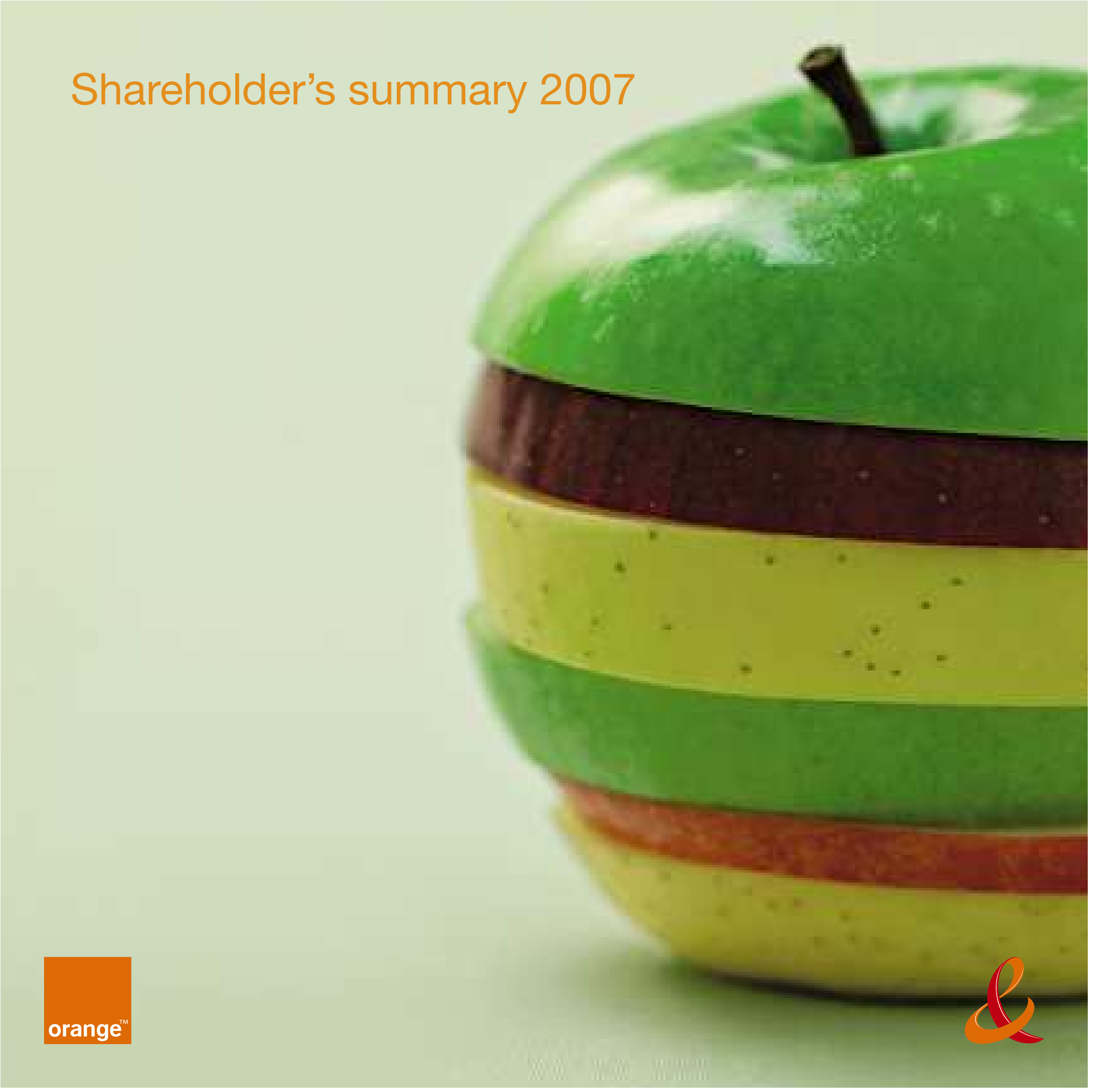
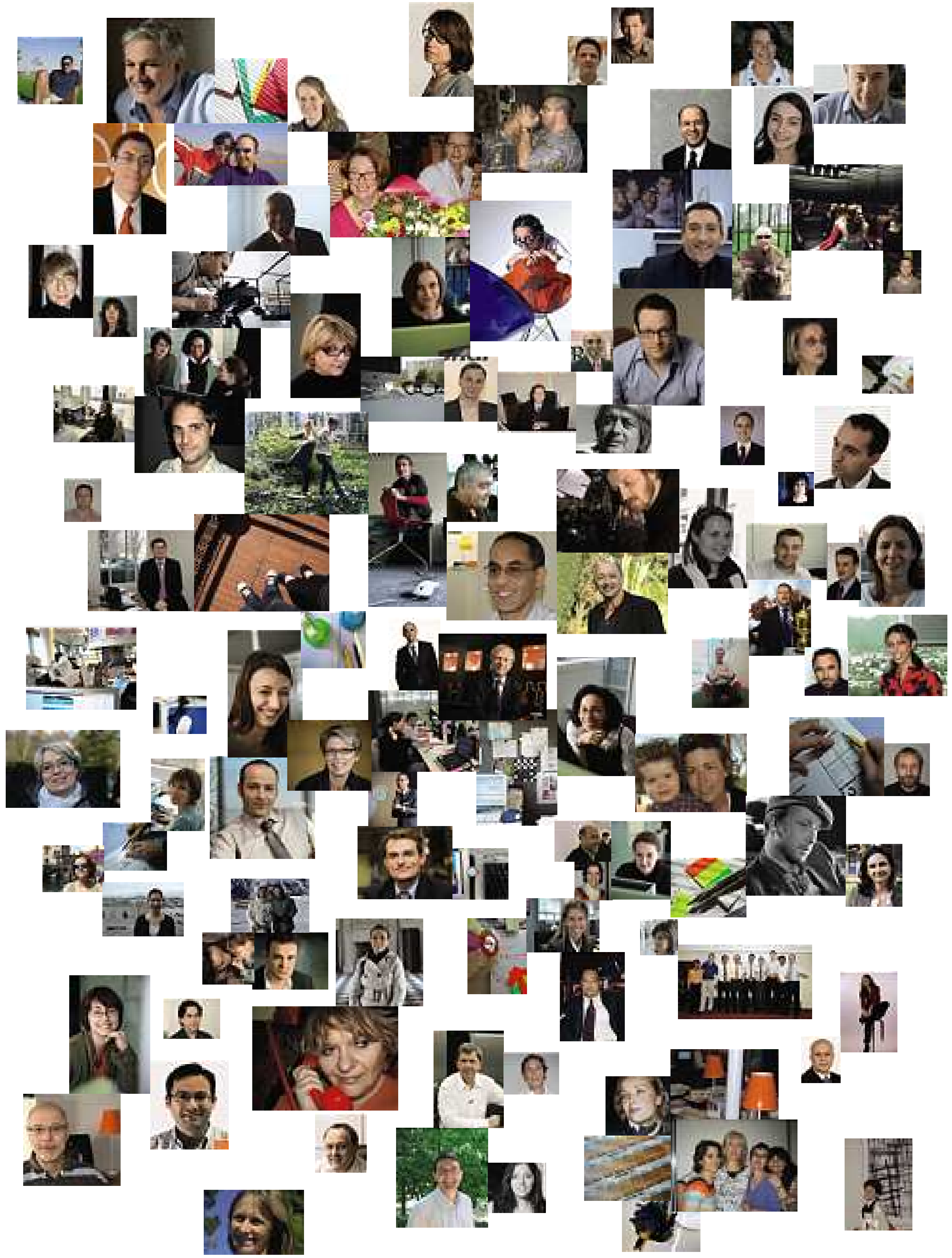
2007 annual report
France Telecom



The first occurrence of terms defined in the glossary appears in orange in the text

Here we have Maria Pilar, Michal, Carole, Indira, David, Manuela, Mohammad and others…Over several weeks, men and women from throughout the Group joined forces – and pooled their talents – to create this 2007 annual report. Together, they have shared information and held discussions to find the right words and the most meaningful images. All in all, a piece of work that is true to its purpose representing a snapshot of a year in the company's life and reflecting the commitment of its thousands of employees around the world who are united in serving customers through the Group's values and the Orange brand approach. This approach is all about building close emotional ties and looking beyond individual achievements, enabling everyone to interact with each other and successfully build a world that lives, shares and moves forward, together.



hello salut cześć hola dag مرحبأ nangadêf

France Telecom Group is one of the world's leading telecommunications operators. In 2007, it moved into new countries, further strengthening its regional presence, while also developing its range of services in other sectors, such as content, healthcare and audience.
In this way, the Group serves over 170 million customers on five continents, two thirds of whom are under the Orange brand, which is now the single brand offering Internet, television, mobile and all digital services in the majority of countries where the company operates. The year 2007 confirmed the success of the Group's integrated operator strategy, enabling it to achieve or surpass the objectives that it had set itself.

52.96 billion
euros in revenues

Over
170 million
customers, with 115 million under the Orange brand worldwide

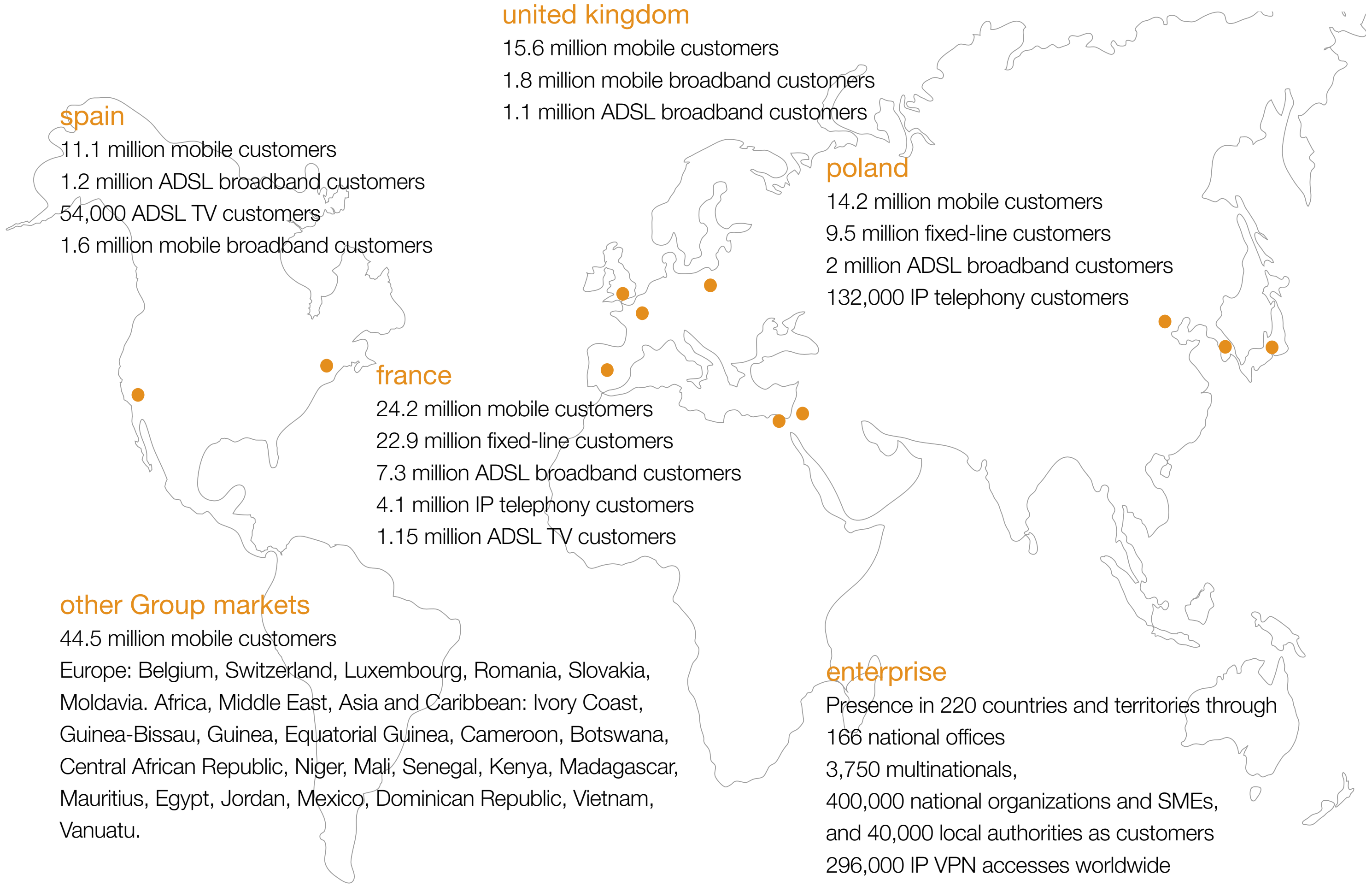
presence in
220
countries and territories

number 3
in Europe for mobile with 109.7 million customers worldwide

number 1
in Europe for ADSL broadband Internet with 11.7 million customers worldwide

number 1
in Europe and number 2 worldwide for ADSL TV with 1.24 million customers in Europe

number 1
in Europe for IP telephony with 4.8 million customers



united kingdom
15.6 million mobile customers
1.8 million mobile broadband customers
1.1 million ADSL broadband customers

spain
11.1 million mobile customers
1.2 million ADSL broadband customers
54,000 ADSL TV customers
1.6 million mobile broadband customers

poland
14.2 million mobile customers
9.5 million fixed-line customers
2 million ADSL broadband customers
132,000 IP telephony customers

france
24.2 million mobile customers
22.9 million fixed-line customers
7.3 million ADSL broadband customers
4.1 million IP telephony customers
1.15 million ADSL TV customers

other Group markets
44.5 million mobile customers
Europe: Belgium, Switzerland, Luxembourg, Romania, Slovakia, Moldavia. Africa, Middle East, Asia and Caribbean: Ivory Coast, Guinea-Bissau, Guinea, Equatorial Guinea, Cameroon, Botswana, Central African Republic, Niger, Mali, Senegal, Kenya, Madagascar, Mauritius, Egypt, Jordan, Mexico, Dominican Republic, Vietnam, Vanuatu.

enterprise
Presence in 220 countries and territories through 166 national offices
3,750 multinationals,
400,000 national organizations and SMEs,
and 40,000 local authorities as customers
296,000 IP VPN accesses worldwide

● Countries in which Orange Labs are set up

hello

interview with Didier Lombard,
Chairman and Chief Executive Officer

“In 2007, we put in place the fundamentals that will enable us to accelerate the Group’s adaptation to changes in the telecoms world.”

how would you assess the Group’s results in 2007?

