	24.4%	23.7%
3 UK	5.5%	5.6%	5.2%

Source: Informa Telecoms & Media (3rd quarter for 2007).

6.8.1.3 Spain

Orange has been competing for several years with two other operators: Movistar (a subsidiary of Telefónica), and the Spanish subsidiary of Vodafone. In 2006, other players appeared, including Yoigo (previously Xfera, a subsidiary of TeliaSonera in Spain) and mobile virtual network operators or MVNOs (Carrefour Mobile, Happy Móvil-The Phone House, and Euskaltel). In 2007, several new MVNOs entered the Spanish

market. "Lebara Mobile" opened its service to the public in the first quarter of 2007, while seven other virtual operators carried out limited commercial tests during the last quarter (R, Dia, KPN, Mas Vida, Pepephone, Eroski and Telecable).

Only Orange, Telefónica and Vodafone hold a GSM license and a UMTS license. Yoigo holds the fourth UMTS license and the other operators are MVNOs.

The following table shows the market share of each of the network operators in Spain:

	At December 31		
	2007	2006	2005
France Telecom España (Orange)	22.9%	23.6%	23.9%
Telefonica Moviles	45.4%	45.5%	46.1%
Vodafone	30.2%	30.7%	30.0%
Yoigo	0.5%	0.1%	-
Mobile Virtual Network Operators (MVNOs)	0.9%	0.1%	-

Source: Spanish regulatory authority (CMT) (3rd quarter for 2007).

2007 was marked by stiff competition, and the market continues to grow. While the MVNOs and Yoigo gained 1.4% of the market, the three main operators redefined their product portfolios and lowered their prices.

Moreover, Vodafone, by buying out Tele2, acquired broadband infrastructures that will be crucial in competing in the convergence market for telecommunications services.

6.8.1.4 Poland

PTK, which has been operating since September 2005 under the "Orange" brand, initiated its GSM activity in 1998, two years after its competitors. In 2007, PTK became the leading

mobile telephony network operator in Poland (based on revenue as well as number of customers (Source: PTK). The other mobile telephony network operators are PTC (majority held by Deutsche Telekom) and Polkomtel (operating under the Plus brand and held by Vodafone, TDC and Polish companies) and P4 (operating under the Play brand and held by Netia as a strategic investor and two investment funds: Novator and Tollerton). In 2007, three MVNOs launched operations and have gained market shares. Due to the arrival of new actors, the market share for existing Mobile Network Operators (MNOs) dropped in 2007.

The following table shows the market share of each of the network operators in Poland:

	At December 31		
	2007	2006	2005
PTK	34.1%	34.1%	33.8%
Polkomtel	32.4%	32.7%	30.6%
PTC	31.3%	33.3%	35.6%
P4	2.0%	-	-
MVNO	0.1%	-	-

Source: Informa Telecoms & Media for 2005. PTK Centertel for 2006 and 2007.

At December 31, 2007, 179 companies obtained the authorization to exercise the business of Mobile Virtual Network Operator (MVNO).

The key events in 2007 in the Polish market were:

- the launch by the P4 operator of its service (under the Play brand), over its own 3G infrastructure and on Polkomtel's GSM infrastructure, in terms of a nationwide roaming agreement;
- the launch by Avon of a mobile service (under the myAvon brand) in terms of an MVNO agreement with PTK Centertel;
- the launch by Wirtualna Polska, a member of the TP Group, of its mobile service under the Mobi brand, in terms of an MVNO agreement with PTK Centertel.

In addition, Halo Polsat (MVNO brand of Cyfrowy Polsat) announced the launching of its services for the beginning of 2008.

6.8.1.5 Rest of the world

The following tables show the market share of the network operators in the principal countries in which France Telecom operates.

Belgium: Mobistar competes with two other operators: Belgacom Mobile (under the “Proximus” brand), wholly owned by Belgacom after the purchase of Vodafone’s stake in 2006, and BASE (formerly KPNO) wholly owned by KPN Mobile.

	At December 31		
	2007	2006	2005
Mobistar	32.7%	33.2%	33.2%
Belgacom Mobile	44%	44.7%	48.4%
BASE	23.3%	22.1%	18.4%

Source: Informa Telecoms & Media (3rd quarter for 2007).

Romania: Orange Romania competes with four other operators: Vodafone Romania, wholly owned by Vodafone Group plc, Telemobil/Zapp owned by Inquam, which is itself held by Qualcomm, and Cosmote, 70% held by Cosmote Group and 30% by Rom Telecom, the Romanian national fixed-line operator.

	At December 31		
	2007	2006	2005
Telemobil	2.7%	2.9%	2.7%
Vodafone Romania	40.4%	44.1%	45.9%
Orange Romania	43.6%	46.0%	51.1%
Cosmote Romania	13.3%	7.0%	0.4%
RCS & RDS	0.01%	ND	ND

Source: Informa Telecoms & Media (3rd quarter for 2007).

Slovakia: Orange Slovensko currently competes with two other operators, Telefonica O2 and T-Mobile (Eurotel), which is wholly-owned by Slovak Telecom, which is majority-owned by Deutsche Telekom.

	At December 31		
	2007	2006	2005
T-Mobile (Eurotel, GSM)	41.41%	45.0%	44.5%
Telefónica O2 Slovakia	8.9%	ND	ND
Orange Slovensko	49.7%	55.0%	55.5%

Source: Informa Telecoms & Media. (3rd quarter for 2007).

Switzerland: Orange Communications SA. competes with other wireless network operators, including Swisscom Mobile, which is owned by Swisscom, and Sunrise, owned by TeleDanmark.

	At December 31		
	2007	2006	2005
Swisscom	62%	63.1%	62.9%
Sunrise (TDC)	18.9%	18.1%	18.6%
Orange	18.7%	18.6%	18.4%
Tele2	0.4%	0.3%	0.1%

Source: Informa Telecoms & Media (3rd quarter for 2007).

Egypt: ECMS (Mobinil) was the first wireless operator in Egypt. At December 31, 2007, ECMS held the largest share in this market, for prepaid offers as well as for subscriptions. After Vodafone Egypt, a third operator, Etisalat, entered the market in May 2007.

	At December 31		
	2007	2006	2005
ECMS	51.9%	51.5%	53.21%
Vodafone	45.8%	48.5%	46.79%
Etisalat	2.3%	ND	ND

Source: Informa Telecoms & Media for 2005. Egyptian regulatory authority (NTRA) for 2006 and 2007.

6.8.2 Home Communication Services

6.8.2.1 France

In 2007, competition was focused on broadband and the year was marked by consolidation transactions and by convergence in the broadband services offered: rapid expansion of the triple play offers (telephony, Internet, television) and the launch of new convergent offers with wireless.

Consolidation in the fixed-line market

Neuf Cegetel, after opening its capital to the public in October 2006 and buying out the French subsidiary of AOL in September, continued with its consolidation policy in 2007 on the broadband market, by buying out Deutsche Telekom's subsidiary Club Internet in the month of May.

SFR confirmed its interest for the ADSL market by signing a virtual fixed-line operator agreement with Neuf Cegetel and by buying out Tele2 France. In December 2007, SFR started a procedure to repurchase the Neuf Cegetel securities held by the group Louis Dreyfus.

There is only one cable operator left in the French market after the purchase of Noos by Numericable in 2006. Generally, cable has a weak presence in France, with a total of 700,000 broadband Internet customers in June 2007 (source Arcep).

At the end of 2007, France Telecom's leading competitors in the entire consumer fixed-line market were NeufCegetel, Free, Telecom Italia and Numéricable.

Concentration of the competition in broadband

Broadband represented 90% of Internet subscriptions at the end of the 3rd quarter of 2007 (source Arcep) and DSL lines represented 95.1% of the broadband accesses (Arcep - Markets observatory, June 30, 2007).

The leading Internet service providers, as well as the network operators, made a choice to invest in their infrastructures in order to migrate toward unbundling.

At September 30, 2007, the unbundled zones covered 66% of the population (source: Arcep - unbundling indicators).

	At December 31		
	2007	2006	2005
Number of distribution frames and unbundled lines			
Number of distribution frames available for unbundling	2,675	1,789	1,107
Number of unbundled lines (in thousands) (partially and fully)	4,836	3,940	2,820
Number of fully unbundled lines	3,215	2,120	592

Source: Arcep: Unbundling indicators September 30, 2007.

Full unbundling allows alternative operators and Internet service providers using it, to provide their customers with a single bill including telephone line subscription, telephone calls and broadband services (Internet access, television via ADSL and VoIP).

France Telecom's launch of a wholesale offer of telephone subscription service in April 2006 and a wholesale offer of

naked ADSL in July 2006 allows offering subscription offers to the included line.

VoIP grew substantially in 2007, as the percentage of Voice over IP communications rose from 11% in the last quarter of 2005 to 23.0% in the 3rd quarter of 2006 (Arcep - Markets observatory) and to 33.2% in the 3rd quarter of 2007 (Arcep - Markets observatory).

Most of the players have a triple play offer (Internet, telephony, television): Free, Neuf Cegetel, Telecom Italia (Alice), Noos-Numericable. The Darty distributor introduced an ADSL offer, with the triple play option by using the Completel network.

The fixed-line and wireless convergence offers appeared in 2006 with: Unik, the GSM/Wi-Fi convergent telephone from France Telecom, the Wi-Fi modem from Free adapted to allow telephony over Wi-Fi with a hybrid telephone, Twin, the hybrid telephone from Neuf Cegetel on GSM and Wi-Fi. They continued their development in 2007 with the expansion of the Unik range of terminals and the launching of "Net & Unik" by France Telecom and SFR's Happy Zone offer.

The first investments in optical fiber (FTTx) were launched at the beginning of 2007 by France Telecom, Iliad and Neuf Cegetel. Optical fiber will make it possible to offer higher speed and to deploy new added-value services.

In the traditional voice market, there was a decline in the number of subscriptions with carrier selection, both on a per-call basis and with pre-selection, which was tied to the growth in VoIP: - 26% between September 2006 and September 2007, with 4.1 million customers for preselection and 1.2 million customers for call-by-call selection at September 30, 2007 (Arcep - Markets observatory). France Telecom's rivals are progressively leading their customers to "all IP" offers, built around full unbundling and naked ADSL.

Operator market share

On switched voice, the leading competitors of France Telecom in the consumer market are Tele2 and Neuf Cégétel.

France Telecom's market share, measured on traffic using its networks, grew to reach about 72%.

Consumer market share of France Telecom	At December 31		
	2007	2006	2005
All destinations, switched voice	71.8%	68.6 %	67.8 %

Source: France Telecom.

In broadband Internet, France Telecom confirmed its leadership with the success of the Livebox and its multi-service offers.

According to Idate, the market share for the various broadband operators at the end of June 2007 was as follows:

France Telecom	Free	Neuf Cégétel	Telecom Italia France (Alice)	Numericable	Others
46%	18%	21%	6%	5%	4%

France Telecom's market share in ADSL was 49.4% as of December 31, 2007 (Source: France Telecom).

Portals

Orange Publicité, the Orange advertising division remained a leader in the online advertising market in France in terms of audience, with a reach of 67% at the end of 2007 (69% in December 2006 and 66% at the end of 2005 for Wanadoo advertising, Source: Nielsen Home & Work panel) and in terms of advertising revenues and market share in online advertising at the end of December 2007 (Source: TNS Média Intelligence).

Orange Publicité is changing with actors such as Google, MSN and Yahoo for the search activities.

In the field of display advertising, the market is shared with TF1, AOL and Benchmark group.

6.8.2.2 Poland

TP Group's market share in the consumer and business segment was as follows, based on estimates:

Telephone lines	82.3%
Local calls	80.1%
National telephone calls	74.7%
International telephone calls	67.3%
Fixed-line to wireless	79.0%

In the fixed-line telephony segment, TP Group's main competitors are as follows:

- Dialog (a subsidiary of KGHM, a state-owned copper producer, whose share capital is partially held by the Polish State);
- Netia, a company held by institutional investors;

- Multimédia Polska (previously TeleNet), a company held by institutional investors and listed for trading on the Warsaw stock exchange;
- Tele2, subsidiary of the Swedish operator Tele2 AB (the largest virtual fixed-line operator based on TP's wholesale offer).

The main competitors of TP Group with telecommunications infrastructures (excluding wholesale-purchased access infrastructures) are Tele2, Netia and Dialog, with market shares of 4.3%, 3.7% and 3.7% respectively (TP Group estimates). Netia and Energis traditionally focused on business customers, but the two companies have changed their strategy and are moving toward the mass markets, relying on the TP wholesale offer.

Internet

TP Group is the largest Internet service provider in Poland for both residential and business customers and is a top-rated actor in low-speed Internet (TP Group estimates). As of December 31, 2007, TP Group's market share in terms of traffic in the low-speed consumer segment (measured over TP's network) was 95%, unchanging in relation to December 31, 2006. TP also retained a significant market share in broadband communications with 42.7% at year-end 2007, compared to 43.6% at the end of December 2006. The broadband market is becoming more and more competitive. Subsequent to the regulatory decision taken in 2006 which requires TP to sell "bitstream" access as wholesale, operators such as Netia and Dialog (and virtual operators such as Tele2) can offer broadband flat rates to customers, proposing substantial price reductions (51% of the margin on the wholesale price at the end of 2007). However, the major competitors in the broadband market are still the cable network television operators (UPC Polska, Aster Group, Multimedia Polska), which have intensified their "triple-play" offers. Various micro services and local access network providers also have a strong presence in Poland, with a market share of about 26.8% in December 2007.

At the end of September 2007, the respective market shares held by the main players in the broadband market were as follows:

BT	Virgin Media	Carphone	Tiscali UK	Orange	BSkyB	Other
26.9%	23.7%	16.4%	12.3%	7.6%	6.4%	6.7%

Source: Enders Analysis, Broadband market in the United Kingdom, 3rd quarter of 2007.

Spain

In Spain, 95.6% of the Internet customers were broadband in the 3rd quarter of 2007, with DSL access representing 79.3% of the broadband service and only 20.4% of the DSL lines were unbundled (source: CMT quarterly report for the 3rd quarter of 2007 and monthly report for September 2007).

Three major aspects marked the market in 2007. Firstly, mergers continued, with Orange buying out Ya.com and with Tele2 bought out by Vodafone. Secondly, intensity in competition:

6.8.2.3 Rest of the World

United Kingdom

In the United Kingdom, broadband access forms 88% of all Internet access (Source: UK Office for National Statistics Internet connectivity report, 3rd quarter 2007). In all, there are 15.1 million broadband connections, of which 1.4 million are professional lines. Broadband penetration into homes is about 54%, compared to 45% at December 31, 2006. DSL links form 78% of all broadband access.

Unbundling continues to make progress, sustained by considerable volume in migrating IPStream broadband Internet access to local unbundled lines. As such, unbundled lines changed to 3.5 million in November 2007, up from 1.1 million in November 2006 (Source: Enders Analysis, Telephony and broadband market statistics, 3rd quarter of 2007).

In 2007, the broadband market continued to develop quickly and competition has remained stiff. One of the key events was the success with the BSkyB satellite broadband service, which, 14 months after it was launched, reached 1 million customers in October 2007. The Virgin Media brand appeared on the market in February 2007, taking over the NTL and Telewest brands. Mergers and consolidations continued, with Tiscali that bought out the voice/broadband division of Pipex, while BT was buying out Brightview's broadband subscribers. Moreover, Vodafone and O2 launched their DSL servers.

The multi-play bundled offers are now the standard in the market and combine broadband, unlimited voice calling and, according to the operator, fixed line, television or mobile flat rate.

most operators have a standard double play offer (voice and Internet), which drives prices downward, while the major operators in the market (Telefonica, Orange, Jazztel, Ya.com and cable operators) have Triple play offers. Thirdly, the launch of a first line subscription service by operators other than the historical operators (Orange and Jazztel) provide them with the means to truly compete with the latter.

In the 3rd quarter of 2007, the respective market shares of the main players in the broadband Internet market in Spain were as follows:

Telefonica	ONO	France Telecom España ⁽¹⁾	Jazztel	Tele2	Other
56%	17%	15%	3%	3%	6%

(1) Including the Orange and Ya.com brands (respectively 9% and 6% of the market share) - source: CMT quarterly report for the 3rd quarter of 2007.

6.8.3 Enterprise Communication Services

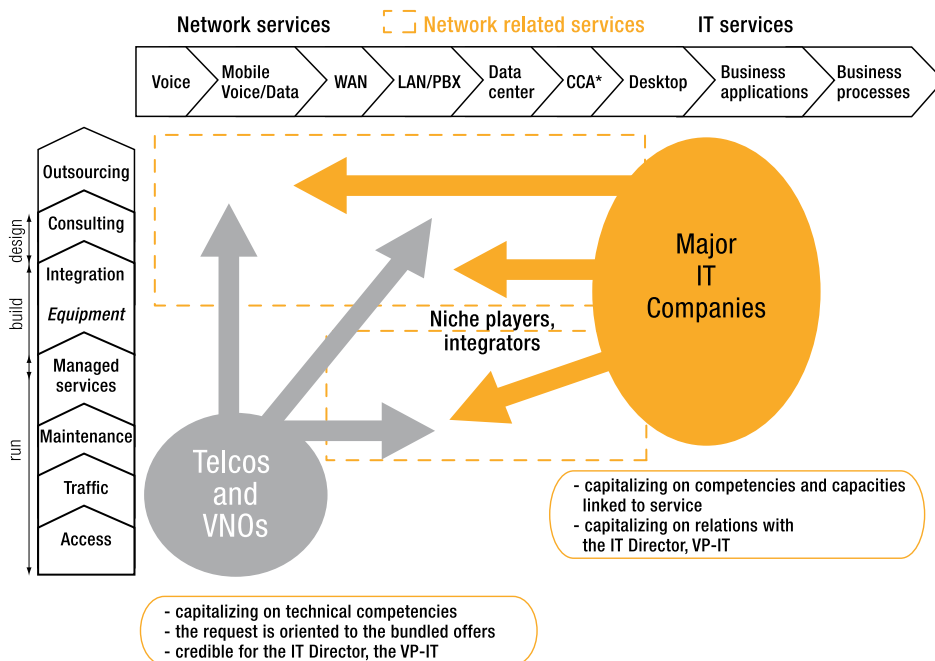
Telecom operators present in the business market are currently undergoing a major transformation in the economic models, while new actors are appearing that represent competition for them.

Indeed, the field of conventional voice communications that still represents a significant share of the revenue is going down, favoring that of Voice over IP. In order to offset this drop, operators are looking for new growth relays by developing the share of services in their revenues.

Moreover, while the degree of customer expectations is rising, the latter also want to be assisted more and more often in their changing professions and expect their service providers to offer integrated end-to-end solutions.

The borders that used to exist between telecommunications operators and SSII are being removed due, on the one hand, to the increasingly common conventional connectivity that has become a commodity that is under intense competition, and, on the other hand, the convergence to IP. The actors in these two markets are coming out of each of their historic scopes of business and are meeting each other in the market for services pertaining to networks (Network Related Services – NRS), a market that is enjoying strong growth as well as consolidation.

In order to be in a position to develop the new, integrated services expected by customers who take full advantage of the possibilities afforded by IP, telecoms operators are acquiring new skills, either through targeted purchases or by forming partnerships with service companies. Inversely, IT service companies in turn are investing in the telecommunications field, offering their customers IT solutions that incorporate the telecoms component.



6.8.3.1 The telecommunications market

France Telecom's main rivals in the Business telecommunications market are:

- The **French general telecommunications operator** Neuf Cegetel that provides voice and data services and who also concerns the consumer market. Announced at the end of 2007, the acquisition of Neuf Cegetel by SFR should be finalized in the fall of 2008;
- **Local loop alternative operators**, such as Colt Telecom and Completel, purchased in August 2007 by the Altice and Cinven fund. The network operators are positioned in the voice and data transmission services market in France intended for multinational corporations and SME. They can provide their customers with a network access service, either through unbundling the local loop, or via alternative local loops;
- **Global telecommunications service operators**, including BT Global Services, AT&T Business Services or Verizon Business, which offer multinational customers services with a strong network and data component. These operators offer a comprehensive range of data transmission services to supplement their more traditional voice services.

In France, where their clientele is, however, high targets, they are able to carry local, national and international long-distance calls by using the France Telecom network interconnection services.

In addition, virtual operators like Vanco can assemble and direct the services of third-party operators located in different countries;

- **National voice and data transmission operators**: in certain countries, France Telecom must also compete with historical operators. Some of these operators still have a special regulatory status and still enjoy exclusive rights to supply certain services. Most of them have historically dominated their local telecommunications market.

6.8.3.2 The services market

- Network integrators and managed service providers intervene in the network related services market which is close to that of telecommunications and IT. Because of this, France Telecom faces "co-competition" from companies such as Telindus-Arche (Belgacom Group), NextiraOne, Spie Communication, Getronics and Dimension Data, which operate using a multi-provider approach.

In 2007, France Telecom enhanced its position and its expertise in these activities by integrating Groupe Diwan, Néocles Corporate and Groupe Silicomp, three niche actors acquired in 2006, and with the acquisition of the "Business" and "Managed services" division of GTL Limited in India.

- Companies specializing in the deployment and supply of managed services, outsourcers and systems integrators meet businesses' needs, in the face of increasingly complex technologies. France Telecom, which is focusing on assisting its customers in transforming their communications systems toward IP, is in competition with companies such as IBM Global Services, EDS, HP Services and Atos Origin.
- The principal service categories in which these companies are positioned include network integration, outsourcing and "Third-Party Maintenance Application" (TMA), consulting and engineering and infrastructure management.

6.9 REGULATION

The environment in which France Telecom develops its business, both in France and in the other countries of the European Union, continues to be dominated by the implementation of sectorial regulations that are expected to gradually disappear in favor of the application of general competition law alone.

This section describes the essential elements of the European regulatory and legal framework that affect the Group's operations, along with the specific conditions prevailing in the four countries in which the Group primarily operates: France, the United Kingdom, Poland and Spain.

6.9.1 Applicable European law and regulation

The current European regulatory framework governing electronic communications consists of a "Framework" directive (2002/21/EC) and four specific directives: "Authorisation" (2002/20/EC), "Access" (2002/19/EC), "Universal service" (2002/22/EC) and "Privacy and Electronic Communications" (2002/58/EC).

Moreover, a recommendation provided for by the "Framework" Directive defines the list of relevant markets that the national regulatory authorities (NRA) must analyze. The recommendation of February 11, 2003 (2003/311/EC), in force until December 18, 2007, contains 18 markets: seven retail markets and 11 wholesale markets. The Commission, based on observing

the development of competition in a number of markets, issued a new recommendation on December 19, 2007 (2007/879/EC). The latter has reduced the number of relevant markets from 18 to seven: one retail market and six wholesale markets.

Markets referred to as relevant identified by the Commission must undergo a market analysis carried out by the NRA. The NRA can regulate markets that are not on the list provided by the Commission if and only if specific national factors so warrant and if the Commission does not oppose.

Review of the regulatory framework

On November 13, 2007, the European Commission published, in the form of two draft directives, its proposals for amendments to the current regulations in effect and a draft regulation that would institute an electronic communication market authority. These proposals are now before the European Parliament and the Council in accordance with the co-decision procedure and could be adopted by the beginning of 2009. If they are not adopted by this date, legislative work will continue with a Commission and a new Parliament, since they are to be renewed in 2009.

The Commission's main proposals for change are as follows:

- the creation of a European Electronic Communications Market Authority that would act as an advisor to the Commission, thus strengthening its capacity in expertise. This project aims to strengthen harmonization in the implementation of regulation within all Member States. This authority would replace the current European Regulators Group and would take over the functions of Enisa (European for Network and Information Security Agency), which comes to an end on March 14, 2009;
- the reinforcement of the powers of the Commission in transborder issues, spectrum management, introduction of a right to veto on the remedies and numbering plans;
- "functional separation" which is added to the list of remedies that can be applied by the National Regulatory Authorities to a dominant operator. Functional separation consists in separating activities linked to access networks and those linked to services in two divisions managed in a watertight manner, aiming to move towards more transparency and less discrimination in the access market. It is, however, specified that this remedy would constitute an exceptional means to be implemented only when all of the others have been shown to be ineffective in solving recurring competition issues;
- the stiffening of the obligations of operators on issues of personal data security and network security. The principle of informing the regulatory authorities and Member States as well as customers is reinforced in the event of attacks on networks;
- better protection of consumers via measures that in particular aim for more transparency as to offers and on network security;
- improved accessibility to electronic communications services especially for the disabled.

As for regulations on frequencies, the Commission's proposals strengthen the principle of technological neutrality and of service neutrality as well as the rule theoretically freeing spectrum users from the need for individual authorization. Any exceptions to these principles must be properly justified. The frequency bands that are subject to exceptions must be identified and unified on a European level. In practice, however, for technical reasons most of the services using frequencies will continue to be subject to individual authorizations.

Moreover, the secondary market for frequency usage authorizations would have to correspond to a list of harmonized frequency bands that remains to be defined. The control would be performed after the fact by the authorities.

Finally, additional actions would be launched in order to harmonize the conditions for granting authorizations in consultation with the European Authority. The latter could select candidates to grant authorizations to, for services of a pan-European nature, and in this case proceed with defining the royalties linked to managing and using the frequencies.

Regulations on international roaming on mobile networks

On June 25, 2007, European lawmakers adopted a Regulation leading to the drop in rates for international roaming voice communication by nearly 60% compared to the rates in effect in 2006. The Regulation encompasses wholesale rates and retail rates and imposes obligations in terms of price transparency.

Moreover, by December 30, 2008 at the latest, the European Commission will submit a report to the European Parliament and to the Council including recommendations as to the opportunity to extend the Regulations (after 2009), and to regulate the price of roaming services for SMS, MMS and data communications.

6.9.2 French legal and regulatory framework

The French legal and regulatory framework defines the legal regime under which the France Telecom group operates in France, the authorities responsible for its activity at the legal and regulatory level, the role of the Group in providing Universal Service, the regulation of electronic communications, particularly the regulation resulting from the transposition of the European directives, and the management of frequencies.