In 2007, the Group achieved a very strong performance, validating our strategy, meeting and even exceeding all our operational and financial targets. Indeed, our gross operating margin increased by 3.4%, while the ratio of gross operating margin to revenues stabilized at 36.1%. Organic cash flow, another key indicator, for which we raised our target from 6.8 to 7.5 billion euros, in the end came in at 7.8 billion euros. This cash flow enabled us to reduce our debt to 38 billion euros, some 30 billion less than five years ago.

The net debt to operating margin ratio has been reduced to under 2, one year ahead of schedule in terms of the commitments made.
At the same time, we have been able to implement an external growth policy, targeting countries with strong growth potential.
These very good performances are primarily due, above all, to our dynamic sales in 2007, with the Group’s revenues up 2.8% on a comparable basis, compared with 1.2% in 2006. They also reflect the more effective management of operating expenses, sales and marketing costs, and inter-operator costs.

The combination of these factors has paved the way for a global improvement in the Group’s profitability.
Lastly, in 2007, growth in earnings was achieved across all our business lines, including enterprise services, and in virtually all countries, with a return to dynamic growth in mature markets and strong development in growing markets. These very good results were achieved thanks to the commitment of all the Group’s members of staff, who I would like to take this opportunity to thank. In 2007, we put in place the fundamentals that will enable us to accelerate the Group’s adaptation to changes in the telecoms world.

what lessons have you learned from this?

2007 highlights the relevance of the convergence strategy that we have been pioneering since 2005. We are now reaping the first benefits of this approach as an integrated operator. This vision, which combines network convergence (fixed, mobile, Internet) and a wide range of services, makes it possible to manage costs effectively thanks to the operational synergies achieved, while increasing the efficiency and impact of our commercial operations, as shown by the growing number of customers signing up for triple play solutions. We are firmly resolved to keep innovating on convergent services for both retail and business customers.

2007 was also marked by the Group's continued internationalization. Indeed, the growing markets now account for 14% of our business, compared with 9% in 2004, and 67% of total sales growth compared with last year, driven in particular by mobile.

looking beyond the actual figures, what were the highlights of the year for you?

2007 was a particularly event-filled year, but among the many achievements symbolizing our dynamism I would first point out the extension of the Orange brand around the world, and particularly in Jordan. In this country, all the fixed, mobile, Internet and content activities have been transferred to the Orange brand, the first time this has been achieved in the region. This changeover to the Orange banner not only symbolizes our dynamic commercial performance but also means convergence and simplicity for our customers.

This year was also marked by the rapid development of our activities in Africa. Indeed, this continent is seeing strong growth in the telecommunications market and we have successfully positioned ourselves as a leading operator thanks to the various licenses acquired in Guinea, Guinea-Bissau and Niger, while also taking a majority stake in TelKom Kenya.

In Europe, we further strengthened our position in Spain, with the acquisition of Ya.com. The Group is now number 2 for ADSL in this country, with a range of convergent, fixed, mobile and Internet services.

In France, one of the highlights was the launch of Orange Sports TV, further strengthening our range of content on the Internet and mobiles, and above all on Orange TV, which doubled its customers in one year, to nearly 1.2 million. The other highlight of the year was the launch of the iPhone. Its immediate success illustrates both the appetite for innovative services among our customers and the relevance of our open and voluntary partnership policy across a wide range of fields.

We can also congratulate ourselves on the development of our activities in the healthcare sector, grouped within Orange Healthcare. We are able to offer a range of innovations harnessing our telecommunications know-how for three customer bases: services for people, to facilitate homecare for instance; services for doctors in their dealings with patients and other healthcare partners; and services for institutions such as hospitals.

And last but not least, in 2007 we celebrated 20 years of the Orange Foundation with a major exhibition at the French National Library, showcasing the views of seven photographers from Magnum Photos on the Group's commitments to disability, education and culture around the world.

how do you see the outlook for the Group in 2008?

The core objective for 2008 is to generate a level of organic cash flow that is at least equal to our 2007 level in order to guarantee our capacity to invest and grow our business, particularly in new generation networks, while increasing our dividend per share and remuneration for shareholders, and keeping our net debt to gross operating margin ratio below 2 points.

Thanks to the results achieved in 2007, we have more freedom than in the past to implement a dynamic and balanced approach to managing our portfolio of activities to support our growth: consolidating our presence in growing markets, further strengthening activities in Europe when necessary, as in Spain with the acquisition of Ya.com, and lastly, acquiring additional capabilities in certain key activities: content, audience, healthcare and enterprise services.

In a communications world that is undergoing major changes, in 2008 the Group will further strengthen its ability to anticipate sector developments, pursuing its continuous transformation, firmly focused on innovation, integration and effective cost management. More than ever, our priority will continue to be offering our customers the best networks and services.

5 priorities for profitable growth

seeking out innovation

“For my team and myself, this is the start of a big adventure. We will be participating in the Group's dynamic innovation approach, harnessing local expertise. Our work will be organized around the following subjects: user testing and validation (ergonomics) for developing products and services in the international and mobile markets; developing Arabic content access and voice services; carrying out research on specific services for the region, such as mobile payment; lastly, developing network solutions factoring in the sector's economic and environmental constraints.”

Ahmad Naguib, Chief Executive Officer, Cairo Orange Labs, Egypt.

The world in which the Group operates today demands constant innovation, and our new services enable us to stand out and maintain the lead we have on our competition. In this area, the Group aims to maintain its leadership. As shown by the most recent solutions we have launched: unlimited IP telephony, the Flybox, or even Business Everywhere, innovative products and services are sources of growth for the future. For this reason, the Group continues to invest heavily in innovation, giving it a unique positioning among operators with some 1.7% of its revenues invested in R&D over 2007.

integrated innovation chain

To support this strategy, the Group reviewed the organization of its innovation processes in 2007. Today, it is the only major player in the telecoms world to have an international-level innovation chain that is fully integrated, from fundamental research to the release of new solutions. Orange Labs' global network connects up the teams involved in researching, developing, deploying and marketing new products and services. This “innovation community” brings together around 5,000 people across four continents, including researchers, engineers and marketing specialists. The Orange Labs are comprised of:

• Various research centres: preparing launches two years ahead and looking into value-added services over the next five to six years;

• The Paris Technocentre, further strengthened with two branches set up in London (UK) and Warsaw (Poland) in 2007, followed by a third in Amman (Jordan) in March 2008, bringing together the marketing, development and implementation expertise of over 1,000 people. Its role is to link up research and commercial requirements in the various countries in order to deliver the right products at the right time, in all the countries concerned, cutting the time to market for innovative solutions. Feasibility studies are carried out, business plans are drawn up and solutions are developed and launched over an average period of 6 to 18 months. Unik, fibre, the new Livebox ecosystem, the Flybox, etc. have all come out of the Technocentre;

• The Explocentre: midway between R&D and the Technocentre, this structure acts like an incubator for high-potential projects, focusing on leading-edge technologies and exploring new areas for activities. One of the ways in which it stands out is that it operates on the principle of co-creation with customers: more than 3,000 customers have already contributed to projects developed by the Explocentre teams, drawing on their business, technical, design and marketing expertise;

• Orange Valley: an in-house start-up structure, created at the end of 2007 and focused on ultra-rapid and streamlined developments in strong growth markets which require opportunities to be seized immediately, such as the Internet, mobile and social networks;

• Innovacom: a Group subsidiary tasked to invest in innovative businesses and support their development.

harnessing innovation at its source

Through its global reach, the Orange Labs' network enables each of its components to be both close to its various markets and connected directly to the world's most active innovation centres. Each laboratory is also developing specialties in line with its regional environment in order to more effectively benefit the rest of the Group: handsets, open source software and speech processing in Beijing, “post-3G” and robotics in Tokyo, Web 2.0, design and search engines in San Francisco, network core, optical access and information processing in Warsaw. One of the network's latest members – announced in September 2007 and opened at the start of 2008 – the Cairo Orange Labs in Egypt, is further strengthening the Group's ability to offer innovative services, particularly in the Middle East and Africa region, while opening up promising opportunities for local partnerships.

close to
900 million
euros invested in research and development in 2007

over
180 innovations
coming out of the Technocentre in 2007

Orange Labs Awards: spotlight on the best innovations

Each year, an in-house panel of experts rewards the best innovations coming out of the Orange Labs. The network's 5,000 members of staff around the world are all invited to take part. The panel awards prizes in seven categories based on several criteria, including the project's contribution to the Group's integrated dimension, its contribution to the development of the brand, its outstanding achievements in sustainable development, the time between the emergence of the original idea and its release to the market, and lastly, its ability to be rolled out internationally. In 2007, 136 projects were submitted, with the Flybox winning the jury's special prize in the Orange Labs Awards.

cultivating partnerships

Networking its innovation chain in this way enables the Group to focus on the areas of expertise in which it excels, while drawing on other players that have developed capabilities dovetailing effectively with its own know-how. For this, it has been rolling out an active partnership policy for several years now, based on various types of agreements: research partnerships with prestigious institutions such as *École Polytechnique* in France and the Massachusetts Institute of Technology (MIT) in Boston (US); strategic partnerships with industrial players (Ericsson, Nokia, Intel, Motorola, Microsoft, etc.); testing partnerships with major customers; innovation partnerships with start-ups covering a wide range of sectors, from gaming to advertising and healthcare.

For instance, in 2007 the Group tested out mobile services without contact with various partners: in June, a number of businesses in Bordeaux (France) were invited to test this payment system with their customers; in October, in the UK, an agreement was sealed with Manchester Football Club in order to enable its supporters to test out a dematerialized ticket office; and lastly, in November, two months of tests were launched with SNCF (the French railway company) during which travellers used their mobile as a ticket, payment card, means of access to car parks, and source of information on timetables.

> “We have worked with Orange for more than two years on Liveradio, which makes it easy to listen to 7,000 stations by connecting a Wi-Fi radio up to your Livebox. We have worked on all the phases, from the development of the idea through to the definition of the service with the Technocentre. A start-up like ours provides a certain responsiveness in relation to innovation, while a large group like Orange has enabled us to benefit from its industrial expertise. This fit represents the key to our success: launched in France at the start of 2007, Liveradio sales are already exceeding all of our expectations.”
>
> Thomas Serval,
> Chairman of Baracoda,
> Liveradio’s manufacturer.

innovating to serve the customer

The aim is to provide the Group’s customers with an increasingly wide range of innovative products and services. Illustrating this effort, the number of innovations developed by the Technocentre climbed from over 30 in 2006 to more than 180 in 2007, and is expected to reach nearly 220 in 2008.

This sustained rate of innovation is being showcased each year in the Collections. Three times a year since autumn 2006, the Group has been presenting a catalogue of its innovations – major shifts in technologies, new uses or services – delivering added-value to customers. For instance, the 2007 autumn-winter collection included the Home Library, a family multimedia storage system making it possible to share content both inside and outside the home; the Flybox, enabling broadband to be brought to areas with little or no fixed-line coverage through the mobile network; Orange Music; Internet Everywhere, for connecting wherever you may be in just one click thanks to a mini-modem; Orange Money, for managing your bank accounts on your mobile.

doing well and communicating it…

All the Group’s innovations are now presented and explained on a specific web TV site: www.orange-innovation.tv. This dedicated channel is an attractive way both to widely showcase the Group’s wealth of innovation and enable the general public to build up a clearer picture of the new world of services that are opening up to them.

Patents:

over
8,500
in the portfolio

500
filed each year

innovation approach rewarded

- A. T. Kearney/Les Échos 2007 Best Innovator Award for the organization of its innovation chain (October).
- Winner of the 2007 Clean and Efficient Technologies Award at the Pollutec-ADEME Énergies show, for its patented optimized ventilation system, making it possible to reduce energy consumption levels by seven in air-conditioning for telecoms facilities (November).
- *Carrefour de l’innovation participative* (The Crossroads of Participative Innovation) Award for the collaborative approach that enabled some 10,000 employees to register, between February and December, over 23,000 ideas for innovations, 1,000 of which were already being tested out by the end of December 2007.

> “Each project coming out of the Orange Labs is implemented by a multidisciplinary team of specialists, known as the “3P team”, which is made up of representatives from marketing, R&D and partners in charge of the implementation. For instance, the 3P team for mobile TV has 25 people responsible for combining the 3G and DVB-H networks and providing the customer with the best of both of these worlds. Each member performs their role effectively: marketing oversees “business” aspects and R&D handles technical development, while the implementers assemble the components for the information systems and service platforms, all in line with two core values: quality and effective cost control.”