6.9.2.1 Legal Framework

The electronic communications sector is primarily governed by the Postal and Electronic Communications Code (CPCE), and by the laws governing electronic commerce, consumer protection, and the protection of personal data.

The legal framework for electronic communications

The French law results directly from the European rules described above in that it transposed the European directives on the liberalization of telecommunications (Law 2004-669 of July 9, 2004 governing electronic communications and audiovisual communication services).

The major elements of the current legal framework are as follows:

- framework applicable to the establishment and operation of networks and to providing electronic communications services is now a system of simple declaration for each of the declared operator categories: establishment and operation of networks open to the public, provision of public telephone services, provision of public electronic communications services;
- in the context of its regulatory mission, the mission of Arcep (*Autorité de Régulation des Communications Electroniques et des Postes*) in particular, is to analyze the relevant markets, i.e., those which may be subject to specific regulation;
- local municipalities, and groups of them, may establish and operate on their territory electronic communications networks and infrastructures which they can make available to operators or to independent network users.

The legal framework for the “information society”

Law 2004-575 of June 21, 2004 on confidence in the digital economy (LCEN) is designed to strengthen confidence in the use of new technologies. It transposes directive 2000/31/EC of June 8, 2000 governing certain legal aspects of information society services, particularly electronic commerce, sets forth the levels of responsibility of Internet service providers and hosts, and covers electronic commerce, encryption and cybercriminality.

It stipulates an autonomous legal system for all Internet services. The LCEN stipulates that Internet technical providers do not have a general obligation to monitor the content of the information they transmit or store, with the exception of executing any targeted and temporary monitoring activity requested by the courts. In addition, hosts incur no civil liability because of the activities or the information stored at the request of a recipient of those services if they had no actual knowledge of the illegal nature or of facts or circumstances indicating illegal nature or if, once they were aware of such illegal nature, they act promptly to remove the data or make access impossible.

The “DADVSI” law adopted in June 2006 transposes into French law, European directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information

society. This law provides for fines and prison terms for any person publishing software that is clearly intended to make protected works available to the public or which facilitates the distribution of software that disables technical protection measures (DRM). The right to a private copy is limited by the DRM measures.

On November 23, 2007, as part of the work of the “Olivennes Commission” (named for its chairman), an agreement was signed between public authorities, copyright holders and technical providers for setting up a system of graduated measures which call for suspending the subscriber’s access to Internet in the event of repeated illegal downloading. This system will be run by a specialized public authority, placed under the control of the judge who will act when a complaint is filed by the copyright holder. The technical providers have contracted to cooperate with the copyright holders concerning ways to experiment with the available network filtering technologies. The government will determine which legislative and regulatory framework will be set up in order to apply these measures.

6.9.2.2 Authorities

Autorité de Régulation des Communications Electroniques et des Postes (Arcep)

Arcep is the national Authority in charge of regulating the electronic communications sector.

Autorité de Régulation des Mesures Techniques (ARMT)

ARMT is an independent administrative authority constituted by law no. 2006-961 of August 1, 2006 relating to copyright and similar rights in the information society.

ARMT is particularly in charge of ensuring compliance with the legislation on the interoperability of the technical measures for protection in the area of intellectual property.

Le Conseil de la concurrence (The Competition Council)

The Competition Council is an independent administrative authority in charge of guaranteeing compliance with economic public order and has sanction powers for unfair trade practices.

Its authority covers all sectors of activity, the electronic communications sector included.

Agence nationale des fréquences (ANFR)

ANFR is responsible for planning, managing and monitoring the usage of radio frequencies and for coordinating the establishment of certain radio transmission facilities. The frequency spectrum is divided among 11 authorities: government ministries, Arcep and the *Conseil Supérieur de l’Audiovisuel* (CSA) (superior audiovisual council). Arcep and the CSA have the authority to allocate to users the frequency bands over which they have control.

6.9.2.3 Role of France Telecom in universal service

Following a competitive bidding process, three ministerial orders dated March 3, 2005 designated France Telecom as the operator responsible for providing the three components of universal services: telephone service for a period of 4 years; universal directory and universal information services for a period of 2 years; public call boxes for a period of 4 years. In an order dated March 29, 2007, France Telecom was again designated for a 2-year period to supply a universal directory and a universal information service.

Pursuant to Article L. 35-3 of the CPCE, the financing of universal service is provided by the universal service fund. The operator required to provide the universal service will be entitled to a payment as soon as the net costs attributable to the universal service obligations represent an excessive charge. Every year, a decision by Arcep specified the net cost of the universal service obligations and the contribution of each operator to the universal service fund.

Decree 2005-75 of January 31, 2005 amending the CPCE assigns control of the universal service rates to Arcep. In this role, in February 2005, Arcep considered that the reduction in the "subsidized" line rental rate, the multi-year increase in the main line rental rate, the increase in set-up fees and the changes in the national telephone call rates were in accordance with the principles defined by the CPCE.

In July 2006, Arcep submitted France Telecom to a price control for universal service telephone calls over the period from January 1, 2005 to December 31, 2008. The Authority observed that in light of the rate reductions carried out in 2005 and in 2006, France Telecom had already complied with and even exceeded its commitments pertaining to these two years. Within the framework of the objective assigned over the entire period, changes scheduled for 2007 took this intermediate assessment into account. The evaluation will be notified by the Authority within the framework of the process of supplying information scheduled for March 2008.

6.9.2.4 Regulation of electronic communications

The regulation of electronic communications is largely the result of decisions made by Arcep following the market analyses it has made: for fixed-line communications, these are the markets associated with broadband fixed-line services, narrowband fixed-line services, and capacity services (leased lines); for mobile communications, these are the voice and SMS call termination markets. The analysis of the access and call origination on mobile networks market had been postponed. Now, this market is no longer recognized as a relevant market on a European level subsequent to the publication on November 13 by the Commission of its new Recommendation on relevant markets, but this does not prevent it from being analyzed on a national level. Finally, certain specific aspects of the regulation do not come from the market analysis as defined by community

rules: numbering management, number portability, telephone directory services and added-value services.

The regulatory framework stipulates no specific regulation for the convergent offers that France Telecom has launched since 2006, since the latter anticipated the reproducibility requirements demanded by competition law.

Fixed-line communications

Markets associated with residential broadband offers

There is no ex-ante regulation over France Telecom retail broadband offers in the residential and business markets. Obligations have been set up to May 2008 on the wholesale unbundling markets and wholesale broadband (bitstream).

Arcep has designated France Telecom as an operator with significant market power in the wholesale market for access to the copper local loop and the copper local sub-loop (unbundling market). Until June 2008, France Telecom has an obligation to publish a reference offer. Finally, in December 2005, Arcep defined the method for valuing the copper pair. The rate for full unbundling was set pursuant to this decision at 9.29 euros/month.

In the same way, Arcep designated France Telecom as an operator with significant market power on the regional broadband wholesale market. As such, France Telecom must publish a reference offer for the delivery of broadband traffic in ATM and IP mode, taking into account the specific characteristics of the residential and professional retail markets. It includes an access component (from the end user up to the DSLAM) and a transport component that goes from the DSLAM up to the operator's delivery point. Arcep's decision stipulates that the rate for the services must reflect costs, while guaranteeing the absence of rival eviction.

In particular, these obligations resulted to changes in access rates. Moreover, following the settlement of a dispute with Free, Arcep in 2007 rendered an arbitration addressing more, the structure of rates rather than the level of rates for collection and with no significant impact on the revenues of France Telecom. Finally, France Telecom has been making available a wholesale naked ADSL offer since July 2006.

Very high speed market

France Telecom is not subject to any a priori control on the very high speed retail offers and there is no obligation today in terms of a wholesale offer on this market.

In July 2007, Arcep launched public consultations: the first concerns civil engineering access and the second addresses the pooling of the terminal portion of networks. On November 28, 2007, it published a summary of these consultations and recommended regulating France Telecom's cable ducts and the pooling of the terminal portion of the fiber optic networks.

Access to cable ducts is part of the scope of consultation pertaining to the analysis of wholesale broadband and very high

speed markets launched on December 19, 2007 within the framework of the European Commission's new recommendation on relevant markets. At this stage, Arcep considers that the cable ducts constitute an essential infrastructure.

At the end of 2007, France Telecom provided to operators, as part of an ARCEP program, an offer for access to its civil engineering cable ducts. This offer is currently being experimented with.

As for the pooling of the terminal portion, Arcep recommends a symmetric regulation and is favoring the legislative route which will make it possible to impose access to buildings and the pooling of the terminal portion. It also wants, transitorily, a pooling of accesses at the level of optical distribution frames.

Markets associated with residential narrowband fixed-line services

In addition to its commitments for universal service, France Telecom's obligations in narrowband are the result of market analyses. As a result of the Arcep analysis of the relevant fixed-telephony markets, France Telecom was declared an operator with significant market power over all the retail markets and the wholesale markets.

Residential fixed-line telephony retail markets

France Telecom's telephony offers were, and partially still are, subject to obligations defined in the decision of Arcep no. 05-0571 of September 27, 2005 for the analysis of fixed-line telephony markets. In this decision, Arcep had provided for a system to alleviate the obligations that were burdening the 6 retail markets before the term of the application period of its analysis, i.e. September 2008. The process of regulatory alleviation took place in two stages: decision no. 06-0840 of September 28, 2006 removed most of the obligations on the residential communications retail market; decision 2007-0636 of July 26, 2007 extended the alleviation to the obligations in the residential access market.

Wholesale transit and interconnection market

In the transit and interconnection wholesale markets, France Telecom is declared as an operator with significant market power and has the following obligations:

- grant reasonable interconnection and access requests;
- non-discrimination (rate or technical, among operators requesting interconnection);
- transparency (resulting in the publication of a reference offer);
- accounting separation (among the various operations of France Telecom in the different markets);
- price control and cost orientation on most services.

In this respect, the primary changes in France Telecom's interconnection reference offer resulted in an average decline in

France Telecom's call termination rates of nearly 3% which have been applicable since July 1, 2006, and a decline of 10 to 15% in the prices for connection and national transit services.

In a decision of September 11, 2007, Arcep reduced the regulation on Metropolitan France – French overseas territories transit (note that transit concerning Metropolitan France - Mayotte and Metropolitan France – St. Pierre and Miquelon are excluded from the scope of the decision). This decision removes the obligation to publish a reference offer which up until then was required of France Telecom and replaces the obligation of practicing rates that reflect costs with a prohibition on eviction rates. This alleviation should allow France Telecom to provide more competitive offers on this market with faster reactivity.

The Authority conducted an analysis of the geographic call termination on fixed-line alternative networks: it found that each operator has significant market power in the market for call termination to geographic numbers on its own network. Arcep imposed obligations on each of the operators for access, non-discrimination, transparency and a ban on charging excessive rates. In May 2006, Arcep required Neuf to lower the call termination rate to 1.11 cents/min until the end of 2006, then to 1.088 cents/min until September 2008. This rate of 1.088 cents/min is now the rate for call termination for most alternative local loop operators.

Wholesale line rental offer (VGAST)

In accordance with its commitments and the analysis of the fixed-line telephony markets, at the end of which Arcep imposed an obligation for wholesale line rental, France Telecom published a reference offer and, in 2006, implemented a wholesale line rental offer. VGAST is a fully operational offer that allows alternative operators to provide their customers with all of the offers that combine low-speed and broadband.

Business Market

Fixed-line telephony

In the first quarter of 2007, Arcep conducted an informal consultation of the operators concerning the need to create a wholesale line rental offer (VGAST) on the "primary accesses" (at 2 Mbit/s). During the conclusive multilateral on April 4, 2007, the operators confirmed that the wholesale offers that were already available (unbundling, DSLE, partially leased lines, etc.) attached to alternative IP solutions rendered a resale offer useless and that it would be better to direct efforts at improving the service quality of the existing wholesale offers. Arcep therefore recorded that it was not pertinent to impose on France Telecom the development of a wholesale line rental offer for primary access, but that this should not prevent any commercial agreements on the subject.

Decision no. 2007-0636 of July 26, 2007 proceeds with alleviating the obligations imposed on France Telecom on the residential market but does not call for an alleviation of the regulation on the business markets, on the grounds that the

wholesale line rental offer on business accesses would not be industrialized or tested. While France Telecom has proposed this offer since July 2006 to operators, they have shown very little interest in the context in particular of accelerated development of Voice over IP boxes (basic access grouping emulation and primary accesses via “box” solutions).

Leased lines

The retail market for “minimum set of leased lines” as well as the “wholesale terminating segments of leased lines” and the “wholesale terminating segment of leased lines on the inter-urban circuit” were covered by an Arcep decision in September 2006, which defines the regulatory framework applicable to capacity services until September 1, 2009.

France Telecom’s “retail leased line” rates are no longer subject to the prior notification obligation for approval (the “minimum set of leased lines” remains subject to the obligations stipulated in Articles D.369 to 377 of the CPCE); the retail offers must be communicated for information to allow the Authority to verify reproducibility by means of the wholesale offers.

Business wholesale offers

In accordance with its obligations, at the end of October 2006 France Telecom published its reference offer for capacity services (partial terminal leased lines, operator fiber optic Ethernet collection, Metropolitan France-Reunion transport leased line, abutment links, co-localization and land-line extensions in the French Overseas Territories) and is ensuring its development via regular updates in 2007.

Likewise, the reference offer for business broadband access delivered at a regional level (wholesale professional bitstream access), in 2007 underwent regular functional changes, including in particular the opening of the 8 Mbit/s symmetric links on March 1, 2007. Wholesale broadband access for professional services, now having primarily the same characteristics of service quality and reserved capacity as the leased lines, and the same degree of capillarity, are being substituted more and more often for wholesale leased lines in the terminal segment.

Every month, France Telecom publishes production and service quality indicators pertaining to its wholesale and retail offers (subscription resale with Time To Restore (TTR) 4h, full unbundling with TTR 4h, professional bitstream with TTR 4h, capacity services) and continuous work with the operators to reach the best results in terms of service quality.

France Telecom’s obligations for cost accounting and accounting separation on the fixed-line activity

Arcep’s decision 06-1007 of December 7, 2006 describes the obligations for cost accounting and accounting separation imposed on France Telecom S.A. For accounting separation, this decision requires France Telecom S.A. to establish regulatory accounts, separating wholesale activities from retail activities. When these activities use network resources that correspond to wholesale services subject to a separate accounting obligation, these resources are valued in the separate accounts at wholesale rates and not at cost.

These obligations defined as such were implemented by France Telecom for the first time in 2007 in terms of the year 2006, and their implementation was deemed compliant by Arcep.

Mobile communications

Mobile call termination wholesale market

In December 2004, Arcep designated Orange France, SFR and Bouygues Telecom in France as having significant market power on their own mobile network and imposed the following obligations as of January 1, 2005 for a period of 3 years:

- end the Bill and keep mechanism, under which mobile operators did not bill each other for their call terminations;
- publish a reference interconnection and access offer on voice call termination not subject to approval from the Authority;
- comply with an obligation for accounting separation and an obligation to account for the costs of access and interconnection services for voice call termination;
- respect a price cap for their voice call termination from 2005 to 2007.

Via decision no. 07-0810 of October 4, 2007, Arcep once again designated Orange France, SFR and Bouygues Telecom as having significant market power on their own network and renewed the previous obligations for the three years of 2008 to 2010; it set a price cap on mobile voice call termination applicable on January 1, 2008 until June 30, 2009 of 6.5 cents/min for Orange France and SFR, and 8.5 cents/min for Bouygues Telecom.

For the overseas departments, Arcep designated as powerful all overseas operators and imposed on Orange Caraïbe and on Société Réunionnaise du Radiotéléphone (SFR group) reductions of 49% in call termination rates over the three years from 2005 to 2007.

The other operators (Outremer Telecom, Digicel, Dauphin Telecom, etc.) are subjected to the obligation to not set mobile call termination rates that are “excessive”.

On a new relevant market that had not been identified by the Commission, the SMS call termination market, in July 2006 Arcep set the SMS call termination rate at three cents per effective SMS for Orange France and SFR and 3.5 cents for Bouygues Telecom, for a maximum period of two years. The methodology for accounting for SMS call termination costs, which will be used as the basis for establishing regulatory costs, was defined by Arcep in a decision of April 5, 2007 pertaining to voice and SMS.

Mobile access and origination market

In November 2006, Arcep published a press release announcing preparations to launch a competitive bidding process to award the fourth 3G mobile license and also announced that it was deferring the commitment to analyze market 15:

“This postponement is necessary in order to be able, at the appropriate time, and based on the competitive bidding process in the coming months, to take full consideration of the existence or non-existence of a fourth mobile network operator in the French market. In the meantime, supervision of wholesale and retail access and call origination markets is maintained.” It should be noted that since the publication of the Commission’s new recommendation on relevant markets, this market is no longer part of the relevant markets on a European level, which does not prevent it from being analyzed on a national level.

Digital dividend

On November 7, 2007 Arcep published the summary of the public consultation that it had launched in July aiming to clarify the work on the digital dividend carried out by the public powers under the aegis of the Digital Strategy Committee. It concludes, “the very high speed coverage of the nation will directly depend on the availability of new low frequencies, i.e. less than 1 GHz. Lacking such resources, a speed divide will become generalized between the dense zones covered by very high speed (a few dozen Mbits/s) and the other zones, corresponding to about 70% of the nation and 30% of the population, covered by much lower speeds.”

Moreover, ITU’s World Radiocommunication Conference that was held in Geneva in November 2007, addressed this issue and resulted in the attribution of the 790-862 MHz band for mobile service with primary title to Region 1 (Europe, Russia, Africa), thus joining the existing primary attribution for the radio broadcast service, with an identification of this band for the IMT systems, of which UMTS is a part. This attribution is effective from June 2015, with the possibility for some countries, including France, to benefit from the attribution at an earlier date.

Other specific aspects of the regulation

Carrier selection

Operators deemed to have a significant market power in the market for connections to fixed-line public telephone networks, which is currently the case for France Telecom, are required to allow their customers to select a long distance carrier on a call-by-call basis by entering an assigned prefix when calling.

Since January 2000, subscribers have been able to opt to pre-select their long distance operator. This allows them to access their operator’s network without having to use a one-digit or four-digit prefix. Operator pre-selection was extended to calls to mobile telephones in November 2000 and to local calls early in 2002, at the discretion of the carrier operator.

Value-added services

Value-added services (VAS) correspond to 10-digit numbers in the form of 08 ABPQ MCDU or short numbers in the form of 10XY, 3BPQ, 118XYZ. These numbers are used in particular for calling commercial telephone services, information services and hotlines.

In 2007, Arcep published two decisions pertaining to the regulation of VAS:

- in April 2007, a decision for symmetric regulation (Decision no. 07-213 of April 16, 2007 published in the official gazette on May 11, 2007, concerning all operators) aiming to:
 - ensure that VAS can be accessed by all consumers (i.e. from all of the local loops),
 - reciprocally ensure that all local loop operators can offer their customers access to all of the VAS,
 - require local loop operators to propose to VAS providers a repayment offer for the amounts that they bill to their customers;
- in September 2007, an asymmetric regulatory decision (Decision no. 07-667 of September 6, 2007 concerning France Telecom only) concerning the obligations required on France Telecom:
 - to propose a repayment offer (including the services of billing, collection, management of non-residual unpaid amounts), at a “non excessive” price. When this new offer becomes effective, Third Party Billing obligation imposed until now on France Telecom (at a cost-oriented rate – corresponding to 5% of the revenue billed) for the highest rate level (referred to as Shared Revenue Services) is removed,
 - to separate, in accounting terms, the activities downstream of the repayment service (sale by Orange Business Services for opening and carrying special services).

On October 5, 2007, France Telecom published a repayment reference offer at an average rate of 11% of the revenue billed for the former “Shared Revenue Services” (the exact rate for all of the VAS varies from 3.5% to 15% according to the rate level involved), and became effective on December 4, 2007.

Furthermore, the “Chatel” law for the development of competition in customer service stipulates that calls to value-added service numbers presented to the customer as being free must not be subject to billing of air-time (mobile surcharge) when they are called from a mobile telephone. This law also stipulates that some of the services that up until now were accessible via VAS calls with a surcharge must now be accessible via numbers that do not carry a surcharge.

6.9.2.5 Frequency management

The “Framework” directive (2002/21/EC), the “Authorization” directive (2002/20/EC) and the “Spectrum” decision define the principal components for European coordination in order to manage the frequencies used for electronic communications.

In France, the CPCE gives Arcep responsibility for assigning these frequencies. It establishes the principles for selecting candidates: "selection is made through a competitive bidding process based on criteria for the conditions of use"; "the Minister may stipulate that one of the selection criteria is the amount of the fee". Finally, Article 42-3 of the CPCE sets the conditions for the transfer of licenses between beneficiaries.

In March 2007, subsequent to a public consultation, Arcep published its view on how to organize the 3.8-4.2 GHz band favoring the 3.4-3.8 GHz sub-band for broadband wireless communications applications and favoring the deployment of satellite links in the 3.8-4.2 GHz band in the middle term.

On July 5, 2007, the Authority published the policies that it has adopted for implementing 3G in the mobile frequency bands at 900 and at 1800 MHz in metropolitan France. Starting in 2008, the 2G-3G operators will be able to use the 900 MHz band for 3G. The introduction of a new 3G operator would lead to the restitution of a part of the spectrum used.

In 2007, the Authority also carried out a public consultation on the stakes in generalizing wireless broadband across the entire nation and on the identification of the required frequencies, especially in the frequencies released by the transition from analog television to digital. The Radiocommunications Advisory Commission (CCR) published its report supporting access to these frequencies by electronic communications services.

Wireless local loop

Frequency licenses were assigned on a regional basis in 2006 in order to deploy wireless local loop networks. Although the assignment conditions were neutral in terms of technology, all players were planning networks based on the WiMAX standard. France Telecom, which submitted a proposal in all regions, received frequencies in Mayotte, Guyana, and St Pierre et Miquelon. A public consultation which commenced at the end of 2006 is evaluating the conditions under which new channels may be offered in the band of 3.6-3.8 GHz, limiting satellite links to the 3.8-4.2 GHz band.

Authorizations for mobile services

GSM licenses

Orange France holds a GSM license initially issued for a term of 15 years as of March 25, 1991 and renewed for another 15-year period as of March 25, 2006. The principal conditions for renewal of this license, which also apply to SFR, are as follows: an obligation to provide direct coverage to 98% of the population and an obligation to provide 99% full coverage by providing coverage to undeveloped areas ("white zones") in addition to standards specifying the quality and availability of the enhanced network, particularly with regard to data transmission. Second, the frequency usage fees are now composed of a fixed amount of 25 million euros per year and a variable amount equal to 1% of the revenues realized using such frequencies. Moreover, other new obligations stemming from the process of renewing

the GSM licenses were covered in an order no. 2006-268 of March 7, 2006 and the Arcep decision no. 2005-1083 of December 8, 2005.

With regard to covering "white zones", Orange France signed the July 15, 2003 convention which defined the first phase of this operation: coverage of approximately 1,800 *communes* with financing shared among the mobile operators and the local authorities. An amendment was signed on July 13, 2004 relating to the second phase of this operation and concerns approximately 1,200 *communes* with financing provided solely by the operators.

At the end of 2006, Arcep began the process called "refarming" for the GSM 900 and 1800 MHz bands aiming to reuse these bands for 3G. On July 5, 2007, Arcep published its decisions on the subject, including especially, in a four-operator configuration, the schedule for returning the 900 MHz frequencies in and outside of very dense zones.

UMTS licenses

Four UMTS licenses were awarded in France on the basis of applications. Only two operators, Orange France and SFR, applied and were awarded UMTS licenses from the French Government in the first competitive bidding process. After reviewing the terms of each license, the price was set at a flat license fee of 619 million euros paid by Orange France in September 2001 and an annual fee equal to 1% of the operating revenues from the UMTS network. After a second competitive bidding process to award two other UMTS licenses, in which only Bouygues Telecom submitted a bid, Bouygues Telecom obtained its license in December 2002 under similar conditions to Orange France and SFR.

A competitive bidding process for the attribution of the fourth 3G license was launched on March 8, 2007. Only Free Mobile applied, making it conditional, however, on obtaining arrangements to pay the license fee in installments. On October 9, 2007, Arcep reached a decision, concluding that, under those conditions, this application could not be accepted within the existing legal framework. In February 2008, the Council of State issued an opinion in favor of allowing payment of the license fee in installments, subject to it being demonstrated that the market conditions were different than those of previous calls for applications. Thus, the launch of a new call for applications would now be possible.

The UMTS license awarded to Orange France in August 2001 for a term of 20 years from the date of award provides, *inter alia*, that Orange France must deploy the UMTS network over a period from mid-2003 through mid-2009.

At the beginning of 2006, Arcep verified that Orange France had met its obligation to cover 58% of the population at the end of 2005, which it confirmed in its press statement of June 29, 2006. In addition, Orange France agreed to cover 70% of the population with UMTS by the end of 2008.

6.9.3 Legal and regulatory framework in the United Kingdom

In the United Kingdom, France Telecom is a mobile and Internet service provider through Orange UK and provides all services to businesses through Equant.

6.9.3.1 Legal Framework

The operation of a mobile telecommunications network and the provision of mobile telecommunications services and Internet access in the United Kingdom are regulated by the 2003 Communications Act, and the 1949, 1998 and 2006 Wireless Telegraphy Act.

In addition to the applicable British legislation and the conditions stipulated in the licenses awarded to France Telecom, the legal framework for telecommunications is also defined by Ofcom.

Finally, the telecommunications sector is also governed by competition law.

The Competition Act, which entered into effect in March 2000, grants powers to the regulatory authorities for their own sector and to the Director General of Fair Trading to prevent anti-competitive agreements, concerted practices and abuses of a dominant position. The Competition Act also allows third parties to bring enforcement actions directly in UK courts and seek damages from telecommunications operators that do not comply with competition rules.