Jean-François Rodriguez,
Head of Mobile TV, Strategic Marketing, France Telecom.


set high quality of service standards

simple customer relations

Quality of service lies at the heart of the Group's strategic priorities, and has become an essential competitive issue: customers prefer the operator that is able to support them most effectively as they get to grips with new communications services, while guaranteeing their availability. This is one of the levels where competition is currently heavy, and will continue to be so for years to come.
The Group aims to provide its customers with the simplest possible experience in an increasingly complex telecoms world. New handsets, new uses, innovative services must all be as easy to understand and reliable as traditional telephony. With this in mind, in 2007 the Group further strengthened its teams who are directly in touch with customers, focusing on their training. The aim is to provide customers with closer ties, more advice and better after-sales service, whenever and wherever they need it, in the Group's stores, at its retailers, on the phone or online. The results can clearly be seen: during the first nine months of 2007, the number of calls to the technical assistance teams was cut by an average of 10% in France, the UK, Poland and Spain, reflecting the improvements made in terms of the simplicity and reliability of the services provided.

more reliable services

The other side of quality of service concerns the reliability and availability of the services that the customer has subscribed to, a particularly sensitive point in multiplay (Internet, telephony, television). In light of this, the network and information system teams worked throughout the year on two priorities: setting up end-to-end controls on the technical chain, in order to have an accurate picture of the service delivered to the customer and be able to react quickly whatever the problem is; and developing experience-sharing between all the players in this chain, from how incidents reported to a hotline are handled, through to the design phases for new products, in order to simplify their operations and maintenance downstream. Key achievements in 2007 included an analysis tool developed to facilitate the work of telephone-based after-sales service advisers. This "Papyrus" tool is already operational in France, Spain, the UK and Switzerland, enabling real-time access to all the information available on the Livebox and ADSL telephony services installed at the customer's site – saving time and improving the relevance of the answers provided.

the same standards worldwide

EIn 2007, all the Group's activities and countries undertook initiatives to improve the service they provide. For instance, in Spain, Orange saw its customer satisfaction rating climb above that of its two main competitors. For its part, France focused on supporting new customers, with training and installation assistance services, which are now being taken out on 25% of sales. In the UK, efforts were made to make the various distribution channels more dynamic by renewing agreements with the specialized chains Phone 4U and Carphone Warehouse, opening and refurbishing new Orange stores, improving the online store, which accounted for 55% of remote sales. In Poland, the satisfaction rate went up by 4% in one year up to 62%, while Orange was ranked number one in terms of the services it is able to offer and its customer service. In Slovakia, with 98% of customers satisfied after a single call to the customer service team, the Group achieved the best performance in quality compared with its competitors, as reflected in the significant improvement in its revenues. In Africa, investment in infrastructure has made it possible to support growth while maintaining quality of service. This is the case in Madagascar for the mobile network, as well as Cameroon, where moves to extend the network and increase its density enabled the Group to become number one in coverage and quality. Lastly, Equatorial Guinea restructured its after-sales service, while the Ivory Coast worked on improving customer reception both in-store and over the phone, measures to reduce its connection times.

+7%
satisfaction on triple play and Livebox services in France

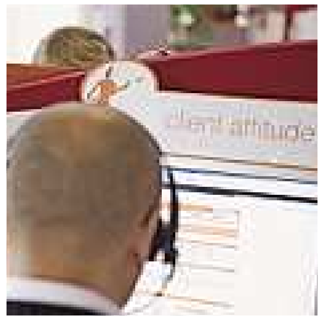
around 26,300
employees on hand to serve customers in call centres in France

“

In 2007, we launched a three-year plan to make our sales channels even more dynamic. The aim was to improve our customer buying experience, develop the offering available across all channels (stores, web, telephone, etc.), and increase our focus on return on investment. Our direct channels is one of the keys to the project: we are working to refurbish our stores, reviewing their location, and setting up specific business focused stores with dedicated services and staff, for instance. In terms of web and telesales channels, we have improved the customer "pathway" in order to make their purchases on our website even simpler; we have also rolled out a number of new features that have further strengthened the available offering, while reviewing our back office in order to further increase transaction security.”
Robert Purdy, Head of Sales Channel Development, Orange UK.

“
In 2007, Orange Cameroon overhauled its telephone-based customer relationship management system, to tackle a lack of visibility, efficiency and effectiveness in its customer relations.
On the agenda: rationalization of call centre tasks, optimization of the customer knowledge base, and improvement in quality of service, particularly in terms of response and processing times, thanks to the deployment of the Group's CRM solution.
The results can already be seen:
50 days after the system was rolled out, 82% of requests were being handled in under 2 hours, and whilst the number of calls received each day had been cut from 50,000 to 29,000.

Pierre Grauby, CRM division Manager, and Sébastien Bec, CRM Technical Manager, Emerging Markets, Networks, Carriers and Information Systems, France Telecom.



“Our satisfaction surveys (1.4 million people polled) revealed an improvement in our customers' experience in 2007. Starting from a difficult situation at the end of 2006, due mainly to the boom in triple play, we reduced our service start-up times, improved our network equipment, industrialized our processes…
The number of calls to the after-sales service teams was reduced considerably, to as low as a third in the case of television customers. We are now focusing on simplifying our customer pathway, the quality of our convergent offerings and how to increase coverage for our TV services without losing image quality.”

Pierre Muller, Head of Customer Service Quality Orange France.

recognized quality

The quality of the experience offered to the Group's customers was recognized several times by market observers in 2007. In France, Orange was the Internet operator to receive the fewest customer complaints, according to the french association for telecommunications users (AFUTT), and is the market leader in ADSL TV availability, according to the specialist magazine *SVM*. Also thanks to this level of service, the Group won a number of awards in various countries:

- 1st prize for fixed-line and Internet customer relations in France (TNS Sofres/BearingPoint);
- 1st for mobile service and assistance in France (Techcity solution);
- 4 stars from the European Foundation for Quality Management in the UK;
- Best mobile service in Poland (Gold Standard);
- Best customer care in Spain.

progress in the wholesale market

In addition to its focus on quality of service for retail sales, the Group applies these principles in its other markets. In 2007, it was very active in the French wholesale market, primarily as a result of the development of broadband. Indeed, the number of broadband accesses sold by third-party operators in France and using components from its network came to nearly 7.5 million, up 1.5 million over the year (source: ARCEP). Despite this strong growth, quality of service in operations linked to this activity was controlled effectively and even improved. For instance, the average delivery time for a fully unbundled access was cut from 5.1 days in January 2007 to 2.9 days in December 2007. In 2007 the Group also carried out a number of innovative actions on broadband access sold to third-party operators and intended specifically for the business market. Its service and processes were improved, in particular with the introduction of an ADSL and SDSL access range with guaranteed speeds and the implementation of an option for guaranteed restoration within four hours.
In the international market, it sought to add value to the extension of its scope, by facilitating access to Group companies for voice traffic and Internet connectivity, and by developing products that make it possible to monitor interconnection quality. Lastly, stronger coordination of the wholesale activity at international level has enabled interconnections and relations with other operators to be managed more efficiently and effectively.

bringing an outstanding experience

The Group's commitment as a partner for corporate customers is also reflected in its ability to offer its customers an outstanding quality of service. Orange Business Services is positioning itself as their dedicated contact and building customer loyalty based on an approach for creating value together, while improving the provision of its solutions in terms of service reliability, implementation lead-times, customer service and invoicing.
This relationship is built around two key processes. The first is a building phase, when the Group advises its customers in the implementation of their solutions, optimizing their processes and performance. Several targeted initiatives have been launched to continuously improve its services, such as the Quote to Bill initiative, which is committed to improving the operational model throughout the delivery chain (from quoting to invoicing) and is enabling shorter lead-times and lower costs.
The second is a support phase, when the Group leverages on its local structure to support its customers wherever they may be carrying out their activities, guaranteeing 24/7 support for our solutions.
Thanks to this approach, Orange Business Services has once again been ranked number one in the Telemark's customer satisfaction index, ahead of its main international competitors.
During the 2007 World Communication Awards, it also won the Best Global Operator award for the second year in a row, as well as the Best Project Management award for the project it carried out for Fox-Pitt, Kelton, in the UK.

“Botikas are new sales outlets that respect Orange's sales methods and brand identity, while being co-financed and managed by an independent distributor. Developed as a network, the botikas are making it possible to effectively meet the expectations of people in Madagascar, particularly customers living in remote areas. Simple and user-friendly, they provide nationwide coverage with 77 operational units in place, and a target of 150 by the end of 2008, making it possible to double the number of customers in 2006.
This franchise model has been rolled out in Botswana, Mali, Ivory Coast and Guinea-Bissau. Similar projects are currently being looked into for the region's other countries.”
Thomas Bonnet, AMEA consultant, and Claire De Billy, Orange Madagascar Commercial Deployment Project Leader.


continue to
build and
leverage a leading
trusted brand

The Orange brand plays a dual role in the Group's strategy. On the one hand, it rallies customers and staff around the same vision of shared values, services and relationships. On the other, by grouping together more and more products and services around the world, it also strengthens their visibility, brand awareness and dynamic development, as well as the Group's own commercial development. In both aspects, the Orange brand makes a major contribution in differentiating the Group from its rivals and driving it forward towards profitable growth.

embodying the Group's values

The Orange brand embodies the values that are at the heart of the Group's identity: refreshing, dynamic, straightforward, friendly and honest, which are the five values guiding its behaviour; trusted, innovative and responsible, which represent its reputation. In this way, the brand is much more than just a logo or colour it is the embodiment of its personality. Its actions are aimed at making life easier for customers, enabling them to communicate better, get closer to the people they love and what they need and free from any constraints.

expanding reach

The brand's level of awareness was further strengthened throughout 2007, with new companies continuing to join the Orange family: Moldavia, Jordan, Niger, Guinea-Bissau and Guinea. In Slovakia and Romania, the company's broadband activities are now sold under the Orange brand. Lastly, in the Central African Republic, Orange launched its mobile activities. The Orange brand is now serving two thirds of the Group's customers and its leadership has been confirmed in Europe. In Spain, for instance, Orange is now recognized as a major Internet player, which is a prerequisite for increasing its market shares in broadband, alongside mobile. Indeed, the unified brand is essential for the development of convergent services, offering fixed, mobile and Internet services all under the same banner.

Efforts were also made throughout the year to ensure that Orange's identity and values are more widely present at point of sale, particularly in France and Poland, in terms of store layout and the user-friendliness of online sales sites.

the Orange brand:

115 million
customers worldwide

over 100
common products sold in several countries

a source of value creation

Orange's dynamic commercial development and its growing regional presence contributed to strengthening its brand value in 2007. The annual review published by the consultancy Millward Brown Optimor estimates the intrinsic value of the Orange brand at around 10 billion dollars, up 5% in one year. In the ranking of the world's top 100 brands, based on the same study, Orange was ranked 67th in 2007, alongside giants such as Coca-Cola, Nike and McDonald's. And this score is particularly remarkable since Orange is mainly present in Europe and Africa, with a very limited presence in Asia and North America. In the telecoms sector, Orange is ranked the world's 5th most valuable telecoms operator.

unified management

In order to develop this asset, while achieving economies of scale, the Group has rolled out a unified approach for managing the brand worldwide, overseen by a dedicated team. Since 2006, several rationalization measures have been implemented: the Group has now focused on the expertise of two international agency networks operating in the advertising creation and strategy sectors. In addition, a dedicated team within the Group is developing and delivering the brand vision, managing its development, coordinating the actions taken and creating joint communication tools available to all countries, primarily through a dedicated website.

supporting customer passions

To further strengthen the Orange brand the Group is supporting activities, events and experiences that matter to its customers. This support goes way beyond the simple application of a logo: the objective is to help people bring their passions to life, while sharing them with as many people as possible. Supporting artists such as George Michael in Poland or Mana in Spain is one way of celebrating the importance that music holds in customers' lives. By showcasing men and women emotionally engaged, the cinema echoes the Orange world via targeted partnerships that are supporting major European launches in several countries. Lastly sport, as a universal, inspiring and engaging language, is also being supported, both locally and through international events, such as the 2007 Rugby World Cup, football in France and Poland, or basketball in Spain.

new look for orange.com

In January 2008, a new version of the corporate web site – www.orange.com – was launched to better reflect the Orange brand, its values and the Group's identity as an international operator of integrated services. Simple and dynamic, designed in the spirit of Web 2.0, the site offers a homepage that can be personalized to each audience (journalist, shareholder, etc.) or area of interest (share price, documentation, etc.). Serving all audiences, this site, which can also be accessed via www.francetelecom.com, is fully bilingual with identical English and French versions available. More specifically, it makes it possible to access the Group's web sites in all the countries in which it operates in just a few clicks.

"For the change over to the Orange brand in Moldavia, major work was carried out by the teams to switch everything simultaneously: the identity at point of sale, staff training and the entire marketing approach, with new services and more competitive rates. The results can already be seen: Orange was able to acquire a 96% brand awareness rate in three months, winning over 400,000 new customers in eight months."
Jérôme Poulain, Head of Marketing, Orange Moldavia.