The Enterprise Act, promulgated in November 2002, modifies the competition rules with regard to concentrations. In addition, this law allows representative consumer associations (National Consumer Council, Consumers' Association, National Association of Citizens Advice Bureaux) to file "super-complaints" with the Office of Fair Trading (OFT). The OFT may also petition the Competition Commission if it has information that suggests the existence of an anti-competitive practice.

Authorities

In the United Kingdom, Ofcom is the regulatory authority responsible for regulating fixed-line and mobile telecommunications, television and frequencies.

The Department for Business, Enterprise and Regulatory Reform (BERR) is responsible for telecommunications policy.

In the United Kingdom, the authorities responsible for competition are the Office of Fair Trading (OFT) and the Competition Commission. Ofcom also holds the powers of a competition authority in the electronic communications sector. In particular, Ofcom provides its assistance in the area of concentrations (Section 369 of the 2003 Communications Act).

Authorisations

The operation of a mobile telecommunications network requires a license under the Wireless Telegraphy Act. Orange UK has obtained the licenses required to operate GSM and UMTS networks – (General Conditions of Entitlement – GCOE).

Information society

In the United Kingdom, the Electronic Commerce Regulations of 2002 transpose directive 2000/31/EC and establish the limits of responsibility of service providers for the information society. Service providers are not responsible for the information transmitted, provided that the service providers are not the source of the transmission, do not select the recipient of the transmission, and neither select nor modify the information in the transmission. No general obligation to control the information recorded or transmitted has been stipulated, except in specific cases.

The Data Protection Act of 1998 and the Privacy and Electronic Communications Regulations of 2003, which transpose the directives governing the protection of data, provide for sanctions for failure to comply with the obligations (£5,000 maximum). A corporate officer may incur personal liability in the event of an infraction. Any person who suffers damages because of the failure to comply with the obligations for data protection may benefit from indemnification.

Unsolicited communications are regulated in the United Kingdom by the Privacy and Electronic Communications Regulations of 2003, and by the Distance Selling Regulations of 2000, the Electronic Commerce Regulations of 2002, and the British Code of Advertising and Sales Promotion.

For the retention of data by communications suppliers, the Anti-terrorism, Crime and Security Act of 2001 stipulates an obligation to preserve data for national security needs, the prevention or detection of organized crime, or the prosecution of offenses related to national security. A voluntary code of practice relating to data retention has been in place since January 2004. Subsequent to the transposition of directive 2006/24/CE of July 2007, the obligation to retain data relating to the Internet may be postponed until 2009.

The Financial Services and Markets Act of 2000 (Regulated Activities) Amendment Order 2002, which came into force in April 2002, stipulates that the provision of electronic money services is a regulated activity subject to authorization by the Financial Services Authority (FSA).

6.9.3.2 Electronic communications regulation

The new regulatory framework for electronic communication networks and services is defined by the Communications Act of July 17, 2003. Pursuant to the regulatory framework being in place, Ofcom conducted the analyses of the relevant markets in mobile and fixed-line communications.

Mobile communications

Market for access and call origination on mobile networks

– In October 2003, Ofcom concluded that no mobile operator in the United Kingdom had significant market power in the market. As a result, Ofcom eliminated the ex-ante obligations applicable to Vodafone and O2, which previously held a dominant position in the market.

Wholesale market for mobile network termination – In March 2007, Ofcom adopted a decision following its second round market analysis. Ofcom decided that the five mobile network operators (H3G, O2, Orange, T-Mobile and Vodafone) had significant market power in the market for calls terminating on their network. As a result, Ofcom imposes network access, non-discrimination and transparency, as well as price control (glide path mechanism) obligations on them. This price control applies to O2, Orange, T-Mobile and Vodafone over four years from April 2007 to March 2011 to end up with termination rates of 5.1 pence/mn (7.5 cents) in the last year, and H3G is authorized to practice higher termination rates than the other operators due to its 3G costs. BT and H3G have appealed Ofcom's decision before the CAT (Competition Appeals Tribunal). Rate aspects will be dealt with by the Competition Commission, which is one of the afore mentioned British authorities. Conflict resolution is expected in the second half of 2008.

In July 2007, when a new voluntary practice code was published with a view to reducing anti-competitive commercial practices in the mobile market, Ofcom announced that it would intervene in the event of an insufficient reduction in the number of consumer complaints.

Finally in July 2007, Ofcom decided that the lead time relating to the portability of mobile numbers was to be reduced to two working days at most from March 31, 2008.

Fixed-line communications

It should be noted that in 2005 BT made undertakings regarding equivalent access to wholesale offers. In this context, in January 2006, BT established the Openreach division, charged with implementing these undertakings according to a specific calendar. The existence of this separation of operations now defines the regulatory landscape in the United Kingdom.

Call origination on the public telephone network – In August 2005, Ofcom adopted its final decision on this market, declaring that BT had significant market power in this market and had to comply with a set of obligations, including network access provision, non-discrimination, cost orientation, cost accounting and accounting separation, the publication of a reference offer, pre-selection and carrier selection, prior notification of offers.

Call termination on public telephone networks – In August 2005, Ofcom decided that the fixed-line public communications operators have significant market power in the market for call termination on their network. BT and the other fixed-line operators must provide call termination services on their network to the other operators on the basis of a reasonable

demand. The obligations imposed on BT include in particular: call termination provision, price control, cost orientation, accounting separation and cost accounting, non-discrimination, publication of a reference offer, prior notification of rates.

Wholesale unbundled access – In December 2004, Ofcom published its final decision on market 11 and imposed the following obligations on BT: network access provision, cost orientation based on long run incremental costs, reference offer, notification of rates and technical specifications, transparency, accounting separation and cost accounting. Since 2005, full local loop unbundling rental has reached £6.66/month and shared access, rental has reached £1.3/month.

Wholesale broadband offer market – In November 2007, Ofcom published a public consultation under its second round market analysis. Ofcom proposed defining geographic markets on the infra-national level and eliminating ex-ante regulations in the relevant markets that do not have an operator who exerts significant market power. BT would no longer be subject to regulatory obligations where unbundling is considered to be sufficiently developed. Ofcom plans to publish a final decision in June 2008.

As far as WLR (wholesale line rental) is concerned, the applicable monthly rate per residential line has remained unchanged at £8.39 (i.e., about 12 euros). As far as VoIP services are concerned, Ofcom adopted a decision in March 2007 that introduced the obligation for the service operators to apply a code of practice (General condition 14) and specified the conditions on portability of geographic numbers. In December 2007, Ofcom adopted a decision that will be applicable in September 2008 and that imposes on VoIP service operators, the obligation of allowing emergency service access for calls to fixed-line numbers and normal national mobiles.

Ofcom launched a consultation on future regulation of Next Generation Access that ended in December 2007. Without major concern, Ofcom noted the absence of fiber optic deployment projects in the UK access network and suggests that when the question arises, the key points in regulation should be unbundling the local sub-loop to ensure competition in VDSL services and opening an active wholesale offer in particular to ensure competition in FTTH services.

6.9.3.3 Frequencies

Like the other mobile network operators in the United Kingdom, Orange UK obtained licenses under the Wireless Telegraphy Act, which allocates portions of the radio frequency spectrum to each mobile network operator.

The Wireless Telegraphy Act of 1998 allows setting spectrum fees at a rate above the administrative cost of managing that spectrum and allows for spectrum auctions for future services, including UMTS. The government of the United Kingdom has confirmed that the four existing GSM operators will not be subject to auctions for the continued use of their current GSM spectrum allocations.

Orange UK is one of five mobile operators licensed to provide third generation mobile services in the United Kingdom using the UMTS spectrum. The other licensees are Vodafone, O2 UK, T-Mobile and Hutchison 3G. The licenses were allocated in the framework of a competitive bidding process in 2000. Orange UK, O2 UK and T-Mobile were each allocated a 2x10 MHz and 1x5 MHz band within the UMTS spectrum. Vodafone was allocated a 2x15 MHz band in the UMTS spectrum and Hutchison 3G was allocated a 2x15 MHz and a 1x5 MHz band in the UMTS spectrum.

The licenses granted to Orange UK under the Wireless Telegraphy Act set out the obligations that Orange UK must comply with and Ofcom's powers to ensure compliance.

The UMTS license held by Orange UK is valid until December 31, 2021.

Generally, OFCOM conducts a policy of deregulation of frequency management, the principles and calendar for which have been set out in the documents on the "Spectrum Framework Review": promotion of technological neutrality, even neutrality of service when it can be done for the use of the spectrum, and application of market mechanisms in the assignment and transfer of frequency bands.

The frequency assignments made in 2006 leave the beneficiary a great deal of freedom in the choice of use. OFCOM announced the assignment of the 2.5-2.7 GHz band identified by the UIT and the CEPT as an IMT 2000 extension band on the basis of a technological neutrality used, for example, for WiMAX technology. This assignment should take place by auction in the course of 2008 if the changes in European regulation allow it. Moreover, the frequencies made available by the transition from analog television to digital television, the digital dividend, should be subject to public consultations in 2008 with a view to completion in the course of 2009.

In addition, in order to allow the application of these general principles for the use of the spectrum, OFCOM initiated technical and legal work in order to redefine user rights to the spectrum in 2006.

Finally, the replacement of the GSM directive with a new decision from the European Commission should lead to a redefinition of the use of the bands used by the 2G mobile communications networks.

6.9.4 Polish legal and regulatory framework

6.9.4.1 Legal Framework

The law of July 16, 2004, relating to telecommunications and secondary acts taken in application of this law constitute the base regulations that apply to telecommunications in Poland. The activities of the Telekomunikacja Polska (TP) Group are also governed by the provisions of the Law of February 16, 2007, relating to competition and the protection of consumers. In addition, since Poland became a member of the European Union in May 2004, the Group's activities have also been governed by the European texts, which apply directly.

The purpose of the Law of July 16, 2004, is to continue the liberalization of telecommunications in Poland and to transpose into national law of the package of electronic communications regulations adopted at European level in 2002. Pursuant to the Law of December 29, 2005, concerning the competent authorities in communications and broadcasting, the UKE (Urzedu Komunikacji Elektronicznej, the office of electronic communications) took over from the URTiP (the postal and telecommunications regulatory authority) in 2006. Finally, a bill to amend the 2004 telecommunications law is currently under discussion in Poland. This bill includes in particular, provisions relating to accounting separation and cost calculation, to relevant markets, to the protection of consumers, to frequencies and to for network access conditions.

Authorities

In Poland, the relevant telecommunications authorities are as follows:

- the Ministry of Infrastructure, which is responsible for telecommunications, proposes the laws;
- the Office of Electronic Communications (UKE) has been charged since January 14, 2006, with the implementation of the regulatory framework for postal services, telecommunications, and frequency management, as well as with certain functions of the National Radio Broadcasting Council (KRRiT);
- the Competition and Consumer Protection Authority (UOKiK) is responsible for the elimination of anti-competitive practices, the control of concentrations, and the protection of consumers.

Authorizations

Telekomunikacja Polska (TP) has been registered since October 1, 2004, in the Registry of Telecommunications Operators for the following activities: public telecommunications networks, including fixed-line telephony, the data transmission network, radio and wireless signal transmission, Inmarsat and VSAT networks, digital networks (ISDN, DSL) and mobile networks (450MHz), as well as the use of the capacities of Intelsat, Eutelsat, Intersputnik, Inmarsat and New Skies satellite systems, the operation of the POLKOM 400 (X.400 technology)

email server, telecommunications services, leased lines, the capacity segments of the aforementioned satellite systems, data transmission services, Internet access services, ISDN services, and VSAT network services.

PTK Centertel, the mobile subsidiary of the group, has been registered in the Registry of Telecommunications Operators and other infrastructure under the NMT (450 MHz), GSM (900 MHz), DCS (1800 MHz) and UMTS (3 GHz) standards since October 1, 2004, as well as for provision of telecommunications services on these networks.

When the July 16, 2004, telecommunications law took effect, the frequencies assigned to PTK Centertel under the license that was granted under the previous telecommunications law, were confirmed within the new regulatory framework.

Universal service

After an initial decision in May 2006, the UKE president confirmed, in a decision dated November 7, 2006, the designation of TP as the operator responsible for universal service until May 2011. In this capacity, TP must offer retail plans to low income users, provide access to basic telephone service, and define the supply of additional services with the UKE president. In a separate decision, the UKE also set the universal service obligations imposed on TP for public call boxes.

Information society

The law of July 18, 2002, governing electronic services transposed directive 2000/31/EC on electronic commerce. This law defines the obligations of providers of electronic services, specifies the limits on liability for service providers as well as the rules for protecting personal data. The law specified that electronic communications service providers are not responsible for the information transmitted, provided that they are not the source of the transmission or do not select the recipient of the transmission, and that they are neither selecting nor modifying the information in the transmission.

The framework to be applied for the protection of personal data is defined by the Law of August 29, 1997, on the protection of personal data, amended in 2002. The 2004 telecommunications law also specifies certain rules applicable to data protection and data retention. As far as data retention is concerned, the retention interval was extended to two years in 2007. The application of this obligation to Internet data was deferred to March 2009 at the latest.

6.9.4.2 Regulation of electronic communications

Fixed-line communications

Access to the public telephone network for residential and non-residential clients – In August 2007, UKE adopted remedies affecting TP due to its significant market power in

these markets: prohibition of practicing excessive and below cost rates, of creating barriers to market entry, of applying preferential treatment, of compelling end-users to purchase unnecessary services. TPSA must also submit its retail rates to the UKE for approval, run regulatory accounting in line with an instruction approved by the President of UKE, and calculate the costs of services based on forward looking fully distributed cost methodology.

Local and/or national and international telephone services

– In August 2007, UKE adopted a decision designating TP as an operator with significant market power in the market and imposing the same ex-ante obligations on it as for access markets.

Call origination on the public telephone network

– In July 2006, UKE adopted a final decision on this market and imposed the following remedies on TP on account of its significant market power in this market: network access provision, wholesale line rental, non-discrimination and transparency, publication of a reference offer, accounting separation and cost orientation pending the implementation of a LRIC-type (long run incremental costs) price control.

After appeal by TP on wholesale line rental, UOKiK (presented in Section 6.9.4.1) contested the decision of UKE considering in particular that wholesale rates should cover costs. UKE may now appeal this decision.

Call termination on public telephone networks

– In September 2006, UKE adopted a final decision on this market. On account of its significant market power in the market, TP must provide access to specific elements of its network, ensure non-discrimination and transparency, including publication of an interconnection reference offer, accounting separation, and cost orientation pending the implementation of a LRIC-type price control.

In this market, subsequent to the interconnection offer proposed by TP in December 2005, UKE adopted a modified interconnection offer in July 2006 that primarily introduces a reduction of about 41% in real terms in the interconnection rates. The interconnection offer also requires that TP introduces a flat rate interconnection service for any type of traffic. TP has appealed that decision. The proceedings are ongoing.

Wholesale unbundled access – In June 2007, UKE imposed the following obligations on TP: network access, non-discrimination, transparency, accounting separation and price control. The full local loop unbundling rate has currently reached nine euros, and the shared access rate 3.25 euros.

Wholesale broadband access – In its decision of February 2007, UKE designated TP as an operator with significant market power in this market and imposed the following remedies: obligation of network access, non-discrimination, transparency and reference offer, accounting separation, cost orientation.

A retail minus mechanism of 51% has been applied during the lead-up to implementation of cost orientation. TP has appealed that decision. The procedure is taking due course.

Wholesale terminating segments of leased lines – In July 2007, UKE re-notified a proposed decision stipulating that TP has significant market power in this market and proposing the following remedies: network access, non-discrimination and transparency, accounting separation and price control. The notification of the wholesale trunk segments of leased lines was withdrawn in September 2007.

Mobile communications

Access and call origination on public mobile telephone networks – In September 2007, UKE notified the Commission of a new draft decision in which PTK, PTC and Polkomtel are not considered to hold a significant market position in the market. The Commission has nonetheless invited the regulator to follow the progression in alternative operator rates closely, and to intervene if a rate drop is not confirmed or even if the level of asymmetry with TP prices increases. Moreover, UKE must review its market analysis once a common approach has been decided at the European level for cost methodology.

Voice call termination on mobile networks – UKE adopted a final decision in July 2006 stipulating that PTC, Polkomtel and Centertel have significant market power on their mobile call terminations and defining ex-ante obligations for network access, non-discrimination, transparency and price control.

National market for wholesale provision of international roaming – In March 2007, UKE found that the market was competitive.

Broadcasting transmission services

On November 9, 2006, TP Emitel was designated as an operator with significant market power in this market and therefore had, to comply with the following obligations: network access provision, transparency, non-discrimination, accounting separation, cost orientation. TP Emitel has appealed this decision.

TP Emitel proposed a reference offer in February 2007 that was modified by UKE in November 2007. In particular, the price levels set by the regulator in this reference offer are less than those proposed by TP Emitel by 30 to 40% and do not cover the costs incurred.

6.9.4.3 Numbering and frequencies

The numbering and frequency resources were assigned to TP by licenses in December 2000 and February 2001. The changes and new numbering and frequency assignments requested by TP are decided by UKE. PTK Centertel holds four licenses for the NMT 450 network for a period extending from 1991 to 2016, a GSM network in the 900 (1999-2014) and 1800 MHz bands (1997-2012), and a UMTS network (2000-2023).

PTK Centertel also supplies data services in 170 hotspots through Wi-Fi networks, the use of which does not require individual authorization.

The transfer of frequencies among spectrum users in the framework of a secondary market is not currently authorized.

A proposed amendment to the Law of July 16, 2004, on telecommunications includes proposals for frequency management as well as spectrum usage fees.

On May 15, 2006, UKE assigned new frequencies for 2G mobile communications in the 1800 MHz band. It designated Telekomunikajca Kolejowa, which was assigned two batches of 33 channels out of the three being offered. PTK Centertel was not selected. However, the Board of Directors of Telekomunikajca Kolejowa did not follow up. A new licensing procedure is expected to be launched in the near future.

In addition, the Polish administration has set up the mechanism for the transition from analog television to digital television. The frequencies to allow the implementation of two multiplexes have been assigned. The end date for analog transmissions is set for December 31, 2014.

UKE has foreseen several issuances of frequency authorizations in 2008, in particular in the E-GSM band and the 2.6 GHz band.

6.9.5 Spanish legal and regulatory framework

6.9.5.1 Legal Framework

The European electronic communications regulatory package was transposed in Spain by the general telecommunications law (Law 32/2003 of November 3, 2003), and by Royal Decree 2296/2004 of December 10, 2004, on electronic communications markets, access to the network and numbering, and Royal Decree 424/2005 of April 15, 2005, on the provision of electronic communications services, universal service obligations and the rights of users.

The telecommunications sector is also governed by Law 16/1989 of July 17, 1989, on the application of competition rules, amended by Law 53/2002 of December 30, 2002.

Authorities

The Secretaría de Estado de Telecomunicaciones y para la Sociedad de la Información (SETSI) (state office for telecommunications and the information society), part of the Ministry of Industry, Tourism and Commerce, is responsible for the promotion and scheduling of activities relating to telecommunications, the information society, and audiovisual services. SETSI is also responsible for consumer protection regulations.

The Comision del Mercado de las Telecomunicaciones (CMT) (Telecommunications Market Commission) created by Royal Decree 6/1996 of June 7, 1996, is responsible for the telecommunications and audiovisual sectors (excluding content). The CMT is in particular responsible for:

- establishing and supervising the specific obligations of the operators in the electronic communications markets;
- developing competition in the audiovisual services markets;
- settling disputes between operators.

There are two levels in the system of competition authorities: the Servicio de Defensa de la Competencia (department for protection of competition) analyzes complaints, conducts research, and determines within one year if the dispute brought to the department raises competition problems. Once the facts have been established and an initial legal valuation has been conducted by the Department, the complaint is submitted to the Tribunal de Defensa de la Competencia (Competition Authority) for in-depth legal analysis and decision. This Tribunal is an administrative body with quasi-judicial responsibilities and is attached to the Ministry of the Economy. Appeals are made to the Audiencia Nacional (Sala de lo Contencioso-administrativo de la Audiencia Nacional).

Authorisations

The provision of telecommunications networks and services is subject to a procedure of notifying CMT and to registration in a specific registry. On the other hand, individual licenses are granted to use rare resources such as frequencies.

Information society

In Spain, Law 34/2002 of July 11, 2002, on the information society and electronic commerce, stipulates the obligations and liability limits that apply to service providers of the information society as far as transmitted information is concerned. In the event of illegal content and effective knowledge of the illegal nature of the content, service providers must act promptly to withdraw the information or make access to it impossible. No general obligation to control the information transmitted or stored is imposed, except in specific cases. The law provides sanctions and fines for violations of these provisions.

The regulatory framework that applies to data protection in Spain is based on Law 15/1999 on the protection of personal data and on Ordinance 999/1999 governing security measures. Sanctions are specified based on the level of gravity of the infraction. In addition, the general telecommunications law specifies that electronic communications services operators guarantee the secrecy of communications. Law 34/2002 sets forth an obligation to preserve data for 12 months. In October 2007, the new directive relating to data retention was transposed to Spanish law. The retention period of 12 months also applies to Internet service providers.

In the area of protection of intellectual property rights, Law 23/2006 of July 7, 2006, amends Law 1/1996 of April 12, 1996, and transposes Directive 2001/29 concerning the harmonization of certain aspects of copyright and related rights in the information society.

6.9.5.2 Regulation of electronic communications

Royal Decree 2296/2004 governing relevant markets, access to networks, and numbering, defines the procedures for carrying out market analyses, the ex-ante regulatory obligations that may apply to operators with significant market power in wholesale and retail markets as well as interconnection and network access conditions.

Fixed-line communications

Access to the public telephone network – In its final decision of April 2006, CMT ruled that Telefonica had significant market power in these markets and imposed ex-ante obligations: pre-selection and carrier selection, price control, accounting separation, non-discrimination and transparency.

Local and/or national/international telephone services – In February 2006, CMT determined that Telefonica had significant market power in these markets and imposed ex-ante obligations, including a ban on making abusive bundled offers and charging eviction tariffs, prior notification of rates and conditions of retail offers to CMT.

In July 2007, CMT adopted a decision on the appeals to methodology to detect Telefonica's possible anti-competitive practices (price squeeze) in retail access markets in telephone services and wholesale broadband offers.

Call origination on the public telephone network – CMT adopted a final decision in April 2006 stipulating that Telefonica had significant market power in the market and imposing ex-ante obligations such as provision of reasonable access to network resources and use, cost orientation and cost accounting, non-discrimination and transparency. Subsequent to the decision of CMT that imposed the obligation to provide a wholesale line rental offer on Telefonica, a reference offer was approved by CMT in November 2007 (analog line: 11.53 euros/month; digital line: 17.84 euros/month). Telefonica has eight months to implement this offer.

Call termination on public telephone networks – In March 2006, CMT adopted a final decision stipulating that Telefonica had a significant market power on the call termination on its network and had to comply with the following obligations: network access provision, transparency and a reference offer, cost orientation and non-discrimination. CMT limited itself to imposing the obligation to provide network access and to practice reasonable call termination rates on alternative operators (the deviation with Telefonica's regulated termination rates must not exceed 30%).

Wholesale unbundled access market – In May 2006, CMT decided that Telefonica had significant influence in this market and imposed the following ex-ante obligations: provision of full local loop unbundling and shared access offers, co-location and related resources, cost orientation, cost accounting, accounting separation, non-discrimination and transparency. In September 2006, following the approval of the new reference offer, the rate for full unbundling dropped from 11.35 euros to 9.72 euros per month. The reference offer also imposes on Telefonica an obligation to provide monthly communication to CMT on service quality parameters. This reference offer also allows customers who subscribe to a broadband offer based on shared access to terminate subscription to the Telefonica telephone service. In this case, the alternative operator will pay the rate for full unbundling without having to pay migration costs.

Wholesale broadband access market – In June 2006, CMT decided that Telefonica, on account of its significant market power in this market, had to provide access to its network at the ATM and IP levels to allow alternative operators to replicate its broadband retail offers with cost oriented rates (when the cost methodology is applied), comply with the principles of non-discrimination and transparency, and notify CMT of the technical specifications of Telefonica's retail offers that imply changes in wholesale offers. In applying the decision of June 2006, CMT took a temporary decision in December 2006 that establishes new rates for wholesale regional (GigADSL) and national (ADSL-IP) offers. A definitive decision must specify and confirm these provisions in the course of 2008.

In November 2007, CMT also reached a provisional decision that imposes the obligation to offer wholesale ADSL/IP services on Telefonica to allow alternative operators to replicate Telefonica's 10 to 20 Mb retail offers.

Wholesale leased line markets – In November 2006, CMT reached a final decision ruling that Telefonica had significant market power in these wholesale markets. In the wholesale terminating segments of leased lines market, Telefonica is subject to the following obligations: network access provision, price control (cost orientation, with the exception of the Ethernet and Fast Ethernet lines, whose prices are subject to a retail minus mechanism), accounting separation, non-discrimination and communication of service quality indicators, and transparency (reference offer). In the wholesale trunk segments of leased lines market, Telefonica is subject to obligations of network access, non-discrimination and transparency.

Minimum set of leased lines market – Telefonica, as an operator with significant market power in this market, is subject to an obligation of network access and cost orientation.

Mobile communications

Access and call origination on mobile telephone network – In February 2006, CMT adopted a decision determining that Telefonica Moviles, Vodafone and Amena jointly held a position of collective dominance in this market. As a result, these mobile operators must offer access to their network at reasonable prices.

Voice call termination on mobile networks – In March 2006, CMT adopted a decision specifying that Telefonica Moviles, Vodafone and Amena have significant market power over their network and must comply with the following obligations: network access and use of specific network resources, accounting separation, price control, cost-orientation and non-discrimination.

In September 2006, the CMT decided to implement a plan to progressively lower termination rates from 2006 to 2009, establishing half-yearly price decreases. These maximum average termination rates must not be greater than 7 cents/min in 2009. In October 2006, CMT approved termination rates (peak hours/off-peak hours) proposed by Amena, Telefonica Moviles and Vodafone and applicable until March 2007. These rates are compatible with the average maximum termination rates. In October 2007, the CMT approved mobile termination rates applicable until April 2008 (9.48 eurocents/min for Telefonica Moviles, 9.61 eurocents for Vodafone, 10.08 eurocents for Orange and 14.36 eurocents for Xfera). The operators can determine their own peak/off-peak rates within the framework of maximum average rates.

Wholesale national market for international roaming – In January 2007, the CMT adopted a final decision in which it stated that the market was competitive and did not require ex ante regulation.

6.9.5.3 Frequencies

The 2003 general telecommunications law defines the regulatory framework for assigning and allocating frequencies. It also provides for the creation of a frequency agency, the Agencia Estatal de Radiocomunicaciones, which is responsible for managing the use of public frequencies. The Ministry of Industry, Tourism and Commerce (SETSI) controls the agency, which has nonetheless not yet been set up. As a result, it is the ministry that currently manages activities related to the radio spectrum. The royal decree on the use of the spectrum was amended in 2005, primarily in relation to the provisions governing consumer protection and the conditions for providing services.

The annual fees for using frequencies are established on the basis of coefficients published in the finance law in December each year. The finance law for 2005 (Law 2/2004 of December 27, 2004) set the coefficients to be used to calculate fees for the use of frequencies in mobile, fixed-line and audiovisual services.

In June 2005, the Ministry of Industry, Tourism and Commerce auctioned 10 MHz in the 900 MHz GSM extension bands to provide 2G services. Telefónica Móviles was assigned one 4 MHz block, and Amena two 3 MHz blocks. Usage rights were granted for a period of 15 years. Telefónica Móviles and Amena undertook to invest 834 million euros in their network in the next two years. Orange launched its operations on the frequencies acquired by Amena in January 2006.

A new frequency plan came into effect in June 2005. The new plan reserves the 2500-2690 MHz bands for 3G mobile telephony use (as of January 2008), based on market needs. This regulation does not authorize migration to the UMTS technology in the GSM bands.

The fourth UMTS operator Telia Sonera Xfera launched its operations on December 1, 2006, under the Yoigo brand.

Telefonica Moviles acquired an LMDS operator license in the 3.4 GHz band in order to deploy WiMAX networks, despite the hesitations of the competition authorities.

Finally, the administration identified a frequency plan to allow deployment of mobile television. The license should be granted in 2008.

6.10 SUPPLIERS

Responsibility for relations with suppliers is assigned to the Purchasing Department. This covers 19 billion euros in purchases, excluding the acquisition of regulated networks.

Buyers are divided between the Group purchasing teams, which are specialized by purchase category and which guarantee the consolidation of volumes at Group level, and local teams, which implement the Group's contracts and provide effective service as close to the customer as possible.

In 2007, the Purchasing Department generated savings of 1.4 billion euros on the basis of 2005 prices, the NExT program reference year.

The implication of the Purchasing Department in strategic projects was strengthened again in 2007, whether in innovation projects, the proposals for which will be launched in 2008, rationalization or activity outsourcing projects, or projects that concern commercial clientele.

The supplier base is global, allowing diversification in supply sources.

As far as key suppliers are concerned, a new strategic segmentation method has refined the supplier mix objective and has strengthened group governance.

The increasing presence of Asian suppliers in the overall portfolio has led the group to revise and strengthen its evaluation system, both upstream in the referencing phase and downstream in the purchasing process phase, to guarantee quality levels and total cost control in purchases.

The Group integration program has continued with the merging of purchasing teams responsible for fixed-line operators and mobile operators.

The Purchasing Department has moreover accompanied the geographic extension of the group by deploying its methods in new countries in Africa (Central African Republic, Guinea-Bissau, Guinea).

The Group purchasing information system was completed in 2007 with the delivery of an integrated e-sourcing platform to process calls for tenders and on-line auctions and to improve the steering of purchasing projects. It completes a process that includes a centralized contract register as well as purchasing systems and local order management systems for orders of which the information is centralized.

The level of expertise of the purchasers was again strengthened by the deployment of strategic analysis tools (make or buy) to determine the scope of activities to be developed, maintained or outsourced.

As far as training is concerned, modules have completed a process that is recognized at European level. In this way, France Telecom's purchasing university won first prize in the ELP 2007 contests in London in the staff development category.

Finally, risk control has increased with the deployment of ethical compliance, fraud prevention and information system strengthening policies. Moreover, specific tracking has been carried out on control of environmental and social risks by the suppliers.

6.11 INSURANCE

France Telecom has adopted an insurance plan to cover its main risks. This has been underwritten by major insurance and reinsurance providers to cover France Telecom against the risk of damage to property, operating losses (including transportation risks) and legal liability for operations and the risks related to the corporate purpose which could be caused to third parties (including customers), as well as the risks related to the vehicle fleet. This insurance plan is regularly renegotiated in the framework of calls for tenders to optimize coverage in close cooperation with qualified intermediaries (brokers) and with first order insurers and re-insurers.

The cost of insuring France Telecom S.A. in 2007 amounted to approximately 16.3 million euros, including 14.8 million euros in premiums (compared with a cost of about 19 million euros in 2006 and 21.5 million in 2005). This cost breaks down by risk category for the 2007 fiscal period as follows:

- liability coverage: approximately 5.5 million euros;
- automobile insurance coverage: approximately 4.4 million euros;
- damage to assets and operating losses: approximately 6.4 million euros.

In addition to the costs paid by France Telecom S.A. are those paid by the subsidiaries covered by the Group's insurance policies. This amount totaled approximately 11.8 million euros in 2007 (14 million euros in 2006 and 11.8 million euros in 2005) and reflects the increase in coverage scope.

These policies have been gradually extended to cover the Group's French and foreign subsidiaries firstly to harmonize coverages and streamline management and second, to control the corresponding insurance costs. A very large number of subsidiaries have benefited from the extension of the Group's program in Poland, the United Kingdom, and Spain; the integration process continues for the other countries (Equant still has its own program in which certain excess coverages are covered by the "master" program at Group level).

On the basis of the information available, the policies in force reflect the nature of the risks incurred by France Telecom and are in line with the current terms and conditions of the insurance market for groups of a similar size and with similar business activities worldwide, particularly with respect to coverage limits.

For several years, given the state of the insurance and reinsurance markets in this area, the Group has self-insured its poles and open-wire lines of its telephone network against the risks posed by natural disasters.

France Telecom maintains a level of self-insurance that is appropriate for the risks it encounters. Over the past 12 financial years, the number of accidents affecting the above-ground network of France Telecom S.A. has not, on average, exceeded 12.1 million euros per year, except for disasters that are exceptional in terms of frequency and intensity (for example, the damage from the December 1999 Lothar and Martin storms).

Three years ago, France Telecom began to work on modeling the risks of the above-ground network that was damaged by storms in order to acquire an in-depth understanding of its exposure to such random risks. The results of this study did not reveal any interest in covering this risk through a financial instrument. France Telecom remains attentive to these risks, however, and continues its analysis and study of a possible transfer.

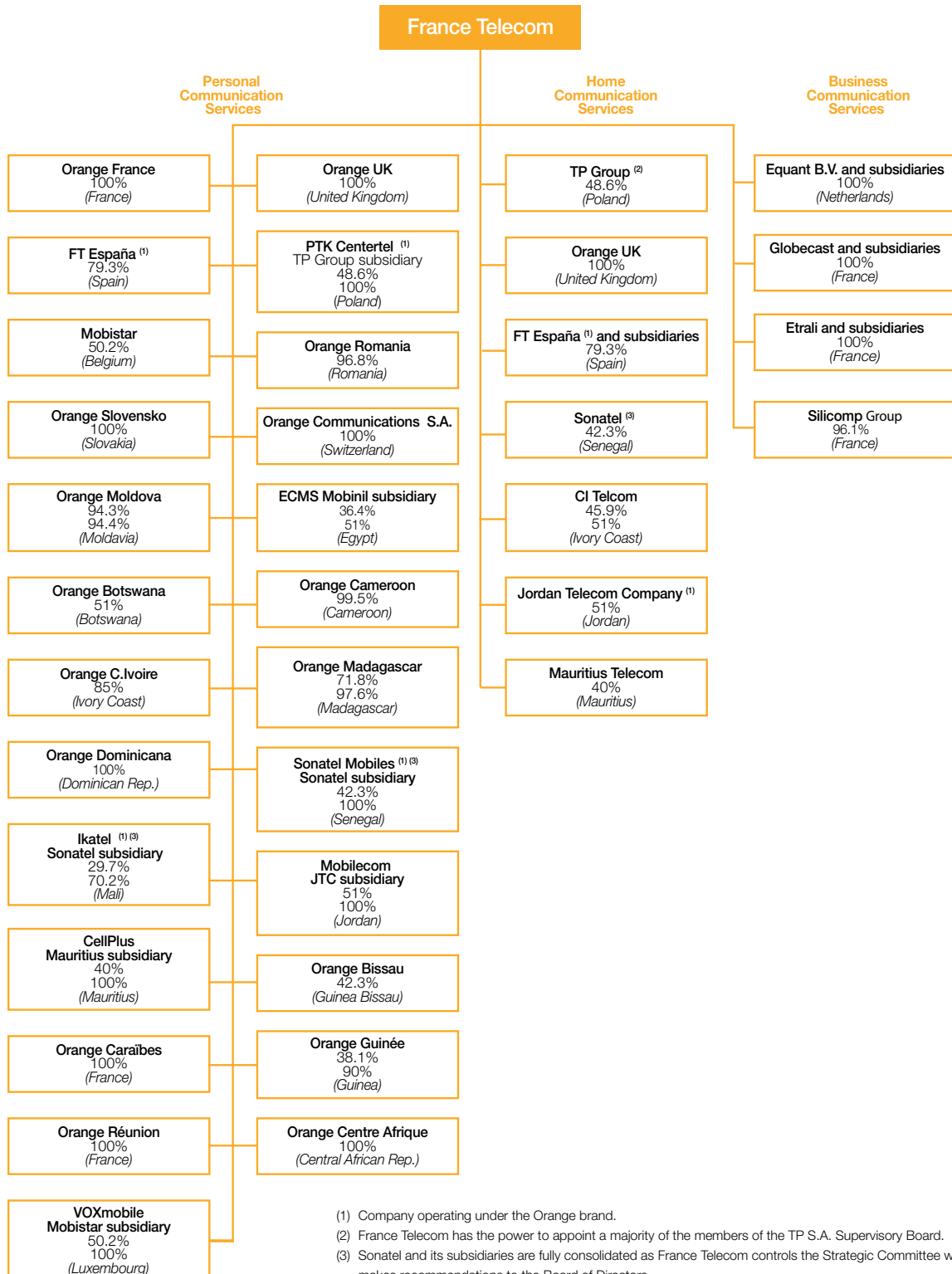
In addition, in the context of its risk management policy, for several years, France Telecom has regularly carried out site inspections in partnership with the Internal Engineering Departments and those of its principal insurers. This inspection program, which extends to the main subsidiaries in the group, is used to detect possible risks and to appreciate the prevention and protection level in respect of them. These actions, which give our insurers more in-depth knowledge of the Group's risks, are essential elements in the context of negotiating insurance coverage.

Other information is distributed among the insurers of programs and is designed to complete their appreciation of risks with respect to changes in our business and their environment.

7. organization structure

The chart below shows the main operational subsidiaries and investments of France Telecom S.A. as of December 31, 2007. The holding percentages shown for each entity are the

percentage of interest along with the percentage of control when these differ:



RELATIONS WITH CERTAIN SUBSIDIARIES

France Telecom S.A. has entered into agreements with some of its subsidiaries, including framework agreements, assistance and brand licensing agreements, as well as service-related agreements. In addition, financial agreements exist between France Telecom S.A. and most of its subsidiaries. France Telecom believes that these agreements were entered into on an arms-length basis.

Subsidiaries operating under the Orange brand

The subsidiaries from the Personal Communications Services and the Home Communications Services segments, operating under the Orange brand, have entered into brand licensing agreements with Orange Brand Services Ltd. which is wholly owned indirectly by France Telecom S.A., allowing them to operate under the Orange brand. Pursuant to these agreements,

they pay a royalty of 1.6% of their operating revenues for full use of the Orange brand, and for the benefit of Orange's roaming and interconnection agreements, technology, handset signature and support services.

TP Group

In order to benefit from France Telecom™'s brand recognition, TP S.A. has signed a brand licensing agreement with France Telecom that allows it to use the logo based on the France Telecom ampersand in France and abroad as of May 31, 2004. This license was granted for an annual royalty of 0.06% of pre-tax revenues generated by TP S.A. with third parties other than of France Telecom ("external" revenues).

France Telecom believes that these contracts were entered into and are performed on an arms-length basis.

8. property, plant and equipment



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8.1 MAJOR TANGIBLE FIXED ASSETS

8.1.1 Networks

The telecommunications sector is marked by major technological changes with the increased use of the IP protocol, the sharp upturn in broadband, the increasing interoperability of networks, the development of mobility, or the convergence of handsets and fixed and mobile services. The France Telecom group thus permanently adapts its networks in France and in the locations where it is present throughout the world so as to position them at the best technological level, to thus constantly improve the quality of its services, and to develop new services adapted to market needs in a reactive and flexible way.

8.1.1.1 Data transmission networks

Optical fiber cable networks

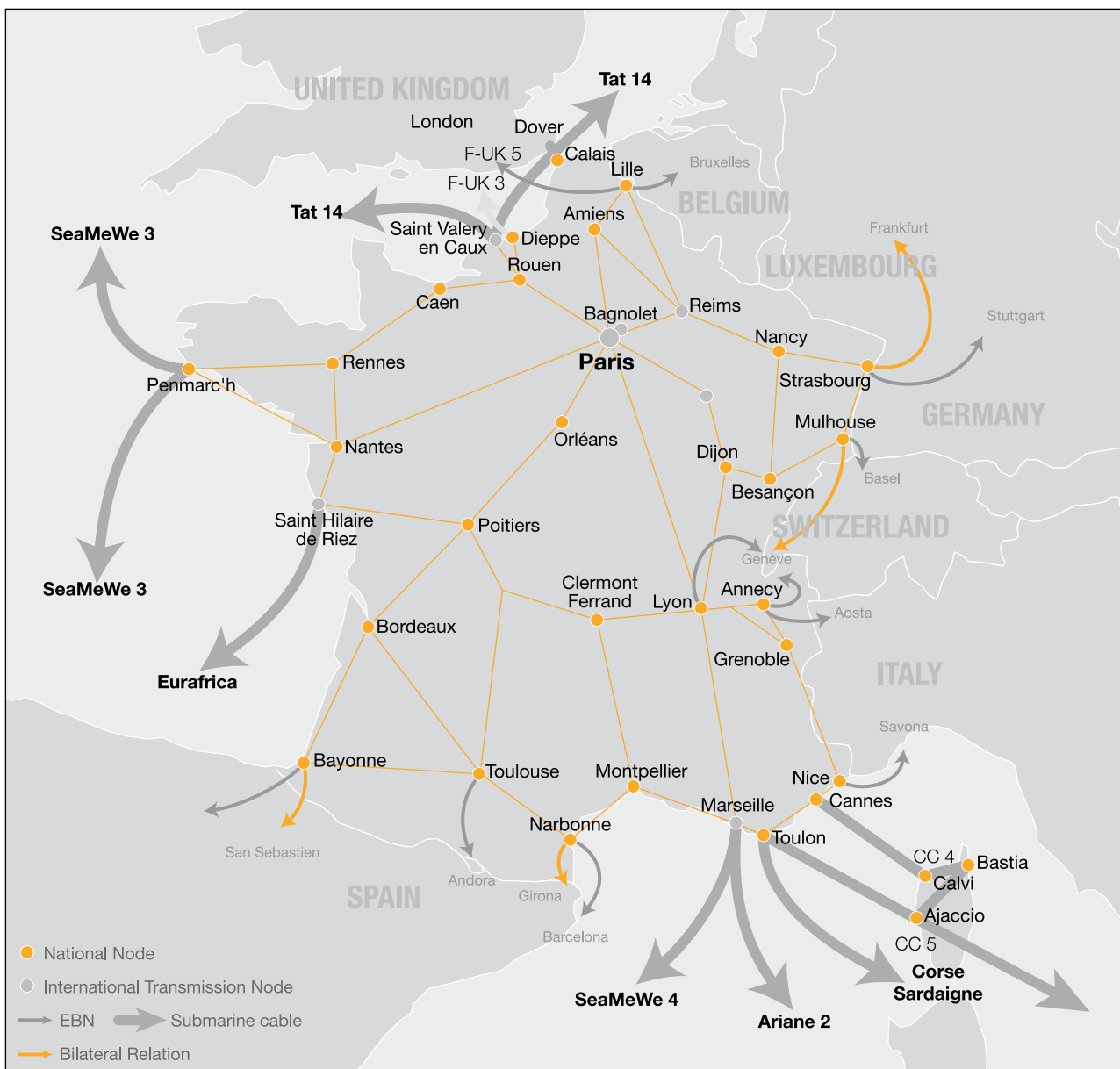
In 2007, France Telecom installed around 9,884 kilometers of optical fiber cable in its regional network in France (some 5,631 kilometers

in 2006, and 7,262 kilometers in 2005). These optical connections greatly surpass the capacity of traditional copper lines or radio connections with speeds of up to 10 Gbit/s.

In addition, the dense wavelength division multiplexing (DWDM) technology has been developed on France Telecom's long-distance networks so as to further increase transmission speed up to a potential of 80 wavelengths per fiber. As of December 31, 2007, 66 DWDM systems are installed on the long-distance network in France, compared with 49 in December 2006 and 41 at December 31, 2005. In addition, France Telecom offers direct optical fiber connections to business customers wishing to benefit from very high speed services.

Synchronous Digital Hierarchy (SDH)

The use of SDH technology, which is relatively low-cost, gives access to a more simple network, which is easier to manage and is more reliable than the PDH (Plesiochronous Digital



Hierarchy) network. In France, thanks to the provision of a reserve network and local self-protecting rings, the SDH optical network is completely protected against single cable failures. France Telecom continuously develops this technology by installing new SDH rings as well as point-to-point systems on the lower section of the network.

As of December 31, 2007, France Telecom had installed on its long distance network in France, over 387 synchronous digital hierarchy (SDH) transmission links at 2.5 Gbit/s (372 on December 31, 2006, and 346 at December 31, 2005).

Asynchronous transfer mode (ATM)

France Telecom is one of the main players in the development of asynchronous transfer mode (ATM) technology which enables the simultaneous transmission of data, text, voice, image and multimedia signals at speeds of over 155 Mbit/s between the network access points.

France Telecom deployed an ATM backbone network capable of delivering services at high speeds. It ensures end-to-end transmission of InterLan and MultiLan services, and the Videodyn transmission service which supplies temporary television connections. It also receives ADSL access data flows and delivers some of these flows to the IP network through a BAS (Broadband Access Server) interface.

In the areas where France Telecom offers audiovisual services, a Gigabit Ethernet network has been deployed to receive audiovisual flows, which use more capacity, and to deliver them to the IP network and audiovisual platforms. France Telecom also deployed a Gigabit Ethernet collection network in France specifically for companies.

Switched Telephone Network

France Telecom has an excellent quality switched telephone network which is based on 493 access and transit switches including some which are also used by the mobile network. This network offers traditional voice transmission services, RNIS and value-added services. This telephone network also ensures access to Intelligent Network services (toll-free, audiotel) and to Minitel and low speed Internet access.

Due to client migration towards new voice services offered via ADSL or FTTH (fiber to the home), this network is constantly being optimized to reduce its costs.

Internet-linked networks

Broadband access

In 2007, deployment of the ADSL network is still a priority for France Telecom.

The number of subscriber access nodes opened for ADSL was 12,994 as of December 31, 2007, compared with 12,174 at December 31, 2006 and 9,731 on December 31, 2005.

As of December 31, 2007, 100% of the French population was covered by ADSL, compared with 99.5% at the end of 2006.

The economic development zone plan which began at the end of 2004 is still underway, the goal of which is to allow companies to switch to very high speed broadband, from 2 Mbit/s up to 100 Mbit/s for Gigabit Ethernet offers.

In 2007 France Telecom deployed very high speed broadband over optical fiber (FTTH) in some parts of Paris, a few large French towns and in the Greater Paris area. Deployment of very high speed access has also begun in Slovakia. In this field, France Telecom chose a technology and architecture (GPON) which allow the same fiber to pool several high speed access services without affecting the bandwidth capacities of each access.

France Telecom announced the deployment, in 2008, of fiber optical access (FTTH) in Spain (Catalonia and Madrid).

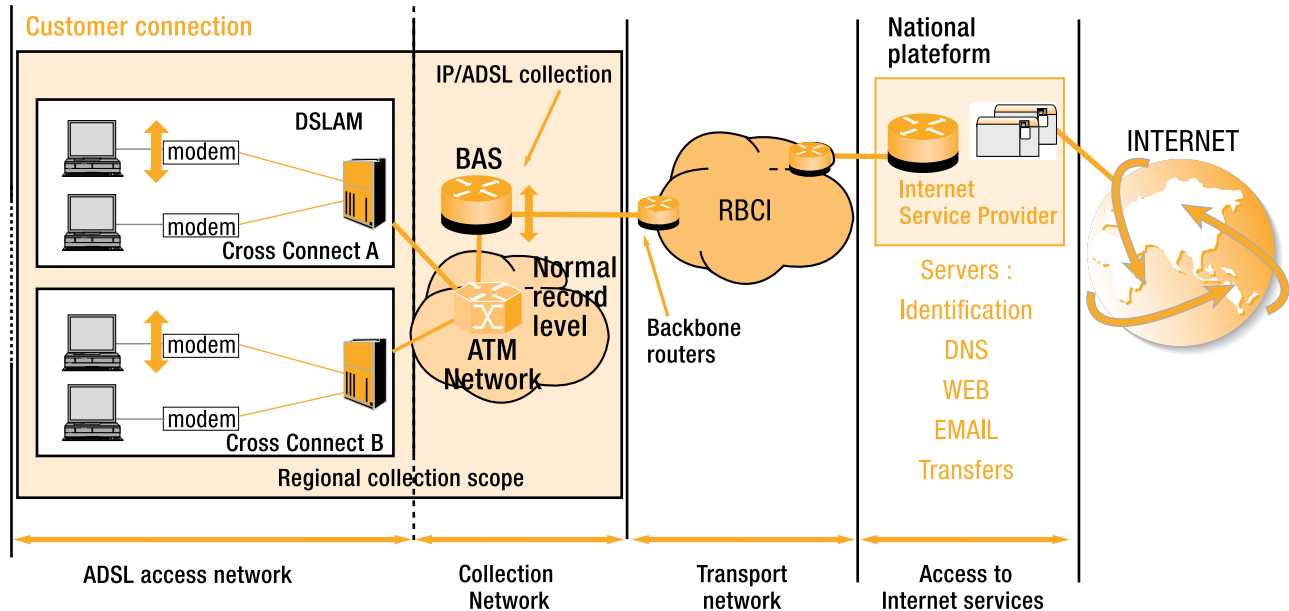
IP network architecture

France Telecom's IP network is built to satisfy an increasing demand for bandwidth and to sustain broadband technologies, in the main ADSL.

ADSL clients are connected to the IP network via DSLAM (Digital Subscriber Line Access Multiplexer) located at subscriber access nodes then by BAS (Broadband Access Server) which allows them to access the Internet network. This equipment offers a downloading bandwidth (Internet to clients) going from 128 Kbit/s to the maximum bandwidth allowed by the line depending on its distance between the client's home and the DSLAM. For its professional clients, France Telecom also offers "Turbo ADSL" access on its DSLAM systems reaching 2 Mbit/s.

BAS (and NAS for low speed Internet connections) are connected to the Group's Internet platform and the Internet network via the national IP transport network or the backbone network which transported at the end of 2007 a level of traffic which was still undergoing strong growth of 480 Gbit/s compared with 299 Gbit/s at the end of 2006 and 168 Gbit/s at the end of 2005. The "Terabit Router" technology has been introduced over the past few years to cope with this growth. Deployment of the IP network is led by France Telecom's technical teams which also ensure supervision 24-hours a day, 7-days a week.

Network architecture



The France Telecom IP network represents a scalable, multi-access network (Autonomous System 3215), designed to cope with traffic growth and adapt to changes in technology thanks to the expertise of France Telecom's R&D division, which, among other things, assesses and tests new technologies such as the new super high-speed transmission technologies. France Telecom's worldwide Internet network (Autonomous System 5511) connects the principal global Internet networks in different locations around the world. It is built on the latest IP transmission and switching technologies. In particular, it now allows the use, at all points in its network, of the new version of the IPv6 Internet protocol, in conjunction with the previous IPv4 protocol ("dual stack" system). In Europe, it has been scaled down in terms of its size since the end of 2003, resulting in a concentration of traffic bypass points. Built on very high-speed land-based and submarine transmission links (several Gbit/s), it enables the France Telecom Group's customers to enjoy excellent Internet connectivity, combined with protection against major risks occurring on other leading Internet networks.

8.1.1.2 Mobile telecommunications networks

Orange France operates a second-generation (2G) mobile network that meets GSM, GPRS and Edge standards, as well as a UMTS-compliant mobile network. The corresponding frequency bands are 2x12.5 MHz for GSM 900, 2x23.6 MHz for GSM 1800, and 2x15 MHz for UMTS (FDD mode) and 5 MHz non-paired (TDD mode).

Orange France's GSM, GPRS/Edge and 3G network architecture complies with the international ETSI and 3GPP standards. Specific mobile equipment and the signaling networks are deployed using the France Telecom Group transmission infrastructures.