"In Jordan, from March to September 2007, we have gradually transferred our four activities over to the Orange brand. For the first time ever in the region, one operator was now able to offer all communication solutions in one place, while the company has been able to benefit from Orange's innovative strength to provide new and convergent products and services for our customers, such as Livebox, or prepaid cards for topping up all their accounts: fixed, mobile and Internet. One of our greatest challenges has been to present Orange as an international brand with strong local roots: Orange now has a brand awareness rating of 99.9%."
Shereen Balkar, Head of Communications, Orange Jordan.

targeting operational excellence

In line with the NExT plan, the Group rolled out a new organizational structure in 2006 to support operational excellence. The aim is to put the customer at the heart of each employee's priorities and improve the Group's efficiency, with operational divisions for each country, business units, and cross-business functions responsible for defining common policies, multiplying synergies and reducing costs. The results are clear: the gross operating margin is up 3.4% on a comparable basis to 19.1 billion euros, while the gross operating margin to revenues ratio has levelled off at 36.1%, with a slight improvement compared with 2006.

managing spending effectively

This good performance by the Group reflects the effective impact of the cost management program for commercial, network and customer service spending.
In this way, despite the highly competitive markets, revenue growth has often been accompanied by a significant increase in commercial expenses, which the Group kept effectively under control in 2007 set against a dynamic level of sales. In this way, commercial expenses represented 15.3% of revenues in 2007. This has been achieved thanks to a policy to make direct distribution channels more dynamic, both in stores and online, with better controlled customer acquisition costs. The penetration of new offerings has also had an impact: the sales force is well trained up and the customer base is sufficiently large to implement cross-selling initiatives.
In terms of networks and information systems, the foundation for the Group's activities and its main area for spending, the efforts made have also paid off. Thanks to a rationalization of purchasing, an improved organization for its operations, and the gradual migration of systems over to technologies that make it possible to do better at lower costs, more than 200 million euros were saved in 2007. One of the main sources of cost reductions was the optimization of compensation for other operators for the routing of Group customer calls on their networks. In the end, the network and information system activity is well positioned to meet its objective for a two-point increase in its margin between 2006 and 2008.
A good performance has also been achieved on service costs thanks to a range of initiatives: improvements in reliability for new Internet services (Livebox) and generating less demand for after-sales service; a reduction in the number and cost of contacts with customers for technical issues thanks to better quality and automated processes; growing popularity of electronic invoicing, with 86% of broadband customers in France now covered; effective control over spending on IT research through rent for mobile sites and equipment maintenance. Lastly, labour expenses are in line with the target set, representing 16.6% of revenues, down 0.2 points compared with 2006.

shared networks

Orange and Vodafone signed a new partnership agreement in February 2007. Following Spain, it was the UK's turn to cooperate by pooling their 3G networks. The benefits of this type of agreement include cutting maintenance costs, accelerating deployment, reducing the environmental impact of networks, and effectively managing investments in sites in order to focus resources on innovative products and services.

less energy = less costs

In November, the Group launched the Eco Centre project, a far-reaching plan to consolidate its technical infrastructures worldwide. The aim is to enable several systems to operate based on one dedicated server. This offers two benefits: firstly, in terms of the environment, with a potential 30% reduction in energy consumption for data centres, and secondly, on an economic level, targeting 18 million euros in cost savings over three years.

maintaining investments

While optimizing its operating expenses, the Group has maintained a significant but stable level of capital expenditure as a percentage of revenues. In 2007, it came to 7 billion euros, representing 13.2% of revenues, in line with the objective set out. While the rate of investment has remained stable, the actual breakdown of investments is changing significantly, reflecting the Group's strategy and paving the way for developing new growth drivers. Investments in traditional networks (fixed and 2G mobile) will continue trending down, while investments in 3rd generation networks peaked in 2007. The room for manoeuvre freed up in this way will be used to invest in new generations of networks, including fibre optics, which is expected to take off after 2008, as well as in mobile broadband, high potential service platforms and new activities, such as content and healthcare.

630 million
euros increase in the gross operating margin (on a comparable basis)

210 million
euros in savings on networks and information systems in 2007 (on a comparable basis)

56%
fewer Livebox returns between 2005 and 2007 in France

a key asset serving performance: an integrated network and information system

With the integrated service operator strategy rolled out since 2005, the network plays a key role. In order to stand out from the competition and earn customers' preference and loyalty, the Group must be able to offer the best experience on the market in terms of performance and quality of service. This calls for a policy of constant innovation in terms of network infrastructures and information systems, offering increasingly faster speeds and wider coverage for convergent solutions, combined with levels of availability and reliability for services that are truly beyond reproach. In a world where demand for capacity is constantly increasing, due, among other things, to the explosion of Internet services and the development of online transactions and downloads, the Group has an international very-high-speed broadband network in order to meet the expectations of its customers, which represents a major asset for achieving the objectives that it has set itself.

a new ecosystem centred around the customer

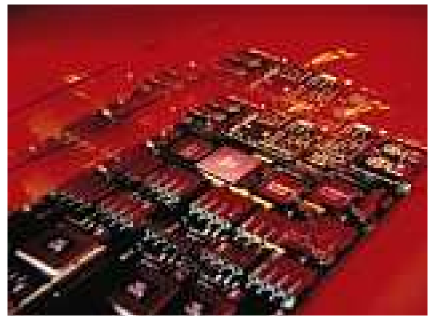
In the past, the customer has been at the end of a connection, and the operator's "business" was just connecting lines from one point to another in order to put them in touch with their contacts. Today, the customer is at the heart of a global communications network hosting a wide range of services: they are permanently connected with all the other network users worldwide, they are consuming more and more content, they are even producing their own content on Web 2.0 and they are enjoying access to services that are useful for their day-to-day lives, using it for work, playing online, watching TV and more.
This new environment is changing the way in which the networks and information systems are contributing to operational excellence. Now, it is no longer only call time that is being made available to customers but increasingly vast and diversified services. So, while increasing speeds, the Group must offer ever more reliability and simplicity, in particular through convergence in fixed, mobile and Internet services. This further enhances the experience for current network users, whilst attracting new customers who are relatively unfamiliar with new technologies in addition to the one billion existing Internet users. The Group's growth potential for future years lies in this democratization of uses and in the value delivered by the network.

preparing the services, networks and information systems of the future

The Group is firmly focused on ensuring that its networks dovetail effectively with one another. It already has very strong coverage in fixed broadband (with ADSL) and/or mobile broadband (with 3G and 3G+) in four key countries: France, the UK, Spain and Poland. The aim is to ramp up this coverage in the countries where it is present with alternative or additional solutions alongside traditional networks that can be used to continue offering faster speeds for customers. In this way, the Flybox, an adaptation of the Livebox, makes it possible for customers to enjoy all the advantages of broadband (Internet, telephony, etc.) in areas without sufficient fixed ADSL coverage by using the mobile network. Launched in November 2007 in Romania, the Flybox will shortly be offered in other countries such as Slovakia, Spain, Jordan, Egypt and Moldavia. Furthermore, a new generation of decoders, notably using a satellite link, will make it possible to roll out triple play services to cover close to 100% of France as of summer 2008.
It is also essential to invent and put in place the services of the future. As one of the world's leading operators for the development of Next Generation Network (NGN) and IP Multimedia Subsystem (IMS) solutions, based on a close partnership between R&D and its suppliers, the Group will be providing its customers with even simpler interaction with services, whether fixed or mobile, voice or Internet, as of 2008.
In addition to broadband, the Group is gearing up for the rapid development of the networks of the future, with very-high-speed broadband. In terms of mobile, it continued rolling out 3G+ in France during 2007. Strong progress has also been made in Spain, while deployment is set to be ramped up in the UK in 2008. In fixed-line, the Group is focusing on fibre and the first deployments have already been completed. In Slovakia, more than 150,000 households are now able to access very-high-speed broadband thanks to the fibre optic network deployed in 2007. In France, following a successful test phase in the Paris region, the Group is moving ahead with the pre-deployment phase for its fibre network in 10 major cities.
Lastly, our adoption of an enhanced information system architecture is further strengthening this policy. Convergent, open and more reliable, this architecture will be able to integrate new solutions, offer customers the best experience on the market and build dynamic relationships with a growing number of partners.

"The international dimension is factored in to all of our projects. The Group's network and information systems teams alone are a community of 60,000 people around the world.
For each innovation, we identify countries' needs and try to develop joint solutions. In this way, we have been able to very rapidly launch a service like IP telephony in many countries, without starting again from scratch each time. This is saving us both time and money, while improving quality of service for the customer."

Marie-Jo Revillet, Senior T 3G Project Manager, Networks, Carriers and Information Systems Division, France Telecom.



moving into new territories

Within an increasingly competitive environment it has become essential for the Group to adapt its growth model. Its strategy is to develop new revenue sources to support and accelerate its development. To do this, while continuing to develop its core business, the Group is opening up new regional markets while continuing with a pragmatic external growth policy and expanding its presence into new countries, as well as organizing itself to develop revenues in new sectors and more specifically content, audience and healthcare.

effectively managed external growth

With its new-found and significant financial leeway, the Group is rolling out a selective external growth strategy. Throughout 2007, it followed a cautious acquisition policy, aimed at seizing the best opportunities on a case-by-case basis, in line with specific criteria tailored to each region.
The objective was to consolidate the Group's activities in Europe, whilst finding new sources of growth in countries with strong potential for development.

stronger presence in growing markets

In these markets, the Group extended its presence as part of the privatization process or by acquiring licenses. The strategy focused on countries with strong potential for growth and, in particular, acquisitions that will make it possible to provide genuine operational added value. Based on these criteria, Africa took centre stage in 2007 with its booming mobile market. Better able to cover sparsely populated areas, mobile telephony is well suited to the African development model and supplements the deployment of more expensive landline infrastructures. Demand is very high in this region, and business is profitable, despite a lower level of average income per user than in industrialized countries.
The Group significantly strengthened its presence in Africa by acquiring mobile licenses in Guinea, Guinea-Bissau, Niger and the Central African Republic. Elsewhere, in December 2007, the Group acquired a 51% stake in the operator Telkom Kenya, which has over 280,000 fixed-line customers as well as a new mobile license.

consolidated positions in European markets

In the mature markets, the Group's external growth policy is based on another need to consolidate its position in Central and Eastern Europe and optimize its portfolio of assets in Western Europe.
Factoring in the market penetration and the tendency for players to consolidate in markets that have reached maturity, the Group made several acquisitions in line with a range of specific criteria aimed at benefiting from economies of scale and developing its strategy for the implementation of convergence.

"We are now present in 14 countries in Africa and the Middle East, making the Orange brand a pivotal and very fast growing player in these markets. Orange now has over 23 million customers there, mainly for mobile telephony. We will continue with this selective development policy in 2008, looking into opportunities that may arise in this region as part of privatization processes or the granting of new licenses."

Bernard Izérable, Head of Mergers and Acquisitions, France Telecom.

critical mass for convergence

Indeed, the objective is to establish a sufficiently strong position in all of its markets to help launch new offerings, and convergent solutions in particular. With this in mind, in autumn 2007, the Group separated from its activities in the Netherlands where Orange was the fourth biggest operator in this highly competitive market.
However, the Group took opportunities to significantly strengthen its presence in the Spanish market. In July, it acquired 100% of the Internet service provider Ya.com. This move further strengthened the Group's position as number two in ADSL in Spain, with more than one million subscribers and a market share of 18.4% in the fourth quarter of 2007. This acquisition also marked a decisive step forward with the deployment of its strategy to offer Spanish customers convergent fixed, mobile and Internet services. In December, the Group also sealed an agreement to acquire a further 25% stake in Al-Pi, the Catalan operator specialized in business telecommunications services, raising its stake in the company to 100%.

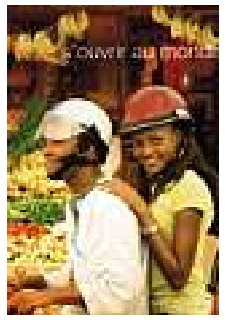
mobile opportunities

In the mobile sector, the Group increased its presence in Europe through two operations. In May, the Group's Belgian subsidiary Mobistar signed an agreement to take over the Luxembourg firm VOXmobile. This operator, launched in 2004, has in just a few years built up a share of around 20% of the Luxembourg market.
Furthermore, in October, the Group further strengthened its presence in the Austrian market thanks to a partnership with an investment fund specialized in this sector and region. It now controls 35% of the capital of ONE GmbH, Austria's third largest mobile operator, with a 20% market share and 2 million customers in the third quarter of 2007.

strengthening capabilities in enterprise services

Lastly, also in July, the Group strengthened its position in Asia as an integrated operator in enterprise communications solutions. Indeed, Orange Business Services acquired the "Enterprise" and "Managed Services" divisions of the Indian group GTL Limited, which specialize in IT and telecoms integration services. This operation enables the Group to not only extend its presence in India, but also improve its ability to serve its major international customers in the Asia-Pacific region.
2007 was also marked by the effective integration of the Diwan Group, Neocles Corporate and the Silicomp Group, acquired at the end of 2006 and early 2007, who specialize in IT and telecoms services.

1.1 billion
euros of acquisitions in 2007, with 1.8 billion euros of disposals



"A successful gamble for Orange in Guinea: more than 200,000 customers in 25 towns and cities have already signed up for the Group's services, whereas commercial activities were only launched in November 2007, after the acquisition of a license in March. Orange is on track to become the market leader and plans to continue with its investments in order to provide Guineans with the very latest technologies."
Brelotte Ba, Head of Marketing and Sales, Orange Guinea.

content: entertainment everywhere and for everybody

Strengthening the value of its networks, generating new sources of revenues and acquiring new customers and building their loyalty: around these objectives, the Group continued rolling out its convergent operator and content aggregator strategy in 2007. This is making it possible, in particular, to expand its customer base in triple play services (telephone, television, Internet) and boost new uses with, for instance, mobile TV, which is expected to develop at a strong rate in 2008.
As far as content is concerned, the Group is developing its business by focusing on two key areas: firstly, it is acquiring broadcasting rights for existing content to make it available to customers on their mobiles as well as online and on ADSL TV; secondly, it is building design and production partnerships in order to create exclusive content on its networks. This activity was significantly accelerated in 2007, with the development of new forms of entertainment and new means of consumption in the media sector, highlighted by the growing popularity of fixed and mobile broadband. Alongside traditional mass broadcasting, it is opening up greater possibilities for providing each customer with targeted content in their personal areas of interest, whenever and wherever they wish. With televisions, mobiles and computers all dovetailing seamlessly with each other, the Group's networks are perfectly suited to this new reality, which is creating a virtuous circle: with higher quality and more interesting content, the customer base grows and becomes more loyal, with the networks generating more value. In this field, France is a pioneer in implementing a content strategy, but there are also many initiatives elsewhere within the Group.

"Orange's content is unique and original in bringing together all of the innovative services associated with it: video on demand for viewing online, on Orange TV or mobile, high-definition programs, a multi-TV screen option enabling each person at home to enjoy the program of their choice and watch it on their own TV, as well as the Liveplug system for connecting the Livebox to the Orange TV decoder using the power network."

Hervé Payan, Head of Partnerships and Services, Content Division, France Telecom.

banking on the richness of the offering

To create a comprehensive content offering, the Group is providing access to traditional television programmes on its Internet and mobile services, via both basic and premium packages, such as CanalSat, special-interest channels, exclusive content with dedicated channels for key events (Roland Garros, Route du Rhum, etc.) in

new fields

Looking beyond its core business as a telecommunications operator, the Group is developing new sources of revenues in convergent activities and services to keep driving growth.
In 2007, it offered an increasingly wide range of content to build customer loyalty and support new usages. This is generating strong audience levels on all screens formats: from mobiles to computers and televisions. The Group is also supporting the development of the healthcare sector in Europe with innovative solutions that serve both patients and care teams.