The two access networks that are deployed (2G and 3G) now include many common elements (switching and service platforms in particular). These two networks enable the company to offer services that include voice, SMS (Short Message Service), MMS (Multimedia Message Service), access to the Orange portal, data transfer, video streaming, television, and videophony.

The Edge network reaches connection speeds of around 100 kbit/s, depending on radio and terminal conditions, in the downward direction, i.e. from the network to the terminal.

The UMTS network also offers videophony at 64 kbit/s, and even faster data transmission services with download speeds of up to 384 kbit/s and upload speeds ranging from 64 to 128 kbit/s, depending on the geographical area concerned.

The deployment of the 3G+ (HSDPA and HSUPA) technology, and the evolution of the UMTS network, allow data speeds, in a first phase, of up to 1.8 Mbit/s for downloads, and 64 kbit/s to 128 kbit/s for uploads, according to the geographical zones concerned, and up to 1.3 Mbit/s in the zones that employ HSUPA.

For Business Mobile Broadband, the Edge and UMTS networks are supplemented with a network of about 30,000 Wi-Fi hotspots.

The Edge and UMTS networks were offering mobile broadband coverage to 99% of the population at the end of 2006.

In the United Kingdom, Orange and Vodafone have announced their intention to share certain existing sites for their 2G and 3G equipment.

8.1.1.3 Convergent networks and services

The development of convergent services is a major aspect of the NEXt strategy.

Deployment of the new NGN network (Next Generation Network) began in France in 2004, and then in the United Kingdom, by the development of voice on IP services (VoIP) with high-speed access. In 2007, this deployment continued in France, as well as in Belgium and Romania, with the adoption of the new and more flexible SIP protocol (Session Initiation Protocol) for the creation of multimedia service combinations. These services are interconnected to the switched telephone network (STN) through some twenty or so Gateways.

In addition, 2007 witnessed the first deployment of an IMS architecture that can be used to mutualize the functions that are fundamental and common to all types of telecom services. The network is segmented into three distinct parts:

- transmission, which corresponds to the fixed and mobile access points, the collection network, and the IP backbone;
- “session” management, which is used for authentication and connection of the terminals to the network, monitoring the quality of service, the interconnections between operators, interoperation with the existing networks and routing to the application servers;
- and finally, the specific functions associated with the applications are all grouped together in a server application infrastructure (Application Server or AS).

Within this architecture, interoperation is guaranteed between the equipment in the network, between the operators, or between the terminals and the networks. Moreover, the mobility of the users, as with GSM, is fully catered for. In order to perform these functions, the IMS essentially uses the SIP protocol (Session Initiation Protocol).

Finally, in the field of mobiles, the implementation of UMA (Unlicensed Mobile Access) acts as a support for the first “Unik” proposals offered in France, the United Kingdom, Spain and Poland.

Networks dedicated to Business Services

The X25 networks

This network is the medium used for the Transpac services, and still connects about 10,000 direct X25 access points, about 30,000 D-channel access points in the ISDN, the access points for the monetized services, and is a medium for the “Intelligent Network” types of service. An optimization program is currently in the process of execution. Closure of the X25 service is expected in 2011.

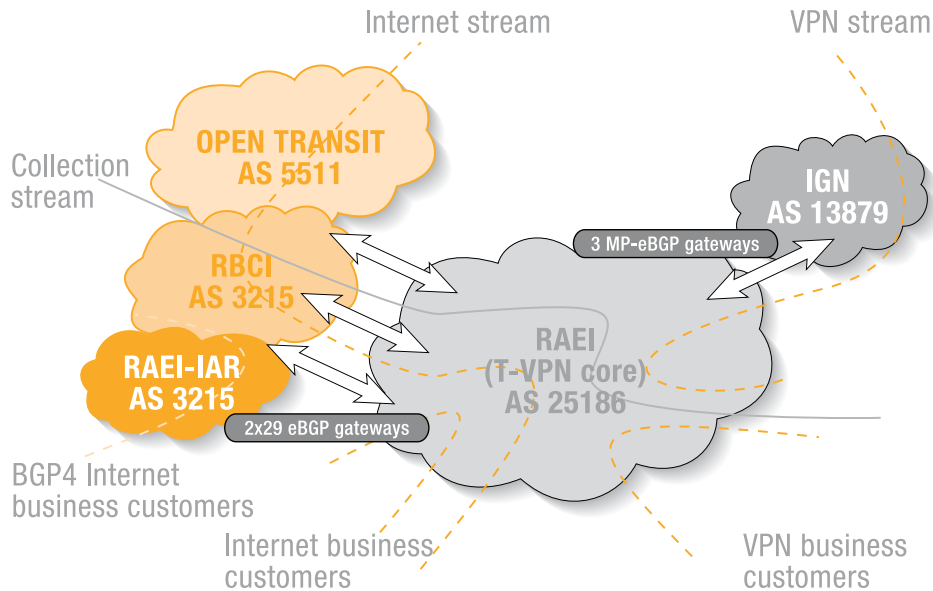
The Frame Relay/ATM networks

The Frame Relay/ATM network constitutes both an access network for the services dedicated to business (in particular via the TDSL collection services) and a backbone transmission network for the level-3 services (X25 and IP). This network uses the Nortel Passport technology. It is deployed at 152 points in metropolitan France, in the four overseas departments and in the three overseas territories (Mayotte, New Caledonia and French Polynesia).

This network is interconnected with the Equant AGN network via two ATM gateways located in Paris, allowing the company to offer frame relay and ATM services worldwide.

This network has now reached maturity, with growing needs in access and traffic flow now being managed by the IP/MPLS services available on the “Business Internet Access Network” (RAEI).

The Business IP Access Network (RAEI)



The main purpose of this network is to connect business customers' sites in order to cater for both their internal exchanges of data (virtual private network or VPN) and their Internet connectivity. It is also used for the transmission of Voice over IP for the companies.

It is composed of a core of 24 transmission routers, called "P routers", which are interconnected over 2.5 Gbit/s links, and a group of 60 "PE-Pass" routers used for interconnection with the backbone and IP collection network (RBCI) for the Internet traffic and the collection traffic of the companies coming from NAS and BAS. In addition, a system of about 600 "PE" (Provider Edge) routers connect the access points of the companies to technologies of the Frame Relay, xDSL, or Ethernet type, with bit-rates of 75 kbit/s to 30 Mbit/s as standard, and 1 Gbs or more in custom contracts. It can also be used to connect the service platforms for business at speeds of the order of several Gigabit/s.

This network is finally interconnected to the Equant International network (IGN) to provide connectivity for international business customers, through of three gateways (located in Paris and London).

8.1.1.4 The international network

Submarine cables

In order to accommodate the increase in telecommunications traffic, France Telecom is investing in submarine cable systems.

These investments can take the form of share purchase in a consortium in order to jointly construct a cable, of which France Telecom will then become co-owner, or can be effected through the purchase of an IRU (Indefeasible Right of Use), an irrevocable right-to-use that is acquired for a period that is often equal to the period of operation of the cable, or lastly can be simply the rental of cable capacity, according to the profitability expected.

In 2007, France Telecom invested in the construction of the EASSy submarine cable (Eastern Africa Submarine System), the first cable to provide true international connectivity to the countries of Eastern Africa. In particular, France Telecom is able to connect the French dependency of Mayotte to the worldwide network and provide its new subsidiary, Telkom Kenya, with additional capacity for its development.

The Group has also invested in additional capacity on the ECFS and Americas II cables (both located in the West Indies zone) in order to provide support for broadband growth in the overseas departments. In order to complete its routes between the West Indies and the United States, France Telecom has also acquired capacity on the Taino and Emergia cables.

The continuation of strong growth in Internet traffic between Europe and the United States has led to the purchase of several transatlantic wavelengths, bringing the total capacity of the Group on this route to 265 gigabit/s.

Finally, France Telecom had also improved its extremely dynamic routes to Asia, with a capacity increase on the SMW4 (linking Marseilles to Singapore via 14 countries) and SMW3 (39 countries connecting from Northern Europe to Japan) cables.

The European backbone network (EBN)

On December 31, 2007, France Telecom's European backbone network directly connected 35 cities, including six in France, and was interconnected with the subsidiaries and partners' networks of France Telecom.

The EBN, an optical fiber network, whose wavelength capacity has grown in line with demand, is designed to carry data streams of 2.5 to 10 Gbit/s on each line, with a capacity of up to 1.2 Tbit/s with no additional cables required. The network guarantees connection at 45 Mbit/s to 10 Gbit/s and offers many advantages, including an availability of 99.95%, centralized control of the network, and a customer assistance service that is available around the clock. End-to-end control of the infrastructure also contributes to greater ease of management and greater simplicity by allowing access to international services without connecting through multiple operators.



The North American backbone network

During 2007, France Telecom increased its presence in the United States by completing the “back network” of the TAT14 transatlantic cable, by the rental of fresh capacity from various American operators, allowing it to respond to the growth of its Internet traffic and to satisfy the requirements of its operator and business customers.

The Asian backbone network

France Telecom is one of the first operators to link to up together, and to its own network, the submarine cable stations located in Singapore that represent strategic points of access for the Asia region.

The international voice network

France Telecom has three international switching nodes in France for managing traffic to and from France for the consumer fixed-line and mobile markets, as well as the business and operator segments. In addition, France Telecom has decided to centralize operations for transporting international traffic for its subsidiaries based on these three CTI/4g switches in France, in order to optimize termination costs. All combined, these CTI4g switches are linked together by more than 160,000 international circuits (64 kbit/s) to over 250 direct access operators spread over 125 countries. In addition, France Telecom has installed a softswitch in the USA to allow for the specific access requirements of its customers in the American zone. Finally, code 7 semaphore signaling for the international network is provided via two flag transfer points that support the signaling associated with voice traffic and roaming of the mobile operator customers of France Telecom and most of its mobile subsidiaries, enabling it to optimize transmission costs.

Satellites

France Telecom uses communications via satellite to provide several services:

- connection of the overseas dependencies to the general network. These connections are either main links, when there are no submarine cables (Mayotte), or backup or additional traffic-smoothing links in addition to the cable (Reunion);
- IP or voice links to the other operators. These links, with a bit-rate of 2 to 100 Mbit/s, carry either IP traffic or voice traffic to the international operators and the subsidiaries of France Telecom;
- VSAT (Very Small Aperture Terminal) services for business customers. These involve the deployment of antennae at distant sites of the customers of Orange Business Service (essentially in Africa) and concentration of their IP traffic at

“hubs”, so as to provide them with an end-to-end IP service in addition to the standard IP-VPN services.

These services are accessible via “earth stations” (or teleports) operated by France Telecom in France (Bercenay-en-Othe) or in the dependencies. France Telecom also uses the services of five other teleports in order to further increase its geographical coverage.

In order to provide these services, France Telecom has either spatial capacity, available on the two satellites it owns (Telecom 2C and 2D, essentially for traffic with the dependencies), or spacial capacity rented from satellite operators (Intelsat, Eutelsat and NSS).

8.1.2 Real estate

As of December 31, 2007, the real estate assets of France Telecom were recorded in its balance sheet with a net value of 3.10 billion euros, against 3.19 billion euros in 2006.

These buildings are used to accommodate telecommunications installations, research centers, customer service centers, and premises for commercial use or offices.

In France, the real estate and transport division manages all matters relating to leasehold. It divides the areas between various departments. In the context of the Group’s NExT plan, it is pursuing a policy to optimize property occupancy grouping the sites and terminating the leases on all unused areas.

At the end of 2007, the space occupied came to about 6.4 million square meters, of which 3.92 million were leased and 2.40 million were owned, corresponding to 21,000 sites of which 275 have an area exceeding 5,000 square meters.

At the end of 2007, space used in France was essentially made up by offices, mostly leased properties (2.7 million square meters of which 2.1 million are rented), and of technical centers which are mostly owned (2.8 million square meters of which 1.6 million are owned).

In Poland, real estate assets of the TP Group at the end of 2007 represented approximately 2.1 million square meters. Properties with buildings vacant lots land represented 15.9 millions square meters.

In the United Kingdom and in Spain, space is mainly rented. At the end of 2007, the areas occupied in Spain represented about 120,000 square meters and approximately 234,000 square meters in the UK.

8.2 ENVIRONMENTAL ISSUES

See the Report of the Board of Directors to the Shareholders: Section 4.2 “Environmental Information”.

9. operating and financial review

See the Annual Financial Report: I “Group Management Report 2007”: Sections 1, 2, 3 and 5.

10. liquidity and capital resources

See the Annual Financial Report: I “Group Management Report 2007”: Section 4: “Cash flows, shareholders’ equity and financial debt”.

11. innovation, research and development, patents and licenses

See the Annual Financial Report: I “Group Management Report 2007”: Section 5.2 “Research and development”.

12. trend information

See the Annual Financial Report: I “Group Management Report 2007”: Section 1 “Overview – future prospects”.

13. profit forecasts or estimates

None.

14. administrative and management bodies and senior management



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14.1 BOARD OF DIRECTORS

14.1.1 Composition of the Board of Directors

The rules on composition of the Board of Directors are set out in the Chairman's report on corporate governance and internal control, in Section 1.1.1, "Organization and operations of the Board" (refer to the Annual Financial Report).

On the date of this document, the Board of Directors was composed of 15 members:

- eight directors elected by the Shareholders' Meeting;
- one director elected by the Shareholders' Meeting upon proposal by employee shareholders;
- three directors representing the French government, appointed by ministerial order;
- three directors elected by employees.

Between January 1, 2007, and the date of this document, the following changes have taken place in the composition of the Board:

- by ministerial order dated March 9, 2007, Bruno Bezard was appointed director replacing Denis Samuel-Lajeunesse;

- as of May 18, 2007, Jean-Pierre Jouyet ceased to be a director following his appointment as Secretary of State for European Affairs;
- at the Combined Shareholders' Meeting on May 21, 2007, Claudie Haigneré was appointed director for a 5-year term;
- following the resignation of Stéphane Richard on May 23, 2007, the Board of Directors co-opted Charles-Henri Filippi on February 5, 2008 to serve out his predecessor's remaining term of office, i.e. until the end of the Shareholders' Meeting which will be required to approve the financial statements for the year 2010;
- following the resignation of Arnaud Lagardère on January 30, 2008, the Board of Directors co-opted José-Luis Durán on February 5, 2008 to serve out his predecessor's remaining term of office, i.e. until the end of the Shareholders' Meeting which will be required to approve the financial statements for the year 2010.

The appointments of Charles-Henri Filippi and José-Luis Durán will be subject to ratification by the Shareholders' Meeting of May 27, 2008.

Since April 27, 2005, Jean-Paul Gristi has attended the meetings of the Board of Directors as the representative of the Central Works' Council.

The following table details the members of the Board on the date of this document:

► DIRECTORS ELECTED BY THE SHAREHOLDERS' MEETING

Name	Position held within France Telecom Group	Date appointed	Term ending
Didier Lombard	Chairman and Chief Executive Officer	February 27, 2005 ⁽¹⁾	2011 ⁽²⁾
Marcel Roulet	Chairman of Compensation, Nominating and Governance Committee	February 25, 2003 ⁽¹⁾	2011 ⁽²⁾
Bernard Dufau	Chairman of Audit Committee	February 25, 2003 ⁽¹⁾	2011 ⁽²⁾
José-Luis Durán	Member of Strategy Committee	February 5, 2008	2011 ⁽²⁾
Charles-Henri Filippi	Member of Audit Committee	February 5, 2008	2011 ⁽²⁾
Claudie Haigneré	Member of Strategy Committee	May 21, 2007	2012 ⁽³⁾
Henri Martre	Vice-Chairman of Strategy Committee	February 25, 2003 ⁽¹⁾	2011 ⁽²⁾
Jean Simonin	Member of Compensation, Nominating and Governance Committee	May 26, 1998 ⁽¹⁾	2011 ⁽²⁾

(1) Term of office renewed at the Shareholders' Meeting on April 22, 2005.

(2) Term of office ends at Ordinary Shareholders' Meeting convened to approve the financial statements for 2010.

(3) Term of office ends at Ordinary Shareholders' Meeting convened to approve the financial statements for 2011.

► DIRECTOR ELECTED BY THE SHAREHOLDERS' MEETING UPON PROPOSAL BY EMPLOYEE SHAREHOLDERS

Name	Position held within France Telecom Group	Date appointed	Term ending
Stéphane Tierce	Member of Strategy Committee	April 22, 2005	2010 ⁽¹⁾

(1) Term of office ends at Ordinary General Meeting convened to approve the financial statements for 2009.

› DIRECTORS REPRESENTING THE FRENCH GOVERNMENT APPOINTED BY MINISTERIAL ORDER

Name	Position held within France Telecom Group	Date appointed	Term ending
Bruno Bezard	Member of Audit Committee	March 9, 2007	March 8, 2012
Jacques de Larosière	Member of Audit Committee	May 22, 1998 ⁽¹⁾	September 6, 2009
Henri Serres	Member of Compensation, Nominating and Governance Committee	October 1, 2002 ⁽¹⁾	September 6, 2009

(1) Following the transfer of the majority of France Telecom's share capital over to the private sector, these directors were appointed again by a ministerial order issued by the French Ministry of the Economy, Finance and Industry dated September 7, 2004.

› DIRECTORS ELECTED BY EMPLOYEES

Name	Position held within France Telecom Group	Date appointed	Term ending
Hélène Adam	Member of Strategy Committee	September 2, 2005	December 2, 2009
René Bernardi	Member of Audit Committee	December 3, 2004	December 2, 2009
Jean-Michel Gaveau	Member of Strategy Committee	December 3, 2004	December 2, 2009

The business address of all the directors, in their positions as directors of France Telecom, is: 6, place d'Alleray, 75015 Paris.

14.1.2 Other information relating to members of the Board of Directors

Directors elected by the Shareholders' Meeting

Didier Lombard, 66, was appointed France Telecom's Chairman and Chief Executive Officer on February 27, 2005. He joined France Telecom in 2003 as the Executive Director of the mission for technologies, strategic partnerships and new uses. Didier Lombard began his career in research and development at France Telecom in 1967, when he participated in the development of numerous new products for France Telecom covering satellites, electronic components and mobile systems. From 1988 to 1990, he was the Scientific and Technical Director at the French Ministry of Research and Technology and then served as Director of Industrial Strategy at the French Ministry of the Economy, Finance and Industry from 1991 to 1998. Prior to his appointment to France Telecom, Mr. Lombard also served as an ambassador for international investment for several years and was founding Chairman of the French agency for international investment. He is also a director of Thomson and Thales, and a member of the Supervisory Boards of STMicroelectronics and Radiall. Mr. Lombard is a graduate of the *Ecole Polytechnique* and the *Ecole Nationale Supérieure des Télécommunications*. He is also a Knight of the French Legion of Honor and an Officer of the French *Ordre National du Mérite* (national merit order).

Marcel Roulet, 75, was Chairman at France Telecom from 1991 to 1995. Following this, he was Chairman and Chief Executive Officer of Thomson S.A. between February 1996 and March 1997 and Thomson CSF (now Thales) between February 1996 and January 1998. A general telecoms engineer by profession, Mr. Roulet retired on January 1, 1999 and now provides business consulting services. Marcel Roulet is also a director at Thomson and Thales (permanent representative of

TSA), HSBC France and Chairman of the Supervisory Board at Gimar Finance SCA. He is a member of the Supervisory Board at Eurazeo. He is also an observer on Cap Gemini's Board of Directors. He is Honorary Chairman of France Telecom. Mr. Roulet is a graduate of the *Ecole Polytechnique* and the *Ecole Nationale Supérieure des Télécommunications*.

Bernard Dufau, 66, joined IBM France as an engineer in 1966 and served in various positions in marketing and management in Paris and elsewhere in France until 1981. He was a consultant for the IBM Corporation in the United States from 1981 to 1983 and Business Director (1983-1988), as well as General Operating Director (1988-1993) for IBM France. In 1994, he became the Managing Director of IBM Europe's Distribution Division. From January 1, 1995 to April 1, 2001, Mr. Dufau was the Chairman and Chief Executive Officer of IBM France. From July 2001 to December 2005, he worked as a corporate strategic consultant. Mr. Dufau is also a director at Dassault Systèmes and Kesa Electricals. Mr. Dufau is a graduate of the *Ecole supérieure d'électricité* and former Chairman of the *Amicale des ingénieurs Supelec* (engineers association).

José-Luis Durán, 43, has been Chairman of the Carrefour Group Management Board since April 2005. After studying economics, José-Luis Durán started his career in 1987 at Arthur Andersen. He joined Pryca (a subsidiary of Carrefour) in 1991, where he held in turn the posts of Management Controller (1991-1994), Management Controller of Southern Europe (1994-1996), then Management Controller of North & South America until 1997. After having been 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. José-Luis Durán is also a director of HSBC Holding plc, as of January 1, 2008.

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 a number of years in the French civil service and in ministerial offices. He was appointed Executive President of HSBC France in 1998, and then appointed to the Group Management Board of HSBC in 2001, as Group General Manager & Global Head of Corporate and Institutional Banking. Charles-Henri Filippi is also a Director of HSBC Bank Plc.

Claudie Haigneré, 50, has been Adviser to the Director General of the European Space Agency (ESA) since November 2005. A doctor by profession, she is a rheumatologist and specialist in aeronautical medicine. She holds a doctorate in sciences and was an astronaut with the French space agency CNES, then ESA, flying on a space mission to the MIR space station in 1996 and a second mission to the International Space Station (ISS) in 2001. Ms. Haigneré served as Minister for European Affairs from March 2004 to May 2005, after having been Minister for Research and New Technologies from June 2002 to March 2004. Claudie Haigneré also lends her support to various health causes: parents of hospitalized children (*maison des parents*), the *Alliance des Maladies Rares* with Fondation Groupama and the Kourir Association for children suffering from juvenile polyarthritis. She is a patron of the Courtin-Arthritis foundation. She is also a director of the *Cité des Sciences et de l'Industrie*, of the *Fondation C-Génial*, the *Académie des Technologies*, the *Fondation de France* and of the *Fondation d'Entreprise l'Oréal*. She is a member of the *Académie des Technologies*, the *Académie des Sports* and Vice-President of the International Academy of Astronautics (IAA). In 2006, she was awarded the Louise Weiss Prize for her European activities. Furthermore Ms. Haigneré is Patron of the *Cité de l'Espace* in Toulouse, the *Institut de Myologie de la Pitié-Salpêtrière* set up by the *Association Française contre les Myopathies* (AFM), and supports many schools and student graduateing classes. Claudie Haigneré is a Commander of the French Legion of Honor.

Henri Martre, 80, served as Chairman and Chief Executive Officer of Aérospatiale from 1983 to 1992. He was also Vice-Chairman of the Supervisory Board of Airbus Industrie from 1986 to 1992, Chairman of *Groupement des industries françaises aéronautiques et spatiales* – Gifas (French aeronautics and spatial industries group) from 1990 to 1993, Chairman of the *Association européenne des constructeurs de matériel aérospatial* (AECMA) (European association of aerospace manufacturers), and Chairman of Afnor from 1993 to 2002. A general engineer of armaments by profession, Mr. Martre is a director of Renault S.A., Sogepa (French government holding company of EADS) and On-X, and a member of the Executive

Committee of Sofradir, Chairman of the Supervisory Board of ESL and Vice-Chairman of the Supervisory Board of KLM. He is a member of various State Councils (*Conseil supérieur de l'Aviation marchande*, *Conseil du CEPIL*) and the advisory board for the Bank of France. Mr. Martre is a graduate of the *Ecole Polytechnique* and the *Ecole Nationale Supérieure des Télécommunications*. He was the *Délégué Général pour l'Armement* (general representative for armaments) from 1977 to 1983.

Jean Simonin, 62, is the former Managing Director of the retail sales office of France Telecom S.A. in Toulouse. From 1993 to 1996 he led France Telecom's commercial activities for the South-West division. Previously, Jean Simonin headed up France Telecom's sales office in Avignon from 1989 to 1992 and Nevers from 1986 to 1989. Before 1986, he held various positions within France Telecom in Nevers, Cluses, Evry and Paris. He has been a director at AFTAS. He is the Mayor of Saint-Emiland (Saône-et-Loire), and Vice-Chairman of the "Autour de Couchois" association of municipalities. Mr. Simonin graduated from the *Centre national des Arts et Métiers*.

Director elected by the Shareholders' Meeting upon proposal by employee shareholders

Stéphane Tierce, 39, has been in charge of the marketing and anticipation plan at Consumer Marketing with Orange France since March 2006. Between May 2003 and February 2006, he was responsible for the pre-paid market line of services (mobicard services) at Orange France. Between May 2001 and April 2003, he was a marketing manager for banking and financial services at Orange France. From February 1999 to April 2001, Mr. Tierce was a marketing manager for remote banking services within France Telecom's Business Division. Mr. Tierce holds an engineering degree from the *Ecole Nationale Supérieure des Arts et Métiers*.

Directors representing the French government, appointed by ministerial order

Bruno Bezard, 44, has served since February 26, 2007 as Managing Director of the Agency for State Equity Investments (APE) within the French Ministry of the Economy, Finance and Industry. He is also a director of Areva, France Télévision, EDF, SNCF and the French Post Office. From September 1994 to May 1998, Bruno Bezard served as Bureau Chief with the Department of the Treasury, in charge of financing housing, savings collection circuits and the Post Office. From May 1998 to January 2000, he served as the sub-Director for the Department of Treasury, responsible for insurance. From January to March 2000, he was Deputy Chief of Staff for the Minister of the Economy, Finance and Industry. In May 2000, Bruno Bezard was appointed sub-Director in the Department of the Treasury for development assistance, multilateral banks and emerging countries. At the same time, he became Vice-President of the

Club de Paris. From June 2001 to April 2002, he served as Economic and Financial Advisor to the Prime Minister. As Head of the Equity Investments Department until September 2004, he was then appointed Deputy Managing Director of the Agency for State Equity Investments (APE) and was named Managing Director on February 26, 2007.

Jacques de Larosière, 78, is (volunteer) Chairman of the *Observatoire de l'épargne européenne* (European Savings Observatory) and co-Chairman of Eurofi. He has served as an advisor of BNP Paribas (formerly Paribas) since 1998 and as Chairman of the European Bank for Reconstruction and Development (EBRD) from 1993 to 1998. He was also Chairman of the Comité des Gouverneurs du Groupe des Dix from 1990 to 1993. He served as Governor of Banque de France from 1987 to 1993 and as Chief Executive Director of the International Monetary Fund (IMF) from 1978 to 1987. Prior to 1978, Mr. de Larosière held various positions in the French Ministry of the Economy, Finance and Industry, including Treasury Director. Mr. de Larosière is a graduate of the *Université de Paris*, the *Institut d'études politiques de Paris*, and the *Ecole Nationale d'Administration*. He is a member of the Institute.

Henri Serres, 57, has been the Managing Director of information systems and communications at the French Ministry of Defense since September 2006, and Vice Chairman of the General Council for information technologies within the Ministry of the Economy, Finance and Industry since July 2005. In December 2005, he was appointed as French government representative to the Board of Directors of La Poste (the French Post Office). Mr. Serres served in the office of André Giraud, French Minister for Industry from 1978 to 1980, and then as Technical Director in the Ministry of Defense from 1981 to 1986. He was also Head of Public Radio Telephony at Matra Communication from 1986 to 1989. He was a Director of the Department of Industry, responsible for the communication and service industries from 1989 to 1996, and served as Vice-

Chairman of CSC Peat Marwick from 1996 to 2000, then as Central Director for IT systems security with the General Secretariat for National Defense from 2000 to 2005. Mr. Serres is a graduate of the *Ecole Polytechnique* and the *Ecole Nationale Supérieure des Télécommunications*.

Directors elected by employees

Hélène Adam, 55, has been a technician on the international network, part of France Telecom's ROSI/IBNF (International Backbone Network Factory) switching department since September 2006. She has previously held various responsibilities within the European Group Works Council, notably contributing to its creation. Prior to that, she served as Head of Telecommunication Line Work, then as videocommunication engineering supervisor at the Arcueil Paris-South Line Construction Center.

René Bernardi, 50, has been a member of the FTTH (Fiber to the home) project team based in Lyon since March 2007. Between 2004 and 2007, he chaired the @*toukolo* Association. Mr. Bernardi previously held various senior trade union roles between 1992 and 2004 in Drôme, the Rhône Alpes region and in the *Poste et Télécommunications* trade union federation. He started his career with France Telecom in 1977 in the national network division and organized the customer problem tracking activity at the main operations center in Montélimar from 1988 to 1992.

Jean-Michel Gaveau, 55, is a business manager and network designer within the Rouen intervention unit. He has been an employee of France Telecom since 1977.

The list of terms of office and functions carried out during 2007 and over the last five years by directors in office as of December 31, 2007 is disclosed in Section 9.2 of the Report of the Board of Directors to the Shareholders.

To the best of the Company's knowledge, on the date of this document:

- there are no family ties between the Company's directors;
- no directors have been convicted of fraud over the past five years;
- no directors have been associated with a bankruptcy, receivership or liquidation in the last five years;
- no directors have been officially and publicly incriminated or sanctioned by statutory or regulatory authorities over the last five years;
- no directors have been disqualified by a court from acting as a member of an administrative, management or supervisory board of an issuer or from acting in the management or conduct of the affairs of any issuer within the past five years.

14.1.3 Independent directors

At its meeting on February 5, 2008, the Board of Directors indicated that six directors may be considered independent according to the criteria set out in the Afep/Medef Report of October 2003 on corporate governance for listed companies. These are Ms. Claudie Haigneré and Messrs. Bernard Dufau, José-Luis Durán, Charles-Henri Filippi, Henri Martre and Marcel Roulet.

The other directors are either representatives of the French government, or employees or former employees within the past five years of France Telecom and, as such, may not be considered independent based on the Afep/Medef Report criteria.

Under the independence criteria set out in the Afep/Medef Report, an independent director must:

- not be an employee or officer of the company, an employee or director of its parent company or of a company that it consolidates, and not have served in any of these capacities during the previous five years;
- not be an officer of another company in which the company holds, directly or indirectly, a position on the Board of Directors, or in which an employee designated as such or an officer of the company (either presently or within the last five years) serves on the Board;
- not be, or be directly or indirectly linked to, a significant customer, supplier, commercial banker or investment banker of the company or its group, or for which the company or its group represents a significant share of business;
- not have close family ties with a company officer;

- not have been an auditor of the company within the last five years;
- not have been a director of the company for more than twelve years.

14.1.4 Conflicts of interest

To the best of the Company's knowledge on the date of this Registration Document, there are no potential conflicts of interest between the duties of the members of the Board of Directors acting for France Telecom and their private interests or other duties.

To the best of the Company's knowledge, there is no arrangement or understanding with shareholders, customers, suppliers or other parties pursuant to which a member of the Board has been appointed to the Board or as Chief Executive Officer.

To the best of the Company's knowledge, there are no restrictions that have been agreed to by members of the Board of Directors concerning the disposal, within a certain period of time, of their shareholdings in the Company. In accordance with the legal provisions in force and the bylaws, each director elected by the shareholders' Meeting (other than the director representing employee shareholders) and each director elected by employees must own at least one share in the Company. Moreover, directors holding shares under the France Telecom Group's company savings plan that are invested in shares of the Company, or that have purchased shares from the French government within the framework of the privatization laws, are subject to the lock-up and non-transferability rules applicable under the provisions governing such operations.

14.2 SENIOR MANAGEMENT

Didier Lombard was appointed Chairman and Chief Executive Officer by the Board of Directors on February 27, 2005. In this capacity, Mr. Lombard is responsible for the general management of France Telecom.

The Board of Directors has chosen not to appoint a Deputy Chief Executive Officer (*Directeur Général Délégué*).

A Group Management Committee, made up of nine members, is notably responsible for the implementation of the Group's transformation programs and strategy, and monitors its operational and financial performance.

GROUP MANAGEMENT COMMITTEE MEMBERS

Didier Lombard	Chairman and Chief Executive Officer
Olivier Barberot	Group Human Resources and operations in Poland
Barbara Dalibard	Enterprise Communication Services
Jean-Yves Larroutourou	Group General Secretary
Gervais Pellissier	Group Finance and operations in Spain
Georges Penalver	Group Strategic Marketing and Product Factory
Olaf Swantee	Personal Communication Services and operations in the United Kingdom, Europe and the Middle East
Jean-Philippe Vanot	Group Networks and Information Systems
Louis-Pierre Wenes	Group transformation and operations in France

Didier Lombard. See Section 14.1 "Board of Directors".

Olivier Barberot, 53, Senior Executive Vice-President in charge of Group Human Resources and operations in Poland. Mr. Barberot joined the France Telecom Group in March 2003 as Executive Vice-President for the Development and Optimization of Human Resources. Since March 2004, he has been in charge of Management Networks and Internal Communications. After several engineering positions held up to 1985, Mr. Barberot was General Secretary for *Futuroscope* in Poitiers from 1985 to 1991, then General Secretary for the CGI until 1993. From 1993 to 1997, he was General Secretary of *Université Léonard de Vinci*. Between July 1997 and March 2003, he was Head of Human Resources and a member of the Executive Committee at the Thomson Group (formerly Thomson Multimedia).

Barbara Dalibard, 49, Senior Executive Vice-President in charge of Enterprise Communication Services. Ms. Dalibard was Executive Vice-President of the Corporate Solutions Division from January 2003, before heading up the Enterprise Communication Services Division from April 2004. Barbara Dalibard has also been Chairman and CEO of Equant since August 2005. Ms. Dalibard began her career with France Telecom in 1982, holding various sales management positions. In 1998, Ms. Dalibard joined Alcanet International SAS, a subsidiary of the Alcatel Group, as Chairman, then joined Alcatel CIT as Commercial Director for New Operators, before becoming Sales Director for France. Ms. Dalibard returned to France Telecom S.A. in early 2001 to become Director of Business Markets for Orange France and Vice Chairman of Orange Business. Ms. Dalibard is a graduate of the *Ecole Normale Supérieure*, a qualified math teacher and a graduate of the *Ecole Nationale Supérieure des Télécommunications*.

Jean-Yves Larroutourou, 46, Senior Executive Vice-President and Group General Secretary. In this position since March 2004, Mr. Larroutourou joined France Telecom in May 2003, after 15 years with the French Ministry of the Economy, Finance and Industry. Jean-Yves Larroutourou started his career at the Club de Paris in 1988 and pursued his career in the Financial Markets Section of the Treasury Department in 1990 and subsequently in 1993 as Financial Attaché in Brussels. In 1995, he was placed in charge of the capital operations section and the financing, banking and monetary affairs sub-division in 1998. In 2001, he was appointed Director of Communications at the Ministry. Jean-Yves Larroutourou is a graduate of the *Ecole Centrale de Paris*, the *Institut d'études politiques de Paris*, the *Ecole Nationale d'Administration* and the Tokyo Institute for Fiscal and Monetary Policy.

Gervais Pellissier, 48, Senior Executive Vice-President in charge of Group Finance and operations in Spain. He joined France Telecom in October 2005 to supervise the integration of France Telecom's businesses in Spain and advise on geographical integration within the Group. Gervais Pellissier previously served as Deputy Director and General Manager of Groupe Bull, in which he held various positions between 1983 and 2005, including Chief Financial Officer (1998 to 2000) and Deputy General Manager (2000 to 2004). He holds a degree in Business Law (*Université Paris XI*) and is a graduate of HEC (International Management – joint program with UC Berkeley and the University of Cologne).

Georges Penalver, 51, Senior Executive Vice-President in charge of Group Strategic Marketing and Product Factory. Before joining France Telecom in September 2005, Georges Penalver was Deputy General Manager of SAGEM Communication

(SAFRAN group). From 2002 to 2005, he developed SAGEM'S Broadband Communications Business, overseeing the launch of new fixed and mobile product offers, including ADSL access, modems, routers, triple-play gateways, video telephony and digital television, as well as the implementation of cutting-edge telecoms networks, industrial deployment in Tunisia, Asia and Eastern Europe, and the development of sales networks in Europe, China, Southeast Asia, Australia, the Middle East, Africa and the Americas. During his career at SAGEM since 1980, Mr. Penalver moved from researcher within the Telecom Terminal R&D team to head of the Fax and Wireless Telephony Department, and head of the Network and Internet Division, before being appointed to the SAGEM Management Board in April 2001. Throughout this period, he notably participated in the development of mobile and Internet services. Mr. Penalver is a graduate of the *Ecole Nationale Supérieure d'Arts et Métiers* in Aix en Provence (gold medal, 1974) and the *Ecole Nationale Supérieure de Télécommunications* in Paris (1980). He is also a Knight of the French *Ordre National du Mérite*.

Olaf Swantee, 41, joined the France Telecom Group on August 13, 2007, as Senior Executive Vice-President in charge Personal Communication Services and operations in the United Kingdom, Europe and the Middle East. He was previously Senior Vice-President of Hewlett-Packard dealing with business-to-business software sales in Europe, the Middle East and Africa. Olaf Swantee is Dutch and a graduate in economics. He also holds a European MBA. He has 17 years of international experience in IT as sales & Marketing Director, with international revenue and profit responsibilities. Olaf Swantee contributed to the growth of Hewlett-Packard in Europe, after having made a significant contribution to the sales development of Compaq and Digital Equipment.

Jean-Philippe Vanot, 56, Senior Executive Vice-President in charge of Group Networks and Information Systems. Jean-Philippe Vanot has served as Executive Director of the Networks, Operators, and Information Systems division since March 2004. He has spent his entire career with France Telecom since starting in the National Network Division in 1977, and has a varied technical and operational background. Regional Vice-President in Créteil and then Bagnolet, Mr. Vanot has held several divisional vice-president positions within the Networks Branch since 1996 (International Networks Vice-President, Long Distance Networks Vice-President and Regional Vice-President for Paris). Jean-Philippe Vanot is a graduate of the *Ecole Polytechnique* and the *Ecole Nationale Supérieure des Télécommunications*. He is also a Knight of the French *Ordre National du Mérite*.

Louis-Pierre Wenes, 59, Senior Executive Vice-President in charge of Group transformation and French operations. He joined the France Telecom Group in January 2003 as Senior Vice-President of Procurement and Performance Improvement, which became the Procurement Division in March 2004. He began his career in 1972 at Matra Automobile, first as a production engineer, then as Vice-President of Quality Control. He served as Industrial Director at Matra Electronique from 1977 to 1981. Louis-Pierre Wenes then became Chairman and Chief Executive Officer of Comelin (printed circuits) until 1985. He was Director of the German subsidiary of Matra Datavision and then that company's Vice-President for Europe and Eastern European countries, before joining Coopers and Lybrand in 1989, heading up its Industry and Logistics division. Mr. Wenes served as Vice-President at Gemini Consulting from 1994 to 1996, before being appointed Vice-President of AT Kearney Paris, a position that he has held until now. Mr. Wenes is a graduate of the *Ecole Centrale de Paris*.

15. compensation and benefits of directors, officers and senior management

15.1 COMPENSATION OF CORPORATE OFFICERS

Refer to the Annual Financial Report: III Report of the Board of Directors to the Shareholders, Section 9.1 "Compensation of Directors and Corporate Officers".

15.2 COMPENSATION OF THE GROUP MANAGEMENT COMMITTEE

The total gross amount, excluding employer charges, of the compensation paid in respect of the 2007 fiscal year by France Telecom and the companies controlled by it to the members of the France Telecom Group Management Committee, including Didier Lombard (i.e. a total of nine people) was 7,019,867 euros. This amount includes all of the compensation (gross salaries, bonuses, and non-monetary benefits) paid in respect of 2007, including the variable portion concerning the second half of 2007, excluding incentive payments, profit-sharing and employer contributions which are not known as of the date of this document (the amount of incentive, profit-sharing and employer contributions paid in respect of 2006 was 125,654 euros). This figure does not include termination benefits of 4,691,381 euros.

The members of the Group Management Committee do not receive director's fees for the offices held by them in the companies of the France Telecom group. In the event that his duties with the company are terminated by decision of the Board of Directors, and should such decision also involve the premature termination of his employment contract (which was suspended upon his appointment as a corporate officer), Didier Lombard would receive a payment equivalent to 21 months of his latest total annual compensation (including the contractual severance package), after a decision by the Board of Directors. The contracts of the other members of the Group Management Committee contain a clause providing for a contractual severance indemnity of 15 months maximum of their latest total annual compensation (including the contractual severance package).

15.3 PROVISIONS FOR PENSIONS, RETIREMENT AND OTHER BENEFITS

The total amount of retirement commitments (contractual retirement pay and additional defined benefits) recorded as provisions in the financial statements as of December 31, 2007, in relation to the members of the Group Management Committee, including Didier Lombard, was 6,597,945 euros.

With the exception of the Chairman and Chief Executive Officer and the employee directors, directors have received no retirement commitments from France Telecom.

15.4 MANAGEMENT'S SHAREHOLDINGS AND STOCK OPTIONS

Shareholdings

The list below shows the number of France Telecom shares held by each of the members of the Board of Directors as of February 5, 2008, to the best of the company's knowledge:

› NUMBER OF FRANCE TELECOM SHARES HELD BY MEMBERS OF THE BOARD ON FEBRUARY 5, 2008

Didier Lombard	6,888
Hélène Adam	146
René Bernardi	908
Bruno Bezard	-
Bernard Dufau	6,692
José-Luis Durán	-
Charles-Henri Filippi	-
Jean-Michel Gaveau	1
Claudie Haigneré	70
Jacques de Larosière	-
Henri Martre	70
Marcel Roulet	4,318
Henri Serres	1,842
Jean Simonin	4,950
Stéphane Tierce	3,308

These figures include the shares purchased by the employee directors or former employee directors under the offering by the French government reserved for employees in December 2007 whose settlement-delivery was made on January 29, 2008 (Refer to the Annual Financial Report: III Report of the Board of Directors to the Shareholders, Section 4.1.3 "Compensation").

At January 31, 2008, to the Company's knowledge, the members of France Telecom's Group Management Committee, including Didier Lombard, held a total of 40,571 France Telecom shares.

Stock options

At January 31, 2008, Didier Lombard held 288,000 stock options representing 0.01% of the share capital, which were granted to him by the Board of Directors' meeting, of which 148,000 under the October 2005 plan and 140,000 under the May 2007 plan (Refer to the Annual Financial Report: III Report

of the Board of Directors to the Shareholders, Section 4.1.3.3 "Stock options"). The expense recorded on the income statement on December 31, 2007 for these options was 262,399 euros.

No other director holds stock options for new or existing shares granted by France Telecom with the exception of Stéphane Tierce, an employee director representing employee shareholders (Refer to the Annual Financial Report: Report of the Board of Directors to the Shareholders, Section 9.1.3 "Other compensation paid to employee directors").

As of January 31, 2008, the members of the France Telecom Group Management Committee (including Didier Lombard), held a total of 1,087,000 stock options representing 0.04% of the share capital, which were granted to them by the Board of Directors' meetings, of which 523,000 under the October 2005 and March 2006 plans and 564,000 under the May 2007 plan. The expense recorded on the income statement for the period ended December 31, 2007, for these options was 924,798 euros.

16. board practices

The Board of Directors presides over all decisions relating to the Company's major strategic, economic, employment, financial or technological policies and monitors the implementation of these policies by senior management.

The missions and operation of the Board of Directors and its committees and their activities during the fiscal year 2007 are described in the Chairman's report on corporate governance and internal control, Section 1.1.1 "Organization and Operations of the Board" (Refer to the Annual Financial Report).

16.1 COMPLIANCE WITH CORPORATE GOVERNANCE RULES IN FORCE IN FRANCE

France Telecom observes the principles of corporate governance for listed companies set forth in the October 2003 Afep/Medef Report and has endeavored to implement the recommendations of this report, in particular, through the adoption by the Board of Directors of internal guidelines setting the guiding principles for its operations and the terms under which it performs its duties (See Section 21.2.2 "Provisions concerning administrative and management bodies").

France Telecom does not entirely comply with the recommendations in the Afep/Medef Report concerning the

number of independent board members in the Audit and Compensation, Nominating and Governance Committees. This is due to the particular legal rules that govern the composition of its Board of Directors (see the Chairman's report on the corporate governance and internal control, Section 1.1.1 "Organization and Operations of the Board") reflected in the fact that as of the date of this document, eight members of the Board (the CEO, three representatives of the French government and four employee representatives) cannot, by definition, meet the criteria for independence set forth in the Afep/Medef Report.

16.2 PRINCIPAL DIFFERENCES BETWEEN FRANCE TELECOM'S CORPORATE GOVERNANCE PRACTICES AND THE NEW YORK STOCK EXCHANGE STANDARDS APPLYING TO US COMPANIES

France Telecom has endeavored to take into account the New York Stock Exchange corporate governance standards. However, as a non-US company, France Telecom is not obliged to comply with the majority of these rules and may choose to follow those applicable in France. In this respect, France Telecom has chosen to follow the recommendations of the October 2003 Afep/Medef Report, which differ in some respects from the New York Stock Exchange corporate governance standards applying to United States companies.

In particular, France Telecom has chosen to follow the rules of independence set forth by the Afep/Medef Report, which provide that one third of the directors must be independent. In contrast, the New York Stock Exchange standards provide that the Board of Directors must consist of a majority of independent directors.

Moreover, France Telecom considers that six of the fifteen members of its Board of Directors are independent according to the criteria of the Afep/Medef Report. France Telecom has not evaluated the independence of its directors under New York Stock Exchange standards.

In addition, France Telecom has chosen to establish a single Compensation, Nominating and Governance Committee consisting of two independent directors elected by the General Shareholders' Meeting - one independent director and one director representing the French government - and does not include any senior corporate officer. Conversely, the NYSE standards provide for the implementation of two separate committees (a Selection and Corporate Governance Committee and a Compensation Committee) consisting exclusively of independent directors.

16.3 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to the guidelines set out in the Afep/Medef Report, the Board of Directors created the following three specialized committees:

	Year Created	Chairman	Members
Audit Committee	1997	Bernard Dufau ⁽²⁾	René Bernard Bruno Bezard Charles-Henri Filippi ⁽¹⁾ Jacques de Larosière
Compensation, Nominating and Governance Committee	2003 ⁽²⁾	Marcel Roulet ⁽¹⁾	Henri Serres Jean Simonin
Strategy Committee	2003	Didier Lombard	Hélène Adam José-Luis Durán ⁽¹⁾ Jean-Michel Gaveau Claudie Haigneré ⁽¹⁾ Henri Martre ⁽¹⁾ Stéphane Tierce

(1) Independent director as defined by the Afep/Medef Report.

(2) The Compensation, Nominating and Governance Committee replaced the Compensation Committee created in 1997.

The respective duties of the Committees are detailed in Articles 6 to 8 of the Internal Guidelines of the Board of Directors (see Section 21.2.2 "Internal guidelines").

Financial expertise within the Audit Committee

Aside from the financial and/or accounting expertise required of all its members, the Audit Committee must also include among

its members at least one person who qualifies as a financial expert, i.e. as defined by the Audit Committee internal guidelines a person who has held a position at least equivalent to chief financial officer, comptroller or auditor of a company comparable to France Telecom.

Following the departure of Stéphane Richard in 2007, the Board of Directors appointed Charles-Henri Filippi to the Audit Committee as a "financial expert" at the Board meeting on February 5, 2008.

17. employees

Refer to the Annual Financial Report: III Report of the Board of Directors to the Shareholders, Section 4.1 "Employment Information".

18. major shareholders

18.1 DISTRIBUTION OF THE CAPITAL AND VOTING RIGHTS

Holder	At December 31, 2007			On December 31, 2006		On December 31, 2005	
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
French government	473,938,144	18.13	18.20	473,246,644	18.16	473,246,644	18.18
ERAP	240,823,564	9.21	9.25	371,515,064	14.25	371,515,064	14.27
Total of French Government and ERAP	714,761,708	27.34	27.45	844,761,708	32.41	844,761,708	32.45
Public	1,812,628,901	69.33	69.61	1,666,949,010	63.95	1,667,800,856	64.07
Group Employees ⁽¹⁾	76,429,418	2.93	2.94	94,962,412	3.64	90,497,233	3.48
Self-ownership	10,528,884	0.40	0	0	0	0	0
TOTAL	2,614,348,911	100.00	100.00	2,606,673,130	100.00	2,603,059,797	100.00

(1) Includes only the shares held directly by employees or former employees in registered form or in the group savings plan as non-transferable shares purchased under offerings by the French government reserved for employees.

To France Telecom's knowledge, no shareholder other than the French government or ERAP held, directly or indirectly, more than 5% of the share capital or voting rights on the date of this document.

The main shareholders in France Telecom do not have voting rights different from those of the other shareholders.

Changes in the distribution of capital during the last three fiscal years

To France Telecom's knowledge, the substantial changes in the shareholder base in the last three years are the result of:

- the capital transactions described in Section 21.1.7 and in particular the issuance of 133.4 million new shares in September 2005 to finance the acquisition of nearly 80% of the Spanish mobile phone operator Amena;

- the sale by the French government in January 2005 of 28.7 million shares in an offering reserved for current and former employees of France Telecom;
- the sale by the French government in June 2005 of 152.2 million shares representing 6.2% of the share capital, held directly or indirectly through ERAP, carried out through private placement with qualified institutional investors;
- the additional sale by the French government in November 2005 of 16.7 million shares in an offering reserved for current and former employees of France Telecom;
- the sale by the French government in June 2007 of 130 million shares representing 5% of the share capital, held directly or indirectly through ERAP, carried out through private placement with institutional investors;
- the additional sale by the French government in January 2008 of 14.4 million shares in an offering reserved for current and former employees of France Telecom.

18.2 DIRECT OR INDIRECT CONTROL OF FRANCE TELECOM

Pursuant to Law No. 2003-1365 of December 31, 2003, and Decree No. 2004-387 of May 3, 2004, and since the sale by the French government of 10.85% of the capital in France Telecom

on September 7, 2004, the specific control procedures over France Telecom by the French government no longer apply. Nevertheless, pursuant to the Decree-Law of October 30,

1935, the Board of Directors must still include representatives of the French government in proportion to the number of France Telecom shares held by the government. At the date of this document, the government had three representatives out of a total of 15 members of the France Telecom Board of Directors.

In addition as the main shareholder, the French government could, in practice, given the low level of participation in Shareholders' Meetings and in the absence of any other significant shareholder blocks, determine the outcome of shareholder vote, on any matter submitted for a simple majority vote at the Shareholders' Meeting. Nevertheless, the government does not hold a "golden

share" (a form of share which does not exist in France Telecom's share capital) or any other special advantage other than the right to have representatives on the Board of Directors as described above.

Aside from the French government, no individual or corporate body either exerts or could exert control over France Telecom, either directly or indirectly, alone, jointly or acting together.

To France Telecom's knowledge, there is no agreement which, if implemented at a later date, could entail a change in its control.

19. related party transactions

See the Annual Financial Report: II “Appendix to the consolidated financial statements - Note 34”, and, regarding relations with subsidiaries, see Chapter 7 “Organization Chart” of this document.

20. financial information concerning assets and liabilities, financial position and results

See the consolidated financial statements included in the Annual Financial Report.

20.1 DIVIDEND DISTRIBUTION POLICY

France Telecom distributed a dividend of 1.20 euro per share for 2006.

For 2007, the Board of Directors' meeting of February 5, 2008 decided to propose to the combined Ordinary and Extraordinary Shareholders' Meeting of May 27, 2008 distribution of a dividend of 1.30 euro per share and the payment of the dividend on June 3, 2008.

Furthermore, the Board of Directors indicated that the dividend to be proposed to the Shareholders' Meeting for 2008 will be greater than 1.30 euro per share. The Board of Directors reserves the option of raising the distribution rate above 45%

of organic cash flow, if appropriate. In addition, each year the Board of Directors will examine the possibility of additional shareholder remuneration taking into account the Group's cash flow projections and investment projects. Future dividends will depend, however, on the capacity of France Telecom to generate a profit, on its financial position and on any another factor that the Board of Directors may deem relevant.