France. In Poland, the Group launched a plan to develop convergent services mid-way through July, with television services available on ADSL and mobile. In this way, a Disney ABC series is already being broadcast. It is gradually being supplemented with other programmes, with the selection to be significantly strengthened during 2008 following the partnership agreement signed with Canal+ Cyfrowy, which will make it possible to extend these convergent services via satellite to areas that are not currently covered. In the UK, the Group launched Frank TV on Orange mobile TV, a programme dedicated exclusively to the star of the Chelsea football club. In addition, in September 2007, the Group launched Orange Sports TV in France, the first interactive multimedia sports news channel, which is already attracting nearly 180,000 viewers each day.
In France, this sports content offering will be further enhanced in 2008, after the Group won three of the components in the tender at the start of the year for broadcasting rights for the French football Ligue 1 over four seasons: the big matches on Saturday evenings, championship highlights via video on demand (VoD) and all matches on mobile.

> “Music represents one of the pillars of the Group's content offering. Launched in November last year in the UK, Orange Music is becoming increasingly popular. This service makes it possible for our customers to legally download music from their mobile or computer, and transfer their tracks to one another in total freedom.
> We are offering them a selection of 500 new tracks and hits, whilst also providing them with access to a catalogue of over one million songs. After just a few months, we are already seeing an average of 250,000 downloads each month, and we have established a lead over the other operators. In addition, Orange Music now has a convergent download centre: when customers buy a track on their mobile, they automatically receive it on their computer as well.”
>
> Richard Wheeler, Head of Music Partnerships, Orange UK.

Lastly, music is also firmly established within the range of content. In 2007, a subscription-based video on demand service was launched, providing unlimited access to watch a large catalogue of music videos, concerts or even documentaries on Orange TV and on the Internet. The Orange Music Store service for downloading tracks was also rolled out in 10 countries. With this service, the Group joined forces with Sony Ericsson to promote new musical talent: the “mobileAct Unsigned TM” is a competition between groups who compose and play their own songs, and has been a resounding success in Switzerland and the UK, where customers can watch it on television, on mobile and online.

events and partnerships

To accelerate its development, content activity is based on an active partnership policy. In this way, in line with its sponsorship, the Group has been able to offer content for the Victoires de la Musique in France, Cannes Film Festival, Roland Garros tennis tournament, Tour de France and the Rugby World Cup. As another major event, Orange Cinema is offering the opportunity each summer for cinema fans in Switzerland to watch both classic and recent films on big screens in the most beautiful parts of five major cities throughout the country. In Senegal, in addition to rolling out a new version of the Orange TV portal, enhanced with new films, music videos and concerts, the Group supported the 9th Neighbourhood Film Festival, which was held in Dakar at the end of December 2007.
Furthermore, in order to add to its video on demand catalogue, it signed an agreement with Gaumont in November for France and another with MGM in December covering France, Spain, Poland and shortly the UK. More recently, the Group was a partner for the blockbuster *Asterix at the Olympic Games,* creating the fun daily show “AVe TV, the television of the Empire” especially for this occasion. This programme made it possible to support the film's release in France, Switzerland, Slovakia and Romania. These close ties between the Group and the movie industry can also be seen in an innovative partnership: “Orange Wednesdays”. Thanks to a wide-scale agreement, Orange's customers in the UK, Romania and La Reunion are able to benefit from a special offer every Wednesday letting them buy two cinema tickets for the price of one.

three specialized subsidiaries

The content activity is also based on three subsidiaries: Goa, which manages videogame downloads and oversees the online gaming portal www.goa.com; Studio 37, responsible for investing in co-production rights and acquiring French and European films, with a targeted approach to support the transition from today's ways of enjoying images and tomorrow's; lastly, Viaccess, which specializes in content security, generated over 50 million euros in revenues in 2007, and is growing at a strong rate, particularly in Asia.

in france:

a catalogue of
9,000 programmes,
with 3,000 films for video on demand

close to
4 million
video on demand sessions in 2007

close to
1.2 million
customers for Orange TV

over
60 channels
for mobile TV

over
200 ADSL TV channels
with 58 free on Orange TV

> “The days of when media consumers being content with the Sunday TV show and their daily sports clip morning is well and truly over. Thanks to the new media, customer-viewers are able to access sports events whenever and wherever they want. This is essential in order to increase audience figures: in all countries around the world, people have a strong interest in sport. Sports are one of the few live events whose outcome is totally unpredictable. It is also a product that is relatively safe from competitors offering alternatives: when you have the rights to football, what content is your rival actually going to be able to offer?”
>
> Patrick Chêne, Chairman of Sporever, the new media sports content specialist.

transforming audience into revenues

The Group has some of the world's most visited portals, both under the Orange brand and other names. In this way, in February 2008, the Internet audience measurement specialist comScore estimated that the Group's sites had 58.4 million unique visitors each month, ranking the Group 23rd in the world's most visited sites and number one in Europe in terms of audience figures.

This strong audience positioning is particularly strategic since online advertising is a market that is growing at a very strong rate worldwide: Internet advertising investment was nearly 36 billion dollars in 2007 and should top 60 billion dollars by 2010 (source: advertising expenditure forecasts, ZenithOptimedia – December 2007).

According to this same source, the Internet, mobiles and television will account for half of the advertising market in 2010.

"Integrating the previous Wanadoo, Equant and Orange portals within one dedicated portal for each country, the Group has not only demonstrated its leadership in convergence, but also its brand values being honest and straightforward towards the customer. Following the successful launches in France and Belgium in 2007, the integrated portal is being extended to include the UK, Spain and other countries."

Thomas Kohler, Head of the Portal NexT product line, Audience and Online Advertising Division, France Telecom.

The Group has significant experience in this area, where it has its own advertising agencies or is working with partners in order to sell advertising space on the Group's Internet and mobile portals. In addition, the teams managing these media have been designing campaigns with advertisers for several years now. This additional source of revenues is therefore expected to develop over the next few years.

dedicated advertising structure

In order to capitalize on and develop this new revenues source, the Group decided at the end of 2007 to reorganize its activities in this area and create a dedicated business unit for online advertising. The audience and online advertising division aims to deliver strategic support and make the Group's innovation capabilities available to the teams in charge of Internet portals, mobile and TV in the various countries.

Indeed, the Group has major advantages in developing online advertising sales on its sites. In addition to its large audience, which goes far beyond its own customer base, it can capitalize on its unique positioning on the three screens – computer/TV/mobile – with more than 100 million mobile customers, more than 10 million broadband Internet customer, and more than one million ADSL TV customers. Lastly, thanks to its expertise in technologies and localization services, it is in a position to offer particularly innovative and attractive solutions for regionally targeted advertising and small ads. These are all elements that allow it to set its sights on the online advertising market.

areas for development

In order to develop its audiences, the Group is continuing to introduce innovative services: Pikeo, a community service for sharing photos online, open to all and available in English, French and Spanish; Soundtribes, allowing self-produced artists to create their personal space and put their music and videos online; Whosegame and "Mes données". In the US, the Group is drawing on Starmedia, the sixth-largest Hispanic community portal with over one million unique visitors each month. It is also covering gaming communities, notably through its subsidiary Goa, which offers multiplayer online games and is set to launch a new online video game – Warhammer – in 27 countries and five languages in the third quarter of 2008.

Group Internet audience per month

number 3
in France
with 17 million unique visitors
(orange.fr, 118712.fr, voila.fr, etc.)

number 5
in Spain
with 9 million unique visitors
(orange.es, ya.com, Rincon del Vago, Autocity.com, etc.)

number 3
in Latin America
with 17 million unique visitors
on Starmedia

number 2
in Poland
with 8 million unique visitors
on Wirtualnapolska



"The key challenges for this new division are to develop the audience for our sites and online services, mobile and ADSL TV (IP TV), strengthening our advertising market share, particularly at a local level, and offer targeting solutions in order to improve effectiveness for our advertisers."

Paul-François Fournier, Head of the Audience and Online Advertising Division, France Telecom.

becoming a major e-health player

The e-health sector represents a source of growth for years to come, with health spending, notably in Western Europe, increasing by 4 to 5% a year. The sector's dynamic development is underpinned by three main trends. First of all, the increase in life expectancy and the need to improve living conditions for the elderly; according to the OECD (ESPICOM, March 2007), 25% of people in Europe will be over 60 by 2010, with 20 million dependent people. Next, care for chronic illnesses is becoming increasingly expensive; 30 billion euros a year for diabetes in the US, 170 billion euros a year for cardiovascular diseases in Europe. Lastly, the need to modernize health systems and relations between practitioners is starting to be felt more and more; the UK plans to invest nearly 20 billion euros over 10 years, while some 270 billion euros will be invested in Eastern Europe. Within this context, the world of healthcare is expressing requirements for new technologies that will not be able to be met by IT players on their own. An integrated telecommunications and services operator such as Orange is able to respond to these e-health issues, on the one hand by offering solutions to facilitate patient care and treatment follow-up, and on the other by facilitating coordination between the various players and improving the sector's overall productivity.

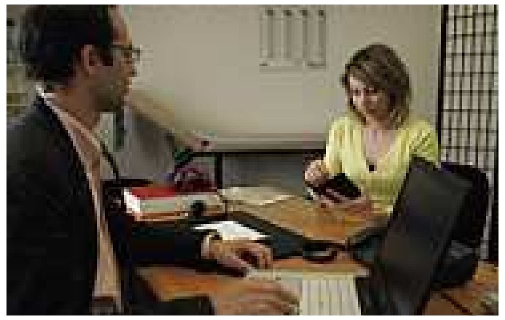
capitalizing on the Group's experience

The Group has been active in this area for many years now, through its subsidiary Almerys for instance, which is already enabling some 95,000 health professionals in France to manage reimbursements for care more effectively. In order to accelerate the rollout of new solutions and accompany the market's growth, a new division called Orange Healthcare, grouping together all the Group's health activities, is now responsible for implementing the strategy: offering its customers value-added services in data processing, communications equipment, distribution, logistics and invoicing.
Orange Healthcare aims to meet the market's needs with four types of approach, ranging from the specific relationship with individuals to large projects: services for people (remote non-medical assistance, remote monitoring of chronic diseases, home-based care, etc.), services for independent doctors (secure transfers, imaging, remote analysis and consultation, etc.), services for institutions (network solutions for hospitals, dematerialization of exchanges with insurers, remote medical operations, etc.), and lastly, major projects supported by public health organizations, such as electronic medical files.

> "The launch of Columba in France represents a key moment, when we see the convergence of public health policy to fight Alzheimer's, and the deployment of an extraordinary and safe new technology. We spent a long time developing and enhancing it before it received its approval from the Orange research centres. We are fortunate to have been able to build up such a close partnership with a major international group like Orange."
>
> Jean-Pierre Philippe, Chairman of Médical Mobile, the company that developed the Columba bracelet.

first innovations

In 2007, the Group implemented this strategy by launching a series of promising innovations. The Columba bracelet, for example, developed through a partnership with Medical Mobile in response to the heightened focus in Europe on the fight against Alzheimer's, represents a key breakthrough in terms of caring for and ensuring the safety of patients monitored by healthcare centres. Another example is Connected Hospital, a complete solution for equipping hospital centres with IT and communication tools in order to make their carer team's jobs easier through better information sharing, while improving conditions for patients during their stay by making new multimedia services available to them, all from their bed: Internet, games, television, etc. A solution for emergencies also enables the intervention teams in the field to transfer all the medical information on the person who has been injured to the hospital while en route.
The Group has also developed an online vaccination book and will be launching new solutions as of 2008, including a service for booking appointments with doctors online (Clic to book), tools for managing diabetes treatments, and a 3D medical office in order to facilitate data sharing between professionals.



> "Our centre is specialized in the rehabilitation of patients with brain damage, often leading to difficulties with verbal and non-verbal language. In this respect, communications tools and information systems can serve as a genuine "extension" of patients, facilitating communication and awareness for these people. They have also proven very useful for strengthening the sharing of information between carer and non-carer professionals, as well as with patients' families. Lastly, they represent a key asset for a centre like ours, which is located outside the city centre, facilitating the communication of medical files to the region's universities for instance."
>
> Dr. Bernard Lange, Head of the Saint-Blancard Functional Rehabilitation Centre, France.

3

Support our customers at home on the move at work

at home

The Group offers Home Communication Services notably in Europe, Africa and the Middle East. The main changes and trends seen in this market over 2007 include the rapid development of convergence. This strategic choice, made in 2005, is today at the heart of this activity and has made it possible to optimise the Group's resources with, for example the adoption of Orange as the single brand in the distribution networks of a large number of countries.
It is also enhancing and simplifying the experience for customers, for example through the Livebox, with which 50% of the Group's broadband customers are now equipped, enabling fluid connections between new-generation services and terminals. Finally, it is convergence that is making the Group's services more attractive with multiplay (Internet, telephone and television), combined mobile and Internet services, or even one dedicated invoice for all services.

n°1 in Europe for IP telephony with 4.8 million customers
n°1 in Europe for ADSL with 11.7 million customers
6.1 million Liveboxes sold in Europe (+53%)

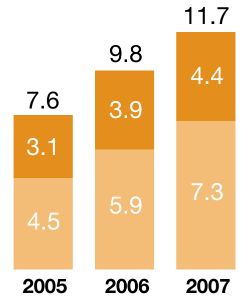
Against this background, the Group's strategy for home communication services runs along four main lines: strengthening the Orange brand, which now covers most broadband customers; continuing improvement in quality of service; marketing innovative products and new offers; and launching broadband services in certain countries where the Group has, until now, offered only mobile services. These four areas of focus allow the Group to strengthen its leadership position for fixed-line services in Europe and to pursue development in other countries based on the complementary nature of its fixed, Internet and mobile packages.