The amount of dividends distributed for the three previous fiscal years is mentioned in Chapter 11 "Allocation of Income" of the Report of the Board of Directors to the Shareholders.

20.2 LITIGATION AND ARBITRATION

In the ordinary course of business, France Telecom is involved in a number of governmental, legal and arbitration proceedings.

The costs that may result from these proceedings are only accrued for when it is probable that a liability will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of the risk.

The litigation and claims that could have significant effects on France Telecom's financial position are described in note 33 "Litigation" of the consolidated financial statements.

In addition, on February 12, 2008, the Competition Council rejected Free's request for injunctive relief concerning the conditions of access to existing civil engineering infrastructure established on the public domain for deploying new optical local loops on the residential market (FTTH). The Competition Council acknowledged that France Telecom was engaged since October 2007 before the Arcep in a constructive process to develop an offer to access its cable ducts. It considered that there was no serious and immediate threat to competition justifying the pronouncement of the measures requested. On

the other hand, it decided to pursue its investigation into the substance of the case.

In connection with the action brought in December 2004 following the January 16, 2008 dismissal ruling by the Frankfurt first instance tribunal, the court-appointed liquidator in the personal bankruptcy of Gerhard Schmid, former CEO of MobilCom, lodged an appeal from this ruling on January 18 with the Court (*Oberlandesgericht*) of Frankfurt.

In connection with the arbitration proceedings between the Danish company DPTG and TP S.A., on February 8, 2008, the President of the Austrian Federal Economic Chamber sustained the challenge filed by TP S.A. against the chairman of the arbitration tribunal for lack of impartiality. A new chairman must therefore be named.

There are no other governmental, legal or arbitration proceedings, including any proceedings that are pending or threatened of which France Telecom is aware, which may have or have had in the last twelve months significant effects on France Telecom's financial position or profitability.

See Chapter 4 "Risk Factors", Section 4.1 "Risks relating to France Telecom".

20.3 SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL SITUATION

Significant events occurring between the closing date and the date of the Registration Document herein are presented in Note 35 of the consolidated financial statements, "Subsequent events", for events occurring no later than February 5, 2008,

the date on which the financial statements were approved by the Board of Directors. Events subsequent to February 5, 2008, are described in Section 5.5 "Subsequent events" of the Group Management Report.

21. additional information



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21.1 SHARE CAPITAL

21.1.1 Issued capital

Number of shares issued

As of December 31, 2007, the share capital of France Telecom was 10,457,395,644 euros, divided into 2,614,348,911 shares with a par value of four euros each, fully paid up.

France Telecom shares have not been pledged as collateral in any way.

Capital authorized and not issued

The France Telecom Shareholders' Meeting authorized the Board of Directors to increase the share capital of France Telecom, including in cases of tender or exchange offers, through the issuance of shares or other securities, for a maximum total amount of eight billion euros. These shares

and securities may be issued, at the discretion of the Board of Directors, with or without preemptive subscription rights. If there are no shareholders' preemptive subscription rights, a priority period may be granted to existing shareholders.

The Shareholders' Meeting also delegated authority to the Board of Directors to proceed with capital increases reserved for the participants in the France Telecom group savings plan.

All the current authorizations given to the Board of Directors by the Shareholders' Meeting in the field of capital increases, and the usage made of these powers during fiscal year 2007 are described in the Appendix to the Report of the Board of Directors to the Shareholders (refer to the Annual Financial Report).

RECONCILIATION OF THE NUMBER OF SHARES OUTSTANDING ON THE OPENING DATE AND ON THE CLOSING DATE OF THE FINANCIAL YEAR

Number of shares as of the opening date of the fiscal year (January 1, 2007)	2,606,673,130
Recognition by the Board of Directors' meeting of February 5, 2008, of the exercise in 2007 of France Telecom stock options and liquidity instruments on options.	+7,675,781
Number of shares as of the closing date of the fiscal year (December 31, 2007)	2,614,348,911

21.1.2 Shares not representing capital

None.

21.1.3 Treasury shares held by the issuer, in its name or by its subsidiaries – Share buyback program

See the Annual Financial Report: III Report of the Board of Directors to the Shareholders, Section 8.1 "France Telecom's shareholding structure".

At December 31, 2007, France Telecom held 10,528,884 treasury shares.

21.1.4 Convertible, exchangeable securities and securities with subscription warrants

TDIRA

In connection with the settlement of difficulties connected with the UMTS investments undertaken in Germany in partnership with MobilCom Holding GmbH ("MobilCom") of which it held 28.3% of the capital, France Telecom issued 430,705 perpetual

bonds redeemable in shares ("TDIRA") on March 3, 2003, with a nominal value of 14,100 euros for a global amount of 6.07 billion euros, including 341,910 TDIRA reserved for the members of the banking syndicate ("the Bank Tranche") and 88,795 TDIRA reserved for MobilCom supplier creditors ("the Supplier Tranche"). The TDIRA are listed on the Eurolist market (international compartment) of Euronext Paris S.A. Their issuance was the subject of an offering memorandum approved by the *Commission des opérations de bourse* on February 24, 2003 which is available on the Company and AMF websites.

See also note 21.2 to the consolidated financial statements.

OCEANE

In September 2004, France Telecom issued 445,564 bonds convertible and/or exchangeable for new or existing shares ("OCEANE") maturing on January 1, 2009, for a total nominal amount of 1.15 billion euros, with a nominal value per unit of 2,581 euros.

The OCEANE are listed on the Eurolist market of Euronext Paris. Their issue was subject to an offering memorandum approved by the AMF on September 2, 2004 and is available on the Company and AMF websites.

All the bonds were still outstanding as of December 31, 2007.

See note 21.1 of the notes to the consolidated financial statements.

21.1.5 Information concerning the terms governing any right of acquisition and/or any obligation attached to the capital subscribed, but not issued, or any undertaking to increase the capital.

None.

21.1.6 Information on the capital of any member of the Group subject to an option or a conditional or unconditional agreement to place it under option

None.

21.1.7 History of the share capital

The table below shows the evolution of France Telecom's share capital over the last three fiscal years up to December 31, 2007.

Date/Operation	Change in share capital		Amount of value share capital	Cumulative number of shares
	Par Value	Premium		
June 30, 2005, exercise of stock options ⁽¹⁾	€3,307,816	€9,254,065	€9,872,641,520	2,468,160,380
September 26, 2005, capital increase through the issuance of warrants for new shares ⁽²⁾	€533,757,816	€2,423,225,177	€10,406,399,336	2,601,599,834
December 31, 2005, exercise of stock options ⁽³⁾	€5,839,852	€21,673,123	€10,412,239,188	2,603,059,797
December 31, 2006, exercise of stock options ⁽⁴⁾	€14,453,332	€46,728,974	€10,426,692,520	2,606,673,130
December 31, 2007, exercise of stock options ⁽⁵⁾	€30,703,124	€138,311,878	€10,457,395,644	2,614,348,911

(1) Recognition of the issue of 826,954 new shares following the exercise in the first half of 2005 of stock subscription options granted by Wanadoo, which were assumed by France Telecom following its merger with Wanadoo completed on September 1, 2004.

(2) Issue of 133,439,454 new shares to partially finance the acquisition of nearly 80% of Amena and enabled by the no-cost grant of stock subscription warrants at the rate of one warrant per share held on August 31, 2005, with 37 warrants held entitling the holder to subscribe to two shares at a price per share of 22.63 euros. The gross amount of the capital increase was 3,019,734,844 euros. Settlement/delivery took place on September 26, 2005. Issue costs in the amount of 63 million euros were charged to the issue premium.

(3) Recognition of the issue of 1,459,963 new shares following the exercise in the second half of 2005 of stock subscription options granted by Wanadoo and of liquidity instruments on options held by the holders of Orange stock subscription options receiving liquidity contracts (ILO).

(4) Recognition of the issue of 3,616,333 new shares following the exercise in 2006 of stock subscription options granted by Wanadoo, and of ILO.

(5) Recognition of the issue of 7,675,781 new shares following the exercise in 2007 of France Telecom stock subscription options (including those granted by Wanadoo), and of ILO.

21.2 MEMORANDUM OF ASSOCIATION AND BYLAWS

21.2.1 Corporate purpose (Article 2 of the Bylaws)

France Telecom's corporate purpose, in France and abroad, in conformity with the French Postal and Telecommunications Code, is:

- to provide all electronic domestic and international communications services;
- to engage in public service-related activities and, in particular, to provide, where applicable, a universal telecommunications service and other mandatory services;
- to establish, develop and operate all electronic communications networks open to the public and needed to provide said services and to interconnect the same with other French and foreign networks open to the public;
- to provide all other services, facilities, handset equipment, electronic communications networks, and to establish and operate all networks distributing audiovisual services, especially radio, television and multimedia broadcasting services;
- to set up, acquire, rent or manage all real estate or other assets and businesses, and to lease, install and operate all entities, businesses, factories and workshops related to any of the purposes defined above;
- to obtain, acquire, operate or transfer all processes and patents related to any of the purposes defined above;
- to participate directly or indirectly in all transactions that may be related to any of the purposes defined above, through the setting up of new companies or enterprises, or via the contribution, subscription or purchase of securities or corporate rights, acquisitions of interests, mergers, partnerships, or by any other means;
- and, more generally, all industrial, commercial and financial transactions, or transactions involving movable or fixed assets and related – directly or indirectly, in whole or in part – to any of the aforementioned corporate purposes, or to any similar or related purposes, or to any and all purposes that may enhance or develop the business of France Telecom S.A.

21.2.2 Provisions concerning administrative and management bodies

Composition of the Board of Directors

See the Annual Financial Report: VI Chairman's report on corporate governance and internal controls, Section 1.1.1 "Organization and operation of the Board".

Chairman of the Board of Directors (Article 17 of the Bylaws)

The Chairman of the Board of Directors organizes and directs the work of the Board and reports on said work to the shareholders' Meeting. He is responsible for the proper operation of the France Telecom governing bodies; in particular, he sees to it that the directors are able to carry out their duties.

In accordance with Articles 29-1 and 29-2 of Law No. 90-568 of July 2, 1990 as amended, the Chairman of the Board of Directors has the power to appoint and manage the civil servants employed by the company.

General Management (Article 18 of the Bylaws)

The company's general management shall be performed under the responsibility of the Chairman of the Board of Directors, who then assumes the title of Chairman and Chief Executive Officer, or, if applicable, by another natural person appointed by the Board of Directors and holding the title of Chief Executive Officer. The Board of Directors shall decide between these two arrangements for the exercise of general management.

At its meeting on January 26, 2006, the Board of Directors chose between the two methods of exercising general management set out in Article L. 225-51-1 of the French Commercial Code. The Board confirmed its choice of combining the offices of Chairman and Chief Executive Officer, performed by Didier Lombard, without any restrictions on powers other than those set forth in applicable laws and those in Article 1 of the Internal Guidelines of the Board.

See the Chairman's Report on corporate governance and internal control, Section 1.3 "Limitations of the Chief Executive Officer's powers".

Directeur Général Délégué (Deputy Chief Executive Officer) (Article 19 of the Bylaws)

If proposed by the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chairman and Chief Executive Officer, in which case said individual(s) shall have the title of Deputy Chief Executive Officer. The maximum number of Deputy Chief Executive Officers is five. In agreement with the Chairman and Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to the Deputy Chief Executive Officers.

To date, the Board of Directors of France Telecom has not appointed any Deputy Chief Executive Officers.

Internal Guidelines

On July 17, 2003, the Board of Directors adopted internal guidelines in line with the recommendations of the Bouton report for improving corporate governance in listed companies. These guidelines were modified at the meetings of June 28 2005 and June 6, 2006. They are appended to the Chairman's Report on corporate governance and internal control (refer to the Annual Financial Report). The document is available on France Telecom's website.

Code of Ethics

See the Annual Financial Report: VI Chairman's report on corporate governance and internal control, Section 2.1.1.1 "The Group's values and principles of action and conduct", and Section 2.1.3.4, "Preventing, detecting and handling fraud".

21.2.3 Rights, preferences and restrictions attached to each class of existing shares (Article 11 of the Bylaws)

France Telecom has issued only common shares. Each share confers the right to its proportional share in the profit and assets of France Telecom. In addition, it gives a right to vote and be represented in the Shareholders' Meetings, in accordance with the statutory rules and the provisions of the Bylaws. Ownership of one share implies, ipso jure, adherence to the Bylaws and the decisions by the Shareholders' Meeting.

There is no clause in the Bylaws providing double or multiple voting rights for France Telecom shareholders.

Shareholders shall be liable for losses only to the extent of their contributions to the company's share capital.

Payment of dividends (Article 26 of the Bylaws)

The terms and conditions for the payment of dividends approved by the Shareholders' Meeting are determined by the meeting or, in lieu thereof, by the Board of Directors. However, cash dividends must be paid within a maximum of nine months after the close of the financial year, unless extended by court order. The Ordinary Shareholders' Meeting may grant each shareholder, for all or part of the dividends to be distributed, an option between payment of the dividend in cash or in shares, subject to any legal requirements.

When a balance sheet prepared during or at the end of the financial year and certified by an Auditor shows that France Telecom has earned a profit – since the close of the preceding financial year, after recognizing the necessary depreciation and provisions, and deducting any prior losses as well as any sums allocated to reserves pursuant to the law and the Bylaws, and factoring in any retained earnings – then interim dividends may be distributed before the financial statements for the period are approved. The amount of such interim dividends may not exceed the amount of the profit so defined.

Dividends not claimed within five years of the date of payment revert to the French government.

Assignment and transfer of shares (Article 10 of the Bylaws)

Shares are freely negotiable, subject to applicable legal and regulatory provisions. They shall be registered in a share account and are transferred by means of a transfer order from account to account.

21.2.4 Actions necessary to modify shareholders' rights

Shareholder's rights may be modified as allowed by law. Only the Extraordinary Shareholders' Meeting is authorized to amend any and all provisions of the Bylaws. It may not however increase shareholder commitments, except for properly executed transactions resulting from a share consolidation.

21.2.5 Rules for admission to and calling Annual Shareholders' Meetings and Extraordinary Shareholders' Meetings (Article 21 of the Bylaws)

Shareholders' Meetings and Voting Rights

Shareholders' Meetings are attended by all shareholders whose securities are fully paid-up and for which proof has been given of the right to attend Shareholders' Meetings by registering securities in the name of either the shareholder or the intermediary registered for its account if the shareholder is not domiciled on French territory, on the third business day preceding the meeting, at midnight (Paris time).

Securities must be registered within the time referred to in the previous paragraph, either in the registered securities accounts kept by the Company, or in the bearer securities accounts kept by the authorized intermediary.

If it sees fit to do so, the Board of Directors may distribute personalized admission cards to shareholders and require the latter to produce these cards at the meeting.

Shareholders participating via video-conferencing or other means of telecommunications contemplated by law that allow identification shall be deemed present for the calculation of quorum and majority of Shareholders' Meetings. The Board of Directors organizes, in accordance with legal and regulatory requirements, the participation and vote of these shareholders at the meeting, ensuring, in particular, the effectiveness of the means of identification.

Any shareholder may, in accordance with legal and regulatory requirements, vote without attending the meeting or by proxy by granting a proxy to their spouse or to another shareholder in order to be represented at a Shareholders' Meeting. Shareholders may, in accordance with laws and regulations, send their mail voting ballot or proxy form, either in paper form, or via electronic telecommunications, up to 3 pm Paris time, on the day preceding the Meeting. Transmission methods are set forth by the Board of Directors in the notice of meeting and the notice to attend.

Shareholders sending in their vote within the time stipulated in the Bylaws and using the form made available to the shareholders by the Company are treated as shareholders present or represented.

Distance voting and proxy forms and the affidavit of attendance forms may be drawn up on an electronic medium, duly signed in the conditions stipulated by applicable laws and regulations. Accordingly, the form may be filled out and signed electronically on the Internet site set up by the meeting's coordinator. The form may be signed electronically (i) by the entry, in conditions consistent with the provisions of the first sentence of the second paragraph of Article 1316-4 of the Civil Code, of an identifier and a password or (ii) by any other process satisfying the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the Civil Code. The power or the vote so cast before the meeting using this electronic technique, and, if applicable, the acknowledgement of receipt thereof, shall be deemed irrevocable and enforceable against all parties, except for sales of securities notified as provided for in IV of Article R. 225-85 of the Commercial Code.

Shareholders who are not resident in France may be represented at a Shareholders' Meeting by a registered intermediary who may participate subject to legal requirements.

Notice of Meetings

Shareholders' Meetings are convened by the Board of Directors, or, failing that, by the auditors, or by any person empowered for this purpose. Meetings are held at the registered offices or at any other location indicated in the meeting notice. Save for any exceptions stipulated by law, the meeting notice is sent at least 15 days prior to the date of the Shareholders' Meeting, and if the Meeting was unable to vote due to the absence of the required quorum, the second Shareholders' Meeting and, if applicable, the second deferred Meeting, are convened at least six days in advance, according to the same procedures as the first.

Agenda and Conduct of the Shareholders' Meetings

The agenda of the Shareholders' Meeting shall appear in the notice to convene for meeting and is set by the author of the notice. The Shareholders' Meeting may only deliberate on the items on the agenda. One or more shareholders representing the percentage of capital required by law, and acting in accordance with legal requirements and within applicable time limits, may request the inclusion of proposed resolutions on the agenda.

An attendance sheet is maintained at each meeting, containing the information provided for by law.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for that purpose by the Board of Directors. Failing that, the shareholders meeting itself elects a chairman. Vote counting shall be performed by the two members of the meeting who are present and accept such duties, who represent, either on their own behalf or as proxies, the greatest number of votes.

The officers shall name a secretary, who does not have to be a shareholder. The mission of the meeting's officers is to verify, certify and sign the attendance sheet, ensure the proper conduct of debates, settle any incidents occurring during the meeting, check the votes cast and ensure their legality and ensure that minutes of the meeting are drawn up.

The minutes shall be prepared, and copies or excerpts of the deliberations shall be issued and certified as required by law.

Ordinary Shareholders' Meeting

Ordinary Shareholders' Meetings are those meetings called to make any and all decisions that do not amend the Bylaws. An Ordinary Meeting shall be convened at least once a year within six months of the end of each financial year, in order to approve the annual and consolidated accounts for the year in question or, in case of postponement, within the period established by court order. Its deliberations are valid only if the shareholders present, represented or voting by mail represent at least one-fifth of the shares with voting rights. Upon the second convocation, no quorum is required. Decisions are made by a majority of votes held by the shareholders present, represented by proxy, or voting by mail.

Extraordinary Shareholders' Meeting

Only the Extraordinary Shareholders' Meeting is authorized to amend any and all provisions of the Bylaws. It may not, however, increase shareholder commitments, except for properly executed transactions resulting from a share consolidation. Subject to any legal provisions applicable to capital increases made by capitalizing reserves, profits or share premiums, its deliberations are valid only if the shareholders present, represented or voting by mail represent on the first notice of meeting at least one-fourth, and on the second notice, one-fifth of the shares with voting rights. If the latter quorum is not reached, the second meeting may be postponed to a date no later than two months after the date for which it was called. Subject to the same condition, the second meeting shall make decisions by a two-thirds majority of the shareholders present, represented by proxy, or voting by mail.

21.2.6 Provisions having effect of delaying, deferring or preventing a change in control

None

Items that are likely to have an impact in the event of a public tender offer mentioned in Article L 225-100-3 of the French Commercial Code, are described in the appendix to the Report of the Board of Directors to the Shareholders (refer to the Annual Financial Report)

21.2.7 Declarations of ownership thresholds (Article 9 of the Bylaws)

In addition to the legal obligation to inform the Company and the *Autorité des Marchés Financiers* when thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50%, 66 2/3%, 90% and 95% of the capital and voting rights are crossed, any individual or legal entity, acting alone or in concert with others, who acquires, either directly or indirectly, as defined by Articles L. 233-7 *et seq* of the French Commercial Code, a number of shares, voting rights or securities issued representing shares equal to 0.5% of the share capital or voting rights in France Telecom is required, within five trading days from the date the shares are registered that result in reaching or crossing such threshold, to report to France Telecom, by registered letter with return receipt, the total number of shares, voting rights and securities giving access to the share capital owned by it.

This declaration must be repeated in accordance with the conditions indicated above each time a new 0.5% threshold is

reached or crossed, whether crossing above or below, for any reason whatsoever, including beyond the 5% threshold.

In the event of failure to comply with any of the provisions set forth above, the shareholder or shareholders in question shall be deprived of the voting rights attached to any shares or securities in excess of the thresholds, subject to legal provisions and limits, if one or more shareholders holding at least 0.5% of the capital or voting rights so requests at a Shareholders' Meeting.

21.2.8 Changes in the share capital (Article 7 of the Bylaws)

The share capital may be increased, decreased or amortized in accordance with applicable legal provisions.

22. material contracts

On June 20, 2005, France Telecom established a syndicated line of credit for eight billion euros to replace the syndicated credit line of 10 billion euros signed on June 22, 2004 (see Note 22.2 to the consolidated statements: "Credit Lines").

In addition, France Telecom made significant acquisitions and disposals during the most recent financial years (see Note 4 to

the consolidated statements: "Main acquisitions and disposals and changes in the scope of consolidation").

Other than the contracts mentioned above, France Telecom has not entered into any significant contracts other than the contracts entered into in the normal course of business.

23. third-party information, statements by experts and declarations of interests

None.

24. documents on display

All documents provided to shareholders as required by law may be consulted at the France Telecom headquarters offices at 6 Place d'Alleray, 75015 Paris.

In addition, the bylaws of France Telecom are available on the Internet site www.orange.com.

France Telecom's consolidated Financial statements for the past three years are also available on this Internet site.

In application of Article 222-7 of the General Regulations of the AMF, France Telecom has prepared a document listing all the items of information published by France Telecom S.A. since March 1, 2007 in compliance with legal and regulatory requirements governing financial instruments, issuers of financial instruments and financial markets. This document is appended to this Registration Document.

25. information on holdings

France Telecom does not hold non-consolidated equity investments that could have a significant impact on the assessment of its assets, financial position or results. The

significant equity investments held by France Telecom in the fully or proportionally consolidated companies are described in Chapter 7 "Organization Structure".

technical glossary

ADSL (Asymmetric Digital Subscriber Line): broadband data transmission technology on traditional telephone network. It enables broadband data transmission (first and foremost Internet access) via paired copper cable (the most common type of telephone line found in buildings).

Arcep: French regulatory authority for electronic and postal communications.

ART: French telecommunications regulatory authority.

ATM (Asynchronous Transfer Mode): broadband multiplexing technology that utilizes connected packets (ATM packets) to carry different types of traffic with guaranteed quality.

Autonomous System (AS): group of IP routers managed by a single administrative entity using a common routing protocol (Internet Gateway Protocol), and identified by a unique Autonomous System Number (ASN).

Backbone: fiber optic backbone transmission network for long distance and very high capacity (see DWDM and SDH).

BAS: see "Broadband Access Server".

Bit: abbreviation for Binary Digit. Elementary information unit with binary coding (0 or 1) used by digital systems.

Black Berry: wireless technology developed by Research In Motion Limited allowing personal assistants to access and synchronize continuously with the user's email.

Bluetooth: wireless transmission technology enabling the construction of mid-band personal networks (around 700 Kbits/s) and especially point-to-point exchanges between fixed and mobile devices (PCs, PDAs, telephones, wireless headphones, printers). This technology allows for wireless connectivity between hardware via radio bandwidths of 2.4 GHz over distances of around ten meters.

Broadband: data transmission technology where modulation is used for the simultaneous passage of several independent channels on a single medium. Term used to designate broadband networks (speeds of at least several Mbits/s). Broadband access is also used to designate ADSL (individual connection providing at least 128 Kbits/s downstream, from the exchange to the user).

Broadband Access Server (BAS): broadband access grouper that collects incoming and outgoing traffic to DSLAM, covering the interconnection with the operator's IP network. The BAS represents an essential part of an operator's ADSL network. This grouping equipment handles the management of user sessions (authentication, traffic control, etc.) and the concentration of Internet traffic.

Broadband Multi-site Service: solution enabling a company to connect several sites in a single city or region in order to transfer voice, data and image information at speeds of up to 2.5 Gbits. This solution is based on a backed up and dedicated local loop to ensure maximum security.

Centrex: service enabling one or more businesses to use a public automatic switch while benefiting from all the services available on a PABX (private automatic branch exchange).

CRM (Customer Relationship Management): dedicated applications that enable a company to better know each client, and therefore offer more targeted products and services, ensuring better client satisfaction.

DCS 1800 (Digital Cellular System 1800) or GSM 1800: wireless operating system using the GSM standard applied to the 1800 Mhz wavelength and adapted to micro-cellular networks.

Dense Wavelength Division Multiplexing (DWDM): transmission technology based on multiplexing wavelengths in a fiber optic, enabling very high speed (up to 10 Gigabits per second) information transfers over long distance networks.

Distribution frame: telephone network interface equipment for the grouping of local lines or loops dedicated to each subscriber in order to transfer them to the local telephone switch.

DRM (Digital Rights Management): a set of technologies used to control the access to content distributed on digital media. More broadly, it may also refer to legal provisions that prohibit the circumvention of such technical limitations.

DSL (Digital Subscriber Line): technologies enabling the use of copper cables connecting subscribers for Public Switched Telephone Networks up to complete broadband transfers of digital packets. See ADSL, SDSL.

DSLAM (Digital Subscriber Line Access Multiplexer): DSL equipment for the demodulating of subscriber ADSL modems and the first level of aggregation for data transport on the IP network. The equipment is also used to filter voice and data. Installed close to local cross-connects, they generally manage between 100 and 2,000 subscribers.