Optimal management of conventional telephony

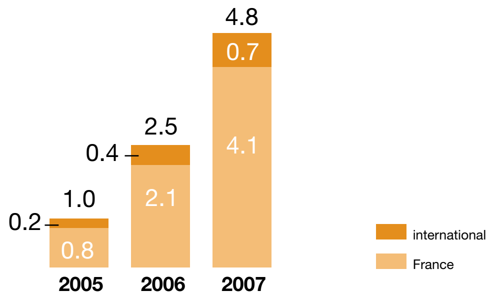
While developing new broadband Internet services, IP telephony and ADSL TV, the Group is continuing to manage its activities in conventional fixed-line telephony. These remain an important source of revenue and are an answer to the communication needs of large numbers of customers. Furthermore, the Group's market share and number of fixed lines in this sector have increased over 2007, particularly in the two key countries of France and Spain, primarily because these are needed in order to access broadband Internet.
The face of the home-user market has changed: the proliferation of operators and the competition on prices, for both fixed-line and Internet activities, are now giving way to a consolidation of players' and intense competition in innovation and quality. Thus, the three main players together account for 92% of the market in France and 82% in Spain. This trend is also becoming apparent in other countries as well, although the UK and Polish markets, for example, are still relatively fragmented between a large number of players.

Growth driven by broadband

Revenue from home communication services was 22.7 billion euros in 2007. Revenue from ADSL services (including revenue from wholesale access sales and unbundling of telephone lines) continues to rise strongly: in 2007, it accounted for 20% of total revenues for residential business, compared with 15% in 2006, largely offsetting the downturn in conventional telephone services in France, Poland and Spain.
In Europe, there were 11.7 million retail ADSL broadband accesses at 31 December 2007, representing an increase of 18.7%, and a further 1.8 million ADSL accesses. The number of Liveboxes rose by 47% year-on-year, with 6.1 million units sold in Europe by the end of 2007.
The number of customers for IP telephony services almost doubled during the year, reaching 4.8 million compared with 2.5 million in 2006. Finally, the number of digital broadband TV subscribers in Europe rose to 1.2 million, compared with 590,000 a year earlier.



Broadband customers in Europe (in millions) published data



IP telephony customers in Europe (in millions) published data

in the principal european markets

in france

Revenue from home services rose by 1.4% to 17.96 billion euros on a like-for-like basis, despite the 17.3% fall in revenue from conventional telephone communications traffic. The most important development of the year was that for the first time, growth in Internet activities was higher than the downturn in revenue from conventional telephony. Overall, the Group maintained its market share in fixed-line services at 84%, thanks to attractive new offers such as “optimales” contract packages. In the last quarter of 2007, its market share in broadband services remained stable at 49.4%, largely owing to the success of “Net” packages (Internet without telephone subscription) and triple play: 71% of Internet customers in France use Livebox, while 56% have subscribed to IP telephony and 16% to ADSL TV.

In general, the Group has been working aggressively to win new customers signing up for Internet services for the first time, and has set up a loyalty programme, named “davantage” (more), which already covers more than 6 million customers. For both fixed-line telephony and Internet services, the Group has simplified its offer catalogue (packaged formulas, “Net” packages) and strengthened its customer support; for example, through offers of installation, training, or assistance when moving house.

In 2007, we saw the completion in France of the “Broadband For All” plan launched in 2003. 98.3% of the population is now eligible for broadband services. The number of retail ADSL broadband accesses is also up, climbing 23% year-on-year to 7.3 million.

The number of Liveboxes sold rose by 52% year-on-year to 5.2 million units. The number of IP telephony customers doubled to 4.1 million, and the Group now has 1.15 million ADSL TV customers. Video-on-demand services have also been a success, with 2.5 million paid downloads.

The priorities for 2008 are to maintain the Internet market share at its current level, faced with the consolidation of the competition, while developing satellite-based triple play coverage, promoting new uses and activities (advertising, content, entertainment, etc.) and continuing with pre-deployment for fibre.

“In September 2007, Orange launched fixed-line telephony services combined with new broadband packages. For the first time, Orange customers in the United Kingdom were able to obtain fixed-line telephony and broadband Internet services on a unified contract, with a single bill and a single customer service number. With Home Max package, it is no longer necessary to pay for a separate telephone subscription. These new services offer Orange customers a new telecommunications experience at attractive prices, which they can make even more competitive by combining their mobile and broadband subscriptions.”

Asif Aziz, Product Marketing Director, Orange UK..

in the uk

Revenues from residential business amounted to 403 million euros, representing a year-on-year fall of 5.1%. This drop is chiefly attributable to the Group’s narrowband and portal activities. It was largely offset by the rise in broadband revenues, thanks to the substantial increase in the number of ADSL customers (up 7% to 1.1 million subscribers), combined with a higher percentage of unbundled broadband customers: 30% at the end of 2007 compared with 16% at the end of 2006. The Group also benefited from the successful launch, in September, of the dualplay package, offering voice and broadband Internet services.

The major efforts exerted throughout the year, in terms of both customer satisfaction and commercial offer, have borne fruit: service quality is improving, new content partnerships have been signed with Disney and MGM and digital TV is undergoing trials in readiness for its proposed launch at the end of 2008.

2008 will give the Group the opportunity to accelerate the implementation of this strategy by enriching its product range and optimising its customer base.

in spain

In Spain, revenues from Home Communication Services totalled 604 million euros in 2007, representing a year-on-year fall of 4% on a comparable basis. The number of ADSL customers rose by 28.2% to 1.18 million subscribers, with broadband largely offsetting the decline in traditional telephony. The success of the new Todo en Uno package (“all in one” monthly package including monthly fee, TV, Internet and unlimited telephony) boosted sales: in the fourth quarter, this offer won 30.6% of all new customers on the Spanish ADSL market, with almost 100,000 customers signing up. In addition, the successful integration of Ya.com gave the Group an ADSL market share of 18.4% in fourth quarter, making it number two in Spain, offering a credible alternative to the historical operator. The ADSL TV service was also a resounding success, with 54,000 customers by the end of the year.

In 2008, the Group will capitalize on the success of Todo en Uno to improve access to triple play services. It will also enhance its unbundling strategy by deploying new distribution options to ensure customer

“With the Todo en Uno service, Orange has once again demonstrated its ability to innovate and anticipate the market’s expectations. This is a truly differentiating product which makes life easier for our Spanish customers: a single operator offering the full range of communication services, with a single bill, savings and irreproachable quality.”

Ignacio López Bandrés,
Head of Residential Marketing
for Orange in Spain.

satisfaction. Finally, it is looking to launch new convergent offers, develop televised content and start up a test phase for fibre in Barcelona and Madrid.

in poland

Revenues from residential business totalled 2.9 billion euros in 2007, a fall of 8.1% like-for-like. Fixed-line services in Poland continued to be marked by the ongoing migration of users to mobiles, as well as by the call termination rate cuts set by the local regulator in October 2006 and May 2007. These unfavourable effects were offset to some extent by the growth in ADSL services and the expansion of business network management services.

The Polish broadband market continued to grow in 2007, with over 800,000 residential accesses put into service and a penetration rate of 34%. The Group continued to roll out its broadband Internet services, achieving a market share of 43%, making it the uncontested broadband leader, despite rather unfavourable regulatory conditions. It succeeded in stabilising the erosion of its margin in fixed-line services thanks to a new tariff policy.

The number of ADSL accesses has seen a sustained rate of growth, with a year-on-year rise of 18.1% to 2 million. In 2008, the new pricing balance is expected to make it possible to maintain the market share, while the Group plans to accelerate the expansion of its broadband customer base, promote triple play with attractive content and television services, and develop customer loyalty through faster speeds and the increasing popularity of the Livebox.

in europe, the middle east and africa

In these countries, residential activities generated revenue of 2.1 billion euros in 2007. Although the geographical spread remained modest, this area of business saw several high points in 2007. In Europe, a new ADSL offer was launched in Switzerland, while Belgium saw the launch of an IP telephony offer. In Slovakia, where it was already number 1 in the mobile market, the Group supplemented its activities with Orange Doma, the first fibre to the home offer (FTTH), covering 10% of the population, with over 150,000 customers connected at the end of 2007. In Romania, the coverage of broadband Internet services increased thanks to the launch of the Flybox. In Africa and the Middle East, the Group actively continued with the deployment of broadband, including the launch of triple play services in Senegal. There was a strong year-on-year rise in the number of customers for these services. In Jordan, the Group is now the market leader in broadband, with a year-on-year 101% increase in the number of customers. Following the switch to the Orange brand, a major feature of the year, its activities were reorganised to match market segments in line with the model used for other countries where the Group has a presence, and this should allow it to provide better answers to the changing expectations of its customers.

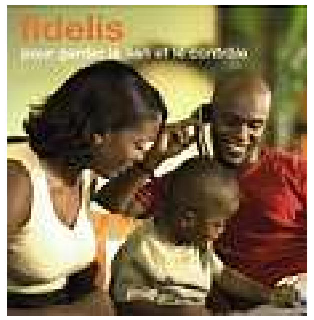
On the Ivory Coast, where demand for ADSL is growing strongly, the number of broadband customers also saw a year-on-year 110% rise, and Livebox was launched in the fourth quarter, marking its first steps as an integrated operator. Growth in broadband activities was sustained in other countries: +38% in Senegal and +30% in Mauritius. In total, the Group now has 124,000 broadband customers in Africa and the Middle East.

For 2008, the priority in these countries is to consolidate the development of these broadband customers in Romania, Slovakia, Switzerland and Belgium in order to fully implement the integrated operator strategy and become a leader in triple play and quadruple play in these markets. In Africa and the Middle East, efforts will focus primarily on quality of service through an improvement in network capacities.

in the Group's other markets

"In the Polish market, which remained highly competitive in 2007, TP Group confirmed its leadership position in broadband with 43% of the residential market, thanks to the launch of several commercial offers based around its flagship Neostrada TP package. These promotions enabled customers to benefit, for example, from a broadband subscription including a laptop computer with Microsoft Office pre-installed. These offers, among others, help to win customers' loyalty and accelerate their migration to broadband."

Katarzyna Scheer, Head of Broadband Marketing, TP Group, Poland.



on the move

Four major trends characterised the mobile market in 2007. Firstly, quality of service and customer satisfaction levels became essential levers of growth and major elements of differentiation from the competition. Secondly, the rapid rise of unlimited offers is proving to be the driver for winning and retaining customers and increasing the usage and revenue each user generates. Thirdly, there is growing demand for convergent services among both retail and business customers, who are increasingly looking to be able to combine fixed and mobile services. The fourth and final trend is the development of mobile broadband, which is stimulating new uses, such as TV access and music downloads.

109.7 million mobile customers in 24 countries
13 million broadband mobile customers
1.88 million customers in Europe, hosted by mobile virtual network operators (MVNO)
number 3 for mobile in Europe

Number 3 in Europe for mobile telephony, the Group is rolling out its Personal Communication Services in 24 countries worldwide. Western Europe represents its main market, generating 77% of its revenues, followed by Central and Eastern Europe (14% of revenues), then Africa, the Middle East and the West Indies/French West Indies/Antilles (9% of revenues). In 2007, the Group confirmed its leadership in France, consolidated its positions in the UK and Spain, and achieved very strong growth in the emerging countries. It has seen good performance in all these regions, driven in particular by a significant increase in the mobile customer base (12%) and the growing popularity of 3G broadband services.

earnings on the rise

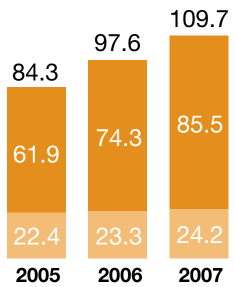
Personal communication services produced revenues of 29.1 billion euros in 2007, a 5.7% rise on a like-for-like basis. Two-thirds of this growth was generated by the growing markets, with a 17.4% rise, while the mature markets of Western Europe, more affected by call termination and SMS price cuts, saw a rise of 2.6%. The gross operating margin represents nearly 10 billion euros, up by 5.8%.

The number of mobile customers stands at 109.7 million, a strong rise on previous years: on a comparable basis, 14.1 million customers joined the Group in 2007, compared with 12.8 million in 2006 and 11.7 million in 2005. The number of broadband customers more than doubled in 2007 to 13 million, from 5.8 million in 2006.

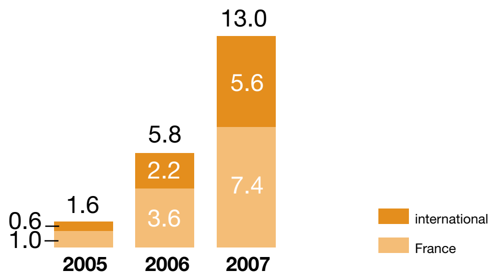
In Europe, hosting activities for mobile virtual network operators (MVNO) also increased, with 1.88 million customers compared with 1.03 million for the previous year on a comparable basis.

four priorities for the future

Globally, the Group is setting itself four main priorities to stimulate the growth of its mobile business in 2008. As has happened in Slovakia, the ambition is to be the number 1 everywhere for customer service – a decisive trump card for winning market share and creating loyalty where customers are now completely familiar with mobile services. Secondly, the Group will optimize its presence on the market by increasing the points of sale under its control and improving their profitability. Remaining at the forefront of innovation will also make it possible to seize all the opportunities offered by convergence and multiplay: extension and better penetration of multimedia handsets, data services on Unik, thinking about future services to make mobile life easier… Finally, the Group will continue with its efforts to improve its operating efficiency in all countries.



mobile customers around the world (in millions) published data



broadband mobile customers around the world (in millions) published data

in the principal european markets

in france

In this market, Personal Communication Services represented 10 billion euros in revenues, up by 1.1% on a comparable basis, even though regulatory changes have led to lower rates for call terminations, international calls and SMS. Data services rose by 14% and now account for 17.3% of revenues, compared with 15.3% in 2006. Turnover and profitability increased, based around two strong points: on the one hand, the stabilisation of market share at 45.5% despite strong competition; and on the other hand, the rise in the number of customers subscribing to a package, which rose by 6.7% to around 65% of the customer base, with a falling cancellation rate despite the introduction of number portability in May. One of the year's key events was the development of broadband and value-added mobile services. Indeed, the broadband mobile customer base more than doubled year-on-year, rising to 7.4 million. As symbols of this explosive growth, in the fourth quarter of 2007, 478,000 "multimedia options" were taken out and 73,000 iPhones sold in five weeks. Furthermore, over the whole year, the average customer bill for data traffic rose to 69 euros a year compared with 57 euros in 2006. Today, 98% of France is covered by the EDGE network, and 66% by 3G and 3G+ – a specialised content offer of more than 60 TV channels available by mobile phone.

Over the next few months, the Group aims to maintain its market share by focusing on segmentation and promoting the development of the virtual operators that it hosts. The average revenue per subscriber should remain steady, thanks to the development of new uses (TV, content, etc.), while new unlimited 3G voice and data packages will be launched. Finally, a focus on customer loyalty policies will keep the cancellation rate in check, particularly via the "changer de mobile" (change of mobile) and "davantage" (more) programmes: the latter, launched in March, allows the customer to collect points that can be redeemed for a wide range of offers and services.

"Launched exclusively in France by Orange on 29 November 2007, almost 30,000 Apple iPhones were sold in just 5 days, with 48% of the fans of the new handset being new customers, and 80% choosing the "Orange for iPhone" packages specially designed to let them make the most of the functionalities of their mobile. The sales target of 70,000 units was reached at the end of 2007, demonstrating the enthusiasm for mobile broadband services."

Aurélie Stockpoeuf, Head of iPhone Project, Orange France.

in the uk

Revenues from personal communication services in this country totalled 6.2 billion euros, an increase of 6% on 2006 at comparable basis, associated with the highly favourable change in customer distribution: packages, up by 12.9%, account for 35.9% of the customer base, compared with 32.4% in 2006. The UK market is plainly one of the most competitive in Europe with four major operators plus a number of extremely dynamic virtual operators. Against this background, the strategy of creating value for the customer, implemented since 2006, has been successful. Thanks to a stronger presence on the market and attractive offers such as the "animal" tariffs, the Group enjoyed its biggest increase in new contracts since 2001. There was also a 13.9% rise in revenues from data services, which accounted for 21.7% of total revenues compared with 20.2% in 2006. The number of broadband mobile customers doubled year-on-year to almost 1.8 million. In order to mark its difference from its competitors and develop the uses of mobile broadband even further, Orange has positioned itself as a pioneer in making innovative content available: for example, for football-lovers with 3G handsets, in August Orange launched Frank TV, a channel for Chelsea fans, devoted to its star player Frank Lampard. This broadcast was preselected for "Mobile Entertainment Awards". With "Bebo", one of the most popular social networks in the UK, an agreement was reached to make this service available to Orange mobile customers via the bebo.com portal.

In 2008, the Group will continue with this strategy and strengthen its growth dynamic. To achieve this, it will be able to draw on the development of its own distribution channels, notably online, while benefiting from the clear upturn in quality of service in order to build customer loyalty and increase its market share. Its efforts in efficiency, effectiveness and profitability will also be maintained.

in spain

Revenues from personal communication services totalled 3.4 billion euros, representing a rise of 2.7% on a comparable basis.

At the end of 2007, the Group had more than 11 million mobile customers, representing a market share of 22.3%, despite the loss of the customers of the Basque operator Euskatel and a purge of the prepaid customer base which led to the removal of 500,000 inactive SIM cards. In addition to these two elements, the notable feature of the year was the strong rise in contract customers, who are now in a majority (53.7% of the total). In 2007, 537,000 new contract customers chose Orange – a rise of 27% on the previous year. With the number of customers rising by 10% year-on-year, packages were a resounding success, while prepaid services were down slightly. At the same time, the mobile broadband customer base increased nearly fourfold over the year, climbing from 422,000 in 2006 to 1.6 million at the end of 2007 thanks to the better coverage on 3G and 3G+.

The Group's objective in Spain is now to maintain the rate of growth in the number of package-based customers and turn its performance around on the prepaid business. Another priority for 2008 will be to optimise commercial costs.

in poland

The Group implemented a vigorous commercial policy in Poland which produced a significant increase in revenues and a 17.1% improvement in gross operating margin. Revenues were up by 7.1% to 2.1 billion euros, with a sharp rise to 39.1% in gross operating margin for mobile activities (35.7% in 2006), thanks to the increase in revenues outstripping the rise in commercial expenses.

The positive effects of the 13.1% increase in the number of customers at 31 December 2007, now totalling around 14.2 million, are partly impacted by the cuts in call termination rates applied in October 2006 and May 2007. Orange in Poland maintains its leadership position with an estimated market share in terms of value of slightly more than 34%, with a 0.5 point growth from one quarter to the next, in terms of both value and volume.

The aim is now to maintain this market leadership, launch programmes to reduce costs (information system optimisation, network sharing, etc.), and continue ramping up 3G and HSDPA coverage in order to be able to offer broadband mobile services to as many customers as possible (television and content, mobile payment, etc.).

"In Belgium, we are rolling out a strategy to replace the landline at home. Thanks to the AtHome service, our customers can use their mobile to make unlimited calls from home to landlines for just a few euros each month. Around one-third of people in Belgium no longer have a landline, and just fewer than 30% say they would prefer to use their mobile if the conditions were equivalent to their fixed line. This is the customer segment that we are targeting. With over 63,000 customers at the end of December, AtHome has already met its targets and will continue attracting new customers in 2008."

Erick Cuvelier, Head of Marketing at Mobistar, the Group's Belgian subsidiary.

in the Group's other markets

in europe, the middle east and africa

Mobile revenues in all of the countries concerned totalled 7.55 billion euros, up by 12.7% on a comparable basis. This rise reflects the strong growth in the number of customers, which has risen by 34% on a comparable basis to 44.5 million, with a particularly sharp increase in Egypt, Romania, Mali and the Ivory Coast. The growth in revenues, meanwhile, was driven by Romania, Egypt, the Dominican Republic and Senegal. The gross operating margin in those countries was high, stabilising at 40.7% of revenues, with revenues generated by new customers offsetting regulatory impacts and the cost of the investments made in order to establish new activities, particularly in Africa. In these countries, the Group's mobile activities showed strong growth, chiefly through prepaid offers. These markets are undergoing extremely rapid changes, both economic and social, and the mobile phone, by increasing communication and exchanges, is positioning itself as a key element of development.

In the Middle East and Africa in particular, the Orange brand is supporting the principal festive events, for example, with the aim of strengthening links and reaching a very broad customer base through promotional operations. These are having great success and allowing the rapid democratisation of mobile phone use. The growth in this activity is also supported by reseller networks and the opening of shops adapted to local customs which have made it possible to maintain highly competitive positions. They are strengthened by the constant expansion of networks in order to increase territorial mobile coverage and face with the strong rise in customer numbers, while maintaining the highest possible quality.

Looking ahead, the objective is to continue with the deployment of mobile broadband in Europe. In Africa and the Middle East, the objective is to boost growth through new investments and the development of roaming offers, mobile data services (e.g. using the mobile as a means of payment) and services designed for customers with low purchasing power, and to position the Group as the reference operator in these markets.

"In Western Africa, thanks to the Orange Zone offer, which functions as a unique regional network, mobile customers can now receive calls from another country free of charge and make calls without constraint from one country in the zone to another for the price of a local call. With prices that are affordable, simple and consistent, this service aims to develop traffic both locally and internationally, as well as winning over and building loyalty among new customers. In the light of the success achieved, similar services are being considered for other regions, such as Southern Africa and the Indian Ocean."

Bachir Nasre, Head of International Business and Interconnection, Orange Mali.

At work

2007 has been the year of growth for Enterprise communication services. The strategy implemented in 2005 to transform Orange Business Services in an integrator of business communication services has proved a success. The traditional activities of fixed-line telephony and data services are lowing down, while the Group is seeing significant growth in new area such as IP networks, integration services and all services associated bringing value add. This increase is the result of a strategy described in three waves: continuous investment in our networks, the acceleration of the uptake of Internet technologies in businesses, and development of applications allowing the Group's enterprise to create value in this new world of communications.

This strategy, which has for objective to bring the group towards providing integration communication services to its business customers, has enabled us to be back on the growth curve since 2007.

results that support the strategy put in place

The Group created an increase of 0.4%, in Enterprise Communication Services, on a comparable basis, rising to 7.7 billion euros. In these highly competitive markets, traditional fixed-line telephony and data services fell by 9.3% on a comparable basis, but this was offset by the increase in advanced network services (+7.1%), integration activities, and consultancy and management services (+14.4%). Convergence offers were also extremely popular: several solutions enjoyed strong growth, such as the Business Everywhere mobility offer, which now has 870,000 users around the world compared with 658,000 at the end of 2006.

a rapidly evolving context

These results are delivered while the market is undergoing a revolution. The take-off of technologies based on the IP protocol increases productivity and the ability of businesses to communicate. This brings both an increase in commercial opportunities, with the implementation of IP transformation, with the adoption of new technologies in businesses, and an increase in competition: the Group now finds itself competing directly with IT services companies and integrators.

With this in mind, the strategy aims to offer, beyond traditional services, solutions for the management of business networks and all associated added-value services: mobility communication solutions, IP telephony, collaborative working applications, security of data and exchanges, management and hosting of data centres, communication-critical applications, etc.

Orange Business Services promotes a partnership relationship with its customers, whether SMEs or multinationals, by taking charge of the complexity of new technologies thus allowing them to concentrate on their core activities. It was for this reason that the Group expanded its skills portfolio through the acquisition of several companies specialising in computing services: the Diwan group, the Silicomp group, Neocles Corporate at the end of 2006, and the "Business" and "Managed Services" divisions of the GTL group in India in 2007.

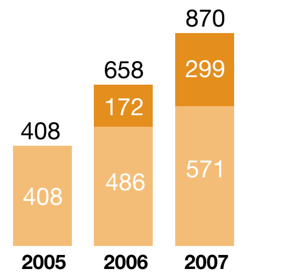
"We were looking for a partner capable of offering us a high degree of availability and a totally integrated service, someone capable of guaranteeing 100% network availability and prepared to pay penalties if this level was not achieved. Both in terms of this commitment and in terms of flexibility, Orange Business Services ticked all the boxes."

C. H. Srinivasu, Head of Networks and Systems at Satyam Computer Services, one of the Indian leaders in the computing services market with development centres in 25 countries.

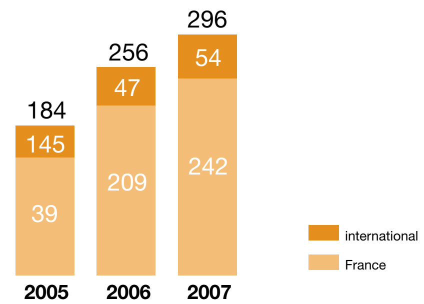
customers include 3,750 multinationals, 400,000 domestic organisations and SMEs, and 40,000 local authorities

activities in 220 countries and territories, from 166 national bases

around 300,000 virtual private network (IP VPN) accesses managed around the world



users of Business Everywhere around the world (in thousands)



number of IP VPN accesses around the world (in thousands)

simplifying everyone's lives

The Group is developing mobility and collaboration solutions that allow everyone to be connected, anywhere and at any time, with the necessary communication tools and applications: e.g. Business Everywhere, telepresence solutions, and Digital Work Space for local authorities and their schools or colleges. In this field, two new products were put on the market in 2007: Business Talk, an IP telephony solution that brings together a company's telephony across all its sites (national and international) and Business Together, which facilitates team working by integrating various tools: instant messaging, audio, Web, Visio, call handling, attendance management, shared work, etc. The trend will continue in 2008 with the launch of solutions designed to answer the specific needs of the end users according to their type of activity in the business: office-based users, mobile users, and those who move around within the business.

> "In order to develop our business and conquer new markets, we establish bases in regional capital cities. And in order to ensure a dynamic growth, we have a basic need to ensure the exchange of data under good conditions between branch heads and product managers. We liked the approach of Orange Business Services with regard to the security of exchanges, but also in terms of support and advice."
>
> Dominique Foussier, Director and founder of Foussier Quincaillerie, a company with 200 employees.

building efficient end-to-end networks

Both globally and locally, the Group is pushing through frontiers and integrating the needs of multinational businesses into managed networks that provide reliable links between sites, servers and employees: IP VPN solutions, Business Acceleration, and International Ethernet Link, a solution launched in 2007 to provide interconnections between sites and their data centres. With almost 300,000 virtual private network accesses (IP VPN) managed around the world, Orange Business Services offers its customers a end-to-end solution for the global management of their communication networks.

building stronger customer relations

A differentiating factor and a major criterion of satisfaction for increasingly demanding customers, a quality relationship today demands proximity, personalisation, responsiveness and availability, whatever the channel of communication (fixed-line or mobile telephone, e-mail, Web, SMS, etc.). The solutions offered by the Group include Contact Multicanal (Multichannel Contact), Guide Vocal-Web, Numéro Accueil® (Greating Number) and Audiotel®, Contact Centre Services, etc. Two new services of significance were launched in 2007: contact Everyone (multimedia distribution solution: SMS, MMS, e-mail, voice messaging, etc.) and e-boutique (an application solution to create a retail site without having strong Internet experience).

making exchanges secure

Internationalisation, mobility, the multiplication of exchanges with customers, partners and suppliers ; all this means that Businesses can no longer afford to keep their networks closed off. Group ensures that applications are accessed in complete security thanks to solutions designed to prevent threats, control access and protect data integrity and the confidentiality of exchanges, for example with solutions such as Unified Defense, iSAN, IP VPN Protected and "Mon PC Sécurisé" (Laptop Security Services).