DTH (Direct-To-Home television): reception by satellites-to-home via an individual antenna.

Dual Play: broadband subscriber offer including two services: Internet access and IP telephony offer. See Multiplay.

DWDM: see Dense Wavelength Division Multiplexing.

Edge (Enhanced Data Rates for GSM Evolution): radio technology representing the intermediary stage between GPRS and UMTS, which is based on using existing GSM radio frequencies to offer Internet and multimedia services, with nominal rates of up to 380 Kbits/s and effective rates up to four times faster than GPRS.

Ethernet: technology for local network connections originally developed by Xerox, with computers connected by a combination of network interface cards installed on each PC and by coaxial cables linking the workstations at a rate of 10 Mbits/s. In an Ethernet network, each workstation may, at any time, initiate a transmission.

Facility management: service agreement between a company and an operator consisting of the transfer of the management of all telecommunications or computing needs.

FDD (Frequency Division Duplexing): means of allocating UMTS frequencies, assigning a distinct frequency channel for the uplink (from the mobile terminal to the base station) and another for the downlink (base station to the mobile terminal).

Frame relay: data transmission protocol, which only uses the first two layers of the model for the international OSI ("Open System Interconnection") standard designed to facilitate network interconnection. It enables the simultaneous connection, through statistical multiplexing, of several communications using a single access at high speeds.

FTTB (Fiber to the Building): fiber optics to the building.

FTTC (Fiber to the Curb): fiber optics to the curb.

FTTH (Fiber to the Home): connection by optic fiber directly to the subscriber's home insuring very high-speed transmission compatible with triple play offers.

FTTX (Fiber to the x): generic name for different methods of optic connections.

Gateway: interface making communication possible between two different networks. Some gateways are two-way and some are one-way.

Gbits or Gigabits per second: billions of bits (10^9) transferred per second on a transmission network. See bit.

GPRS (General Packet Radio Service): second generation mobile communication system that adds a packet system to the GSM circuit network enabling nominal speeds of up to 170 Kbits/s and effective speeds of around 40 Kbit/s.

GSM (Global System for Mobile Communications): European standard for second generation mobile telephones operating in the 900-1800 MHz frequency bands.

Hotspot: Wi-Fi access point situated in a busy public location (cafe, hotel, station, airport) providing mobile terminal users (laptops, PDAs) with wireless Internet access at speeds from 11 to 54 Mbit/s, depending on the Wi-Fi standard used (see Wi-Fi).

HSDPA (High Speed Downlink Package Access): development in the UMTS 3rd generation (3G) mobile telephone standard also called 3.5G or 3G+. Thanks to software changes, it provides performance ten times higher than 3G (UMTS) technology. It supports broadband in packet mode downstream.

IMS: Standardized NGN (Next Generation Network) architecture for telephone operators, which enables the provision of fixed and mobile multimedia services. This system uses VoIP technology based on SIP standardized implementation. See SIP, NGN.

Integrated Service Digital Network (ISDN): digital network for the transmission of integrated information: data, voice and video. France Telecom's commercial name is Numéris.

Intelligent Network (IN): network architecture concept aimed at facilitating the introduction of new services over basic services offered by the Public Switched Telephone Network. This is based primarily on the installation of the service logic and data on a central IT server, which manages the switches.

Internet Protocol (IP): one of the two main communications protocols between networks (the other protocol is ATM), notably used on Internet and Intranet networks. IP is a specific transfer protocol based on the principle of packet switching.

Internet Service Provider (ISP): company that provides access to the Internet for individual subscribers, businesses and corporations.

Intranet: local network that uses the same protocols and technologies as the Internet, but which relies on a private set of computers and is not open to all Internet users. Examples: Company intranets, community intranets, etc.

IP (Internet Protocol): see Internet Protocol.

IP Telephony: see Voice over Internet Protocol.

IRU (Indefeasible Right of Use): long-term contract insuring the temporary ownership over the term of the contract of a portion of the capacity of an international cable.

Kbit/s or Kilobits per second: billions of bits (10^3) transferred per second on a transmission network. See bit.

Livebox: terminal marketed by France Telecom that offers broadband modem, router and Wi-Fi and Bluetooth wireless access point functions and provides broadband Internet connection, television and Voice over IP.

Local Area Network (LAN): local business or corporation networks enabling workstations or PCs of the same entity on the same site to be interconnected with other local networks on other sites and be linked to the public network.

Local loop: section of the telephone network connecting the local telephone switch to individual subscriber households.

Long Distance Network: public or private network covering a very large geographical scope (national or international) enabling the connection of access networks or the interconnection of private broadband networks (LAN, MAN). See Backbones.

M2M: see Machine to machine.

Machine to machine: exchange of information between machines that establishes between the central control system (server) and any type of equipment, through one or several communication networks.

MAN (Metropolitan Area Network): broadband transmission networks with a limited geographical coverage, usually the size of a city or region.

Mbit/s or Megabits per second: billions of bits (10^6) transferred per second on a transmission network. See bit.

MHz: frequency measurement corresponding to one million cycles per second for an electric current (radio frequency), or a clock speed for microprocessors (computer).

MMS (Multimedia Messaging Service): this service is an extension of SMS and allows the routing of images and sound on GPRS and UMTS mobile telephone networks and terminals.

MPLS: see Multi Protocol Label Switching.

Multiplay: access solution for multiple services (Internet, television, Voice over IP) through a single broadband access point. Livebox is the multiplay solution offered by France Telecom.

Multiplexage: technique to simultaneously transfer several communications on a same transmission channel.

Multi Protocol Label Switching (MPLS): a standard proposed by the Internet Engineering Task Force (IETF), an international community open to operators and network designers whose goal is to coordinate the development of and resolve network design and protocol issues relating to the Internet. MPLS improves network speed and efficiency, allowing routers to transfer information along pre-defined paths depending on the level of quality required.

MVNO (Mobile Virtual Network Operator): mobile operators that use third party network infrastructures to provide their own mobile telephone services.

NAS (Network Access Server): see "Network Access Server".

Network Access Server (NAS): sideline IP network equipment for the concentration of STN telephone modem accesses for the switched telephone network and connection to the IP network.

Next Generation Network (NGN): see NGN.

NGN (New generation network, or Next generation network): generic concept referring to IP protocol-based voice and data networks, making it possible to switch from a simple connectivity approach to a new client service development approach (see "IP Protocol").

NRA (French acronym for "Nœud de Raccordement d'Abonnés"): subscriber connection nodes or switches towards which subscriber telephone lines are directed.

Outsourcing: see Facility Management.

PABX or PBX (Private Automatic Branch eXchange): private business switch.

PDA: see Personal Digital Assistant.

Personal Digital Assistant (PDA): a handheld computer with memory of up to several megabits and a touch-sensitive screen, often using a stylus to input data. PDAs are mainly used for calendar, address book and notebook functions, but technological progress has enabled advanced office or multimedia features to be incorporated (player for mp3, images, videos and sometimes telephone).

Public Switched Telephone Network (PSTN): voice transfer network consisting of handsets, subscriber lines, circuits and switches. Also used to access certain data services.

Roaming: allows wireless customers to make and receive calls while in the coverage area of a network to which they are not subscribed, and to be billed for this service by their home network. A prime example is the use of a wireless device abroad on another operator's network.

Router: interconnection gateway between several servers installed on a network node, designed to optimize data transmission and give users access to all available services on this network.

SDH: see "Synchronous Digital Hierarchy".

SHDSL (Symmetric High bitrate DSL): symmetric DSL broadband international standard (192 kbps to 2.3 Mbps). Also called G.shdsl.

SDSL (Symetric Digital Subscriber Line): DSL symmetrical rate connection technologies. See DSL, ADSL.

Semaphore Signal code 7 (SS7): exchange of information required for the management of a telephone call (completion and break, maintenance and supervision and billing) completed in a digital form by a network separate from the one used for the call itself.

Signal Transfer Point: see STP.

SIP (Session Initiation Protocol): standard IP open protocol of multimedia transmission intended to transmit voice, video, videophony, instant messages, virtual reality and video games. The most used Internet protocol for Internet phone (VoIP).

SLA (Service Level Agreement): agreement under the terms of which a telephone operator or Internet service contractually undertakes to provide a quality of service subject to financial penalties.

SMS (Short Message Service): communication service based on short written messages on mobile telephone handsets and networks.

SOHO (Small Office, Home Office): refers to the computing market for very small companies (less than twelve employees).

SS7: See Semaphore Signal code 7.

STN: See Public Switched Telephone Network

STP (Signal transfer points): routers of a signaling network that transmit signals between switches.

Switches: telephone call management systems with three functions: interconnection (between an incoming and outgoing connection), call management (completion and termination of calls) and administrative orders (taxation, operation and maintenance).

Synchronous Digital Hierarchy (SDH): very high speed fiber optic transmission standard that enables the transport of packets of information at various speeds in a secure manner, while facilitating their management.

Tbit/s or Terabits per second: billions of bits (10^{12}) transferred per second on a transmission network. See bit.

TDD (Time Division Duplexing): means of allocating UMTS frequencies, based on allocating distinct time slots for the uplink (from the mobile terminal to the base station) and the downlink (base station to the mobile terminal) on the same frequency band.

TDSL (Turbo Digital Subscriber Line): ADSL business offer.

Third party maintenance application: type of facility management concerning the maintenance of a company's software by an outside service provider. Usually, there is only one contractual guarantee of means, not of results.

TMA: see Third party maintenance application.

Transpac: see X25.

Triple Play: broadband subscription offer including Internet access, telephone and an array of television channels.

UMA (Unlicensed Mobile Access): standard to enable roaming between mobile telephony (GSM, UMTS) and radio infrastructures (Wi-Fi, Bluetooth). Unik telephone in France (Unique in Great Britain, Unico in Spain, Unifon in Poland), is the telephone marketed by France Telecom with the UMA standard.

UMTS (Universal Mobile Telecommunication System): third generation (3G) mobile telephone standard enabling high volume communication (2 Mbits/s in symmetrical volume) on frequency bands of 1.9 to 2.2 GHz.

Unbundling: obligation for operators owning local loops to provide a third party operator with pairs of bare copper wires. The third-party operator compensates the operator-owner for this use and installs its own transmission equipment at the end of the local loop to connect the subscribers to its own network. Co-localization of equipment is also offered to third party operators in addition to unbundling. The unbundling of the local loop can be shared or full. Shared unbundling enables the third-party operator to offer a broadband service on the highest frequency spectrum of the line, whereas the operator-owner continues to provide the subscription and telephone service on the lowest frequency spectrum. Full unbundling allows the third-party operator to control and use the full frequency spectrum of the line and provide telephone as well as broadband services.

Unik: mixed GSM and Wi-Fi telephone marketed by France Telecom in France which enables, while using the same device, to make calls home using Livebox, as outside on the GSM network, benefiting from specific prices on the two types of calls. see UMA.

Videophony: technique making it possible to call and view the person called onscreen, displaying photos, videos and using MMS services, transmitting sound and images in real-time through a telephone line using a videophone. France Telecom's videophony service is "MaLigne visio".

Virtual Mobile Operator: See MVNO.

Virtual Private Network (VPN): group of logically organized public network communications by a public operator for the use of a client to offer exclusive business telephone services.

VOD (Video On Demand): video by request refers to the possibility of selecting digital video content and downloading it from a central server on to a computer or television.

Voice over Internet Protocol (VoIP): transport of voice services using IP technologies.

VPN: see Virtual Private Network.

WAN (Wide Area Network): network spanning several buildings or a town or city. See MAN.

WAP (Wireless Application Protocol): protocol optimizing Internet access from mobile terminals.

WDM (Wavelength Division Multiplexing): see Dense Wavelength Division Multiplexing.

Wi-Fi (Wireless-Fidelity): technology enabling the connection of wireless equipment using radio waves in the 2.4 GHz wavelength, at speeds of 11 MBit/s (802.11b standard) or 54 Mbit/s (802.11g standard). By extending the Ethernet protocol to cover radio services, Wi-Fi offers businesses and individuals the ability to wirelessly connect several computers or shared devices in a network over distances of up to 10 meters.

WiMax: wireless broadband transmission standard operating at 70 Mbit/s (802.16 standard), which enables several Wi-Fi access points to connect to a fiber optic network and therefore increase the range of Wi-Fi networks. With a nominal range of 50 km, it should enable the development of city-wide networks (MAN) based on unique access points over the long term.

X 25: standardized communications protocol enabling a link to be established between two pieces of equipment using a network known as a "packet switch". The Transpac network was the first public X.25 network open to the world using this technology.

xDSL: See DSL.

financial glossary

ARPU (PCS business sector): the Annual Revenues Per User (ARPU) is calculated by dividing the Revenues for the network (see this definition) generated over the past 12 months (excluding any revenues from mobile virtual network operators - MVNO) by the weighted average of the number of customers over the same period. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month. ARPU is expressed in annual revenues per customer.

ARPU for Consumer Fixed-Line Services (HCS segment): the average monthly revenues per line for Consumer fixed-line Services (ARPU) is calculated by dividing the average monthly revenues, on the basis of the last 12 months, by the weighted average number of lines for Consumer fixed-line Services over the same period. The weighted average number of lines for Consumer fixed-line Services is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of lines of Consumer fixed-line Services at the beginning and the end of the month. ARPU for Consumer fixed-line Services is expressed in monthly revenues per line.

ARPU (PCS business sector): the average monthly usage per user (AUPU) is calculated by dividing the average monthly minutes used over the preceding 12 months (outgoing calls, incoming calls and roaming, excluding the traffic of mobile virtual networks operators (MVNO)) by the weighted average number of customers over the same period. The AUPU is expressed in minutes as a monthly usage per customer.

Average number of employees (full-time equivalents): average number of active employees over the period, prorated by their work time, including permanent and fixed-term contracts.

CAPEX: capital expenditures on tangible and intangible assets excluding telecommunication licenses and excluding investments financed through finance leases (see Note 3 to the consolidated financial statements).

Capital expenditures on tangible and intangible assets excluding licenses: see CAPEX.

Change in total working capital requirement: change in net inventories, plus change in trade receivables, plus change in trade payables (excluding fixed asset suppliers).

Change in total working capital requirement: change in operating working capital requirement, plus change in other receivables, plus change in other liabilities.

Commercial expenses: see External purchases.

Data on a comparable basis: Data with comparable methods, scope for consolidation and exchange rates is presented for the previous period. The switch from historical data to data on a comparable basis consists of conserving the results of the previous financial year and reprocessing the previous financial year with the objective of showing financial data using comparable methods, scopes for consolidation and exchange rates over comparable periods. The method used is to apply those methods and scope for the previous period to data for the period corresponding to the previous fiscal year along with average exchange rates used for the income statement of the previous period. Data on a comparable basis is not designed to be a substitute for historical data for the previous fiscal year or for previous periods.

External purchases: external purchases (see Note 6 to the consolidated financial statements) include:

- **commercial expenses:** external purchases including the purchase of handsets and other products sold, retail fees and commissions, and advertising, promotion, sponsoring and brand costs;
- service fees and inter-operator costs;
- and **Other external purchases:** external purchases including overhead, real estate fees, outsourcing fees relating to technical operation and maintenance, IT expenses, purchases of equipment, and call center outsourcing fees, net of capitalized goods and services produced.

Financial investments: Cash paid for investment securities, net of cash acquired.

GOM: Gross operating margin (see Note 3 of the consolidated financial statements). Revenues less external purchases, other operating expenses (net of other operating income) and labor expenses (wages and employee benefit expenses). The labor expenses (wages and employee benefit expenses) presented in the gross operating margin (GOM) do not include employee profit-sharing and share-based compensation. GOM is one of the management indicators used by the France Telecom Group so as to i) guide and assess the results for its business sectors, ii) implement its investment and resource allocation strategy, iii) measure the performance of the Group's executive directors. The directors of France Telecom consider that the presentation of GOM to investors is relevant since it provides an analysis of operating results and sector-based profitability, identical to that used by the directors themselves.

Gross operating margin: see GOM.

Growth markets: Botswana, Cameroon, Ivory Coast, Egypt, Equatorial Guinea, Guinea, Guinea-Bissau, Mauritius, Jordan,

Madagascar, Mali, Mexico, Moldavia, Poland (mobile telephony subsidiaries), Central African Republic, Dominican Republic, Romania, Senegal, Slovakia, Vanuatu, Vietnam and other markets.

Hardware revenues (PCS business sector): Hardware revenues include the sale of mobile handsets and accessories.

Labor costs (wages and employee benefit expenses): see OPEX.

Mature markets: France, United Kingdom, Spain, Portugal (fixed-line telephony subsidiaries), Belgium, Switzerland, the Netherlands (to September 30, 2007, see Section 1: "Overview") and Luxembourg.

Net financial debt: Net financial debt corresponds to financial liabilities excluding supplier debts (converted to closing rate), less: i) asset transaction derivatives, cash flow hedging derivatives, and fair value hedging derivatives, ii) security deposits paid relating to the derivatives, iii) cash assets, pseudo cash assets, and fair value investments, and iv) some security deposits implemented within the framework of specific transactions (if the linked debt is included in gross financial debt). Derivatives known as cash flow hedgings are implemented to cover future cash flows which are not present in the net financial debt figure. However, the market value of these derivatives is included. The "effective share of cash flow hedging" is added to net financial debt in order to neutralize this time-based difference (see Note 20 of the consolidated statements).

Network revenues (PCS business sector): Network revenues represent revenues (voice, data and SMS) generated via the use of the mobile network. It includes revenues generated by incoming and outgoing calls, network access costs, roaming revenues, customers from other networks, revenues from value-added services and revenues from mobile virtual network operators (MVNO). It represents the most relevant recurring revenues for mobile business and is directly linked to business indicators.

"Non-voice" service revenues (PCS segment): "Non-voice" service revenues correspond to network revenues (see this definition) excluding revenues generated by "voice" communication (with the exception of any revenues from mobile virtual network operators – MVNO). For example, it includes revenue generated by sending text messages (SMS), multimedia messages (MMS), data (WAP, GPRS and 3G) as well as amounts billed to the customer for the purchase of content (ringtone loading, sports results, etc.).

Number of employees (active workforce at the end of the period): the number of persons working on the last day of the period, including both permanent and fixed-term contracts.

OPEX: Operating costs (see Note 6 to the consolidated statements) included in the calculation of gross operating margin (GOM), comprising:

- **labor expenses (wages and employee benefit expenses):** the labor expenses (wages and employee benefit expenses) included in the determination of the gross operating margin (GOM) do not include employee profit sharing and share-based compensation costs. Those costs are part of the costs included between the gross operating margin (GOM) and operating income. Labor expenses (wages and employee benefit expenses) are net of the capitalized labor expenses;
- **OPEX excluding labor expenses (wages and employee benefit expenses):** Operating overhead excluding labor costs (wages and employee benefit expenses): Operating expenses, excluding labor expenses (wages and employee benefit expenses) included in the calculation of the gross operating margin (GOM) include external purchases (see External purchases) and other operating income and expenses. Operating expenses excluding labor expenses (wages and employee benefit expenses) are net of capitalized costs.

OPEX excluding labor expenses (wages and employee benefit expenses): see OPEX.

Organic cash flow: Net cash generated by operating activities less the acquisitions of tangible and intangible fixed assets (net of fixed asset supplier variation) plus proceeds from the disposal of tangible and intangible assets. France Telecom uses organic cash flow as an operating performance indicator in order to measure the cash flow generated by operating activities, excluding cash paid for investment securities (net of cash acquired) and excluding proceeds from the disposal of investment securities (net of cash flow transferred).

Operating expenses included in the calculation of Gross Operating Margin (GOM): see OPEX.

Operating overhead excluding labor costs (wages and employee benefit expenses): see OPEX.

Other external purchases: see External purchases.

annual document prepared pursuant to article 222-7 of the AMF general regulation

Pursuant to Article 222-7 of the AMF's general regulations, the following table gives the list of all the information made public by France Telecom since March 1, 2007, to meet the legislative or statutory requirements governing financial instruments,

issuers of financial instruments and financial markets. This information is available on the Group's website www.orange.com

Date	Information
Press releases	
March 6, 2007	2006 annual results
March 15, 2007	Orange expands presence in Western Africa: acquires mobile licenses in Guinea Bissau and Guinea.
March 19, 2007	Description of France Telecom's program to repurchase its own shares.
March 29, 2007	Declaration of own share trading.
April 4, 2007	Implementation of a share-based compensation plan for Group personnel with a stock option plan and allocation of free shares.
April 5, 2007	Orange expands presence in Central Africa: acquires a mobile and Internet license in Central African Republic.
April 13, 2007	Proposed appointment of Mme Claudie Haigneré as independent director.
April 16, 2007	France Telecom expands presence in the Middle East: acquires a majority interest in Lightspeed Communications in Bahrain.
April 26, 2007	1 st Q financial information, 2007
April 26, 2007	Changes within the Group's senior management.
May 10, 2007	Implementation of a stock-based liquidity contract.
May 21, 2007	Description of France Telecom's program to repurchase own shares.
May 28, 2007	France Telecom engages a formal examination process of purchase offers for its subsidiary in the Netherlands.
June 6, 2007	France Telecom announces the acquisition of the Spanish company Ya.com at an enterprise value of €320 million.
June 20, 2007	France Telecom and Mid Europa Partners acquire One GmbH, Austria's third biggest mobile operator.
July 03, 2007	Half-yearly statement for the liquidity contract
July 11, 2007	France Telecom acquires the "Corporate" and "Managed Services" divisions of GTL in India.
August 2, 2007	Half-yearly results, 2007
Sept. 12, 2007	France Telecom announces exclusive negotiations with the shareholders of the MVNO "TEN" with a view to acquiring a majority financial interest in the company.
Sept. 27, 2007	France Telecom creates Orange Vallée and appoints Jean-Louis Constanza as head
Sept. 28, 2007	Sale of mobile and Internet business of Orange Netherlands to Deutsche Telekom
Oct. 16, 2007	Apple chooses Orange as the exclusive operator for iPhone in France
Oct. 23, 2007	France Telecom announces its proposal to open its cable ducts to competitors in France
Oct. 25, 2007	3 rd Q results, 2007
Oct. 25, 2007	Placement in escrow of the sum of €755 million
Oct. 29, 2007	Share offer reserved for the personnel and former personnel of France Telecom and subsidiaries.

Date	Information
Nov. 2, 2007	Placement of a bond issue of 400 million Swiss francs.
Nov. 11, 2007	Orange Business Services becomes a long-distance phone operator in Russia.
Nov. 16, 2007	France Telecom wins the tender for acquiring a 51% stake in Telkom Kenya
Nov. 22, 2007	France Telecom wins the tender for the granting of a global fixed-line-mobile-Internet license in Niger
Dec. 5, 2007	France Telecom Investors Day
Jan. 3, 2008	Half-yearly statement for the liquidity contract
Jan. 15, 2008	France Telecom announces a cut in call rates for residential customers calling from fixed-line numbers.
Feb. 5, 2008	José-Luis Durán and Charles-Henri Filippi join the France Telecom Board of Directors
Feb. 6, 2008	2007 annual results

Information published in the Bulletin for Mandatory Legal Announcements (BALO)

March 28, 2007	France Telecom repurchase of Perpetual Bonds Redeemable for Shares (TDIRA – “Bank” Tranche)
April 11, 2007	Notice of the combined AGM to be held May 21, 2007
April 11, 2007	Corporate and consolidated financial statements as at December 31, 2006
May 2, 2007	Notice of convocation for the combined AGM to be held May 21, 2007
May 11, 2007	Consolidated revenues at March 31, 2007
June 25, 2007	Confirmation by the combined AGM of May 21, 2007 of approval without amendment of corporate and consolidated financial statements (fiscal year closed December 31, 2006) and draft appropriation of income.
Aug. 8, 2007	Consolidated revenues at June 30, 2007
Aug. 13, 2007	France Telecom repurchase of Perpetual Bonds Redeemable for Shares (TDIRA – “Bank” Tranche)
Oct. 12, 2007	Consolidated financial statements for the 1 st half-year 2007
Nov. 9, 2007	Consolidated revenues at September 30, 2007
Dec. 10, 2007	Share offer reserved for the employees and former employees of France Telecom and subsidiaries
Feb. 13, 2008	Consolidated revenues at December 31, 2007

Documents filed with the Financial Markets Authority (AMF)

March 30, 2007	2006 Registration Document
Oct. 25, 2007	Update #1 of 2006 Registration Document
Dec. 6, 2007	Update #2 of 2006 Registration Document
Dec. 6, 2007	Offering memorandum relative to a share offer reserved for the employees and former employees of France Telecom
July 25, 2007	Ownership threshold declaration
July 31, 2007	Ownership threshold declaration
March 14, 2007	Security trading declaration
Dec. 18, 2007	Security trading declaration

Documents filed with the Securities and Exchange Commission⁽¹⁾

June 25, 2007	2006 Annual Report «Form 20-F» including additional information linked to the listing of France Telecom on the New York Stock Exchange
Oct. 25, 2007	Additional information for the 1 st half of 2007 linked to the listing of France Telecom on the New York Stock Exchange

Information filed with the Luxembourg Stock Exchange⁽²⁾

March 19, 2007	Euro Medium Term Note Program (EMTN): 1 st Addendum to the Base Prospectus of Dec. 5, 2006
Sept. 6, 2007	EMTN Program: 2 nd Addendum to the Base Prospectus of Dec. 5, 2006
Dec. 6, 2007	EMTN Program: Base Prospectus
March 4, 2008	EMTN Program: 1 st Addendum to the Base Prospectus of Dec. 6, 2007

Information filed with the Japanese Stock Exchange Authorities⁽³⁾

June 30, 2007	Annual report 2006
Sept. 28, 2007	Half-yearly report 2007

(1) Mention is made only of information filed exclusively with the SEC. All information filed with the SEC is available on www.sec.gov.

(2) Information available on www.bourse.lu.

(3) Information available in Japanese on the EDINET website (<https://info.edinet.go.jp>) which pools financial reports from issuers in Japan.