> "Our relationship goes beyond the typical customer/supplier framework: we work more like a team. Working with Orange Business Services has been an extremely positive experience."
>
> Roman Scarabot-Muller, Global IT Infrastructure Manager of the Mondi group, international leader in the paper and packaging sector.

commercial successes

SMEs and multinationals alike, many new customers have called on the Group's enterprise communication services. The Norwegian oil group Statoil chose these services to plan its infrastructure and manage its huge Internet network on 40 sites spread across 23 countries. The Ministries of Foreign Affairs of Sweden and Finland chose to entrust Orange Business Services with their ultra-secure communication networks between their respective embassies. The "Fleet Advanced" machine-to-machine fleet management solution was adopted by famous freight companies such as Gefco. The world leader in electronic equipment, Legrand, chose the Group to implement a videoconferencing solution allowing its managers in 60 countries to take part in biannual strategy meetings organised directly from its head office. In France, IP telephony services have been implemented in companies such as the insurance group Ag2r, the printing plant manufacturer MAN Roland, the clothing retailer Défimode, the aircraft manufacturer Airbus… In France again, government bodies have also proven their faith in the Group: the National

Orange Business Services was already managing our data traffic. For an area as sensitive as telephony, it was important to choose the most competent company in the field.”

Didier Fleury, IT Manager at SITA Centre Ouest, a subsidiary of Suez environment specialising in waste collection and processing, customer of the Business Talk IP Centrex and Managed LAN solutions.

Gendarmerie (Police Force) for the deployment of a highly secure IP VPN network, SNCF for setting up Internet access and a multimedia portal on board its trains, and the technical division of the Post Office, which subscribed to Business Talk Premium so that its technical experts could always be reached.

rising up to the challenges

To help businesses cope with the increasing complexity of managing their information systems, in January 2007 the Group adopted the ITIL® (IT Infrastructure Library) framework for its advice and support services to businesses. This framework is the most widely accepted approach to IT service management in the world. Compliance with its principles is the mark of reliability and transparency that multinationals need in order to ensure that their processes are effective. By creating a worldwide team of certified ITIL® consultants, Orange Business Services offers its customers the best guarantee of establishing a high-quality information system, significantly reducing their costs, improving the performance of their teams and strengthening the effectiveness of their processes.

a large array of services

Orange Labs have made it possible to create truly innovative applications to help businesses and organisations. Thus, the challenge of innovating on an everyday basis was fully met with the success of the major surgical and technological event that took place on 23 May 2007: under the aegis of the Live International Otolaryngology Network (LION), 9 European ORL teams linked by the Orange Business Services' managed Videoconferencing service carried out 15 direct surgical interventions. Throughout the day, they were able to communicate simultaneously with 4,000 other practitioners in 29 conference halls on 4 continents.

In this specific sector of healthcare, the Connected Hospital solution is currently being set up in hospitals in France and elsewhere in Europe. It provides them with a full set of computing and communication tools.

Finally, the Group has shown its commitment to protect the environment by developing solutions which make it possible to reduce the ecological impact of businesses' activities.

E-health in Spain is growing strongly. By developing our activities in this field, we are adding a little extra credibility to our positioning as an alternative integrated operator. At present, we have two reference partners: a major multinational insurance company and a well-known private hospital, with whom we are setting up our first services. I am extremely enthusiastic about taking part in the launch of a new activity: businesses in the health sector have a great deal to gain from communication technologies, and Orange is in the best position to help them enjoy all these advantages.”

Itxaso Zubia Lauzurica, Orange Healthcare Spain.

highlights and rewards

A number of major events testified to the growth in enterprise communication services during the year. In particular, Orange Business Services joined forces with China Telecom to offer next-generation virtual private network services in China, and with Alcatel-Lucent to help business networks around the world to make the transition to the Internet. The Group acquired the "Business" and "Managed Services" divisions of GTL in India, and became a Global Certified Partner of the equipment manufacturer Cisco®. Finally, the Group became a long-distance telephone operator in Russia. This dynamism was hailed by experts all over the world on several occasions: 1st prize in the European 2007 Project Awards from the European Commission for its Point Visio-public (Public Videoconferencing Terminal) in Auvergne, and 6th place in the French IT services companies list compiled by Pierre Audoin Consultants (up by three places); Orange Business Services also received the Frost & Sullivan Award for its solutions promoting sustainable development.

Orange Business Services was also named Best Global Operator in the World Communication Awards 2007, for the second year running and is positioned in the "Leader's Quadrant" of the Magic Quadrants of the analyst Gartner (Global, Pan-European, Asia-Pacific) for Network Service Providers, published in 2007.

“For good corporate governance, the Group places emphasis on the responsibility and integrity of its directors and managers, the independence of the members of its Board of Directors, transparency of information and respect for the rights of shareholders.”

“Giving every employee the means to develop their talents and take control of their professional destiny, putting the right skills in the right place at the right time: this is the Group’s worldwide human resources policy.”

“The Group is convinced that telecommunications have a role to play in combating climate change and improving the lives of individuals.”

a responsible Group

“Disability, education and culture have been the three areas of commitment of the Orange Foundation for 20 years.”

corporate governance

For good corporate governance, the Group places emphasis on the responsibility and integrity of its directors and managers, the independence of the members of its Board of Directors, transparency of information and respect for the rights of shareholders.

board of Directors

The Board of Directors makes all decisions concerning the Group's strategic, economic, social, financial and technological orientation and ensures that they are implemented by the Group Management.

The Board met eleven times in 2007. During the course of the year, it carried out a fresh evaluation of its way of working, as well as that of its committees. The Board of Directors relies on the work of the Audit Committee (seven meetings in 2007), the Remuneration, Selection and Governance Committee (seven meetings in 2007), and the Strategy Committee (four meetings in 2007).

Group Management Committee

Since January 2006, a select Group Management Committee consisting of nine members, including the CEO, has been in place with clearly-identified responsibilities. Among other responsibilities, the Group Management Committee implements the Group's strategy and development programmes, and steers the monitoring of its operational and financial performance. It is the decision-making authority for the management of the Group (for its composition, see pages 76 and 77).

a dynamic of continuous improvement

In addition, the various specialised internal committees, such as the Investment Committee, the Internal Audit and Risk Committee, the Treasury and Finance Committee, the Financial Information Committee, the Tax Committee and the Commitments Committee, are responsible for ensuring the application of Group directives, principally with respect to achieving global economic objectives. They also oversee risk management in financial commitments, to limit the Group's overall exposure.

internal control

In 2007, the Group continued with the programme of strengthening internal controls on the production of financial and accounting data which was initiated in 2003. This project has consisted of improving all internal financial control processes, principally in order to comply with the provisions of the Loi de Sécurité Financière (Financial Security Act) and the American Sarbanes-Oxley Act (owing to the Group's listing on the New York Stock Exchange).

As well as ensuring the proper application of legislation, internal control is an important lever for improving the performance of the business: legal obligations such as the Sarbanes-Oxley Act must be used as opportunities for progress. Accordingly, the Group believes that every person, whatever their position within the business, must regard themselves as responsible for the risks of their environment.

security

2007 was the first year that security governance tools were operational at Group level (country organisation, Group Security Committee, Group reporting, action plan for security of access to information, etc.), including the security of offers aimed at customers.

2008 will benefit from the past year in terms of the ongoing improvement required by ISO 27000.

In addition, action will be concentrated on developing a security culture among employees and implementing measures such as BCM (Business Continuity Management) aimed at ensuring business continuity.

insurance

During 2007, the Group's Insurance Department renegotiated its corporate insurance for both property damage risks and liability risks.

This project, which resulted in new savings on premiums for the Group, also made it possible to optimise the quality of the cover. During the same period, preventive site audits in collaboration with the engineering department of the Group's insurers were carried out on numerous establishments, notably in the United Kingdom, Poland and Spain. Studies are also currently being conducted to evaluate the appropriateness of transferring certain types of risk to the insurance market.

remuneration of Directors

The total gross amount, excluding employer charges, of all remunerations (gross salaries, bonuses, non-monetary benefits and directors' fees) paid by France Telecom S.A. and its subsidiaries to persons who are or were, during the course of 2007, members of the Board of Directors or the Group Management Committee of France Telecom was 7,962,258 euros, including profit-sharing, share options and employer's pension scheme contributions.

Composition of the Board of Directors

Directors elected by the General Meeting:

- Didier Lombard, Chairman & CEO;
- Bernard Dufau, Director of Dassault Systèmes and KESA Electricals;
- José-Luis Duran, Chairman of the Management Board of the Carrefour Group[1];
- Charles-Henri Filippi, Non-Executive Chairman of HSBC France[1];
- Claudie Haigneré, Advisor to the Director General of the ESA;
- Henri Martre, Director of Renault SA, Sogepa and On-X, Vice-Chairman of the Supervisory Board of KLM;
- Marcel Roulet, Honorary Chairman of France Telecom, Director of Thomson, Thales, HSBC France;
- Jean Simonin, Mayor and Vice-Chairman of an association of municipalities.

Directors representing the State, appointed by decree:

- Bruno Bezard, Director General of the State Shareholding Agency;
- Jacques de Larosière, Advisor to the Chairman of BNP Paribas;
- Henri Serres, Director General of Information Systems and Communication at the Ministry of Defence.

Directors elected by the employees:

- Hélène Adam, technician on the international network within the switching department of the Networks, Carriers and Information Systems Division;
- René Bernardi, Chairman of @toukolo, the association that organises holidays for the children of France Telecom employees;
- Jean-Michel Gaveau, business manager and network designer within the Rouen intervention unit.

Director elected by the General Meeting on the proposal of employee shareholders:

- Stéphane Tierce, responsible for the prepaid market line of services (Mobicarte services) within the France Operations Department.

(1) Mr José-Luis Duran was co-opted on 5 February 2008 to replace Mr Arnaud Lagardère, resigned;
Mr Charles-Henri Filippi was co-opted on 5 February 2008, to replace Mr Stéphane Richard, resigned.
Their definitive appointment will be submitted for ratification by the General Meeting of 27 May 2008.

Louis-Pierre Wenes
Group transformation
Home Communication
Services
France

Gervais Pellissier
Finance Director

Spain

Olivier Barberot
Human
Resources
Director
Poland

Didier Lombard
Chairman
& CEO

Barbara Dalibard
Enterprise
Communication
Services
Orange Business Services

Olaf Swantee
Personal
Communication Services
United Kingdom,
other countries in Europe
and Egypt

Georges Penalver
Strategic Marketing
and Orange Labs

Jean-Philippe Vanot
Networks,
Carriers and
Information Systems

Jean-Yves Larrouturou
General Secretary

Africa, Middle East and Asia

human resources

The foundations of a new human resources culture were strengthened in 2007. Innovative solutions were put in place, which make know-how, skills and the quality of teams a lever for meeting the Group's new challenges in all its markets, in each of its areas of activity. Shared worldwide, the human resources policy directly serves the strategy and supports transformation by putting the right skills in the right place at the right time, and by giving every employee the means to develop their talents and take control of their professional destiny.

the right skills in the right place

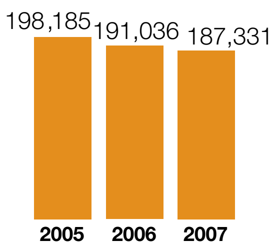
Intended to support NExT in human resourcing since its launch in 2005, the act: programme ("anticipation and competencies for the transformation") has continued its process of adapting skills to the needs of the Group and strengthening the workforce in priority areas. In order to promote the organisations and the new ways of working that are necessary for transformation, the emphasis has been placed on integrating new talent, irrespective of its origins, on cost improvement and performance management, and on an ambitious programme of professional development. In this last area, the objective is to enable every employee to develop their professional value and reflect on their future so as to be ready to seize, at any moment, all the opportunities that present themselves.

adapting policies to local contexts

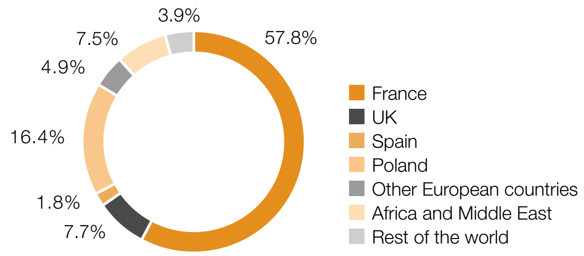
Thanks to the groundwork that has been done, all the main lines of the act: programme are now in place. A shared human resources culture is being constructed at Group level. To ensure that managers have the necessary means to inspire their teams, and to enliven and explain the strategy, a unique leadership model, combined with a common evaluation tool, is being rolled out in Spain, France, the UK, Poland, Jordan, etc. Orange management schools have been opened in most of the countries in order to further improve managers' ability to develop the talents of their co-workers. As for personnel career management, this is carried out in conformity with the Group's strategy in all countries, and each country establishes recruitment and mobility policies appropriate to its local context by progressively using the frame of reference describing all the job areas and skills of the Group.

developing talents

Although the same tools and principles can be used throughout the Group, the challenges vary considerably from one country to another, and the implementation of human resources policies must therefore be adapted to each situation. Thus, certain countries (UK, Spain, Poland, etc.) are faced with high rates of staff turnover, particularly in priority job areas. Initiatives have been taken to attract and retain good personnel: training and talent-spotting programme in Egypt, creation of career coaches in the UK, policy of work/life balance management through choice of working hours (for team working), creation of five development spaces facilitated by advisors in Poland, etc. In France, the challenge is to encourage internal and external mobility. Externally, one approach to this challenge is to continue with the existing enterprise scheme which since 2003 has seen the creation of 1,500 businesses. Similarly, the "projet personnel accompagné" (supported personal project) scheme (PPA) gained momentum in 2007, and enabled more than 700 people to continue their career in another business.
4,500 employees have now moved into the civil service since the scheme was first created. Internally, mobility is being encouraged towards the priority job areas, with over 2,000 employees switching jobs in two years via one of 37 professional training courses and an extensive training initiative. Thus, at the end of 2007, the priority sectors of customer relations, business services, networks and information systems and multimedia content production accounted for 56% of the workforce in France, compared with 50% two years earlier. This will to concentrate skills in the domains of key importance to the Group's strategy was also applied to the external recruitment policy: sales, innovation and networks and information systems absorbed the majority of the 14,000 appointments made in 2007.



changes in the Group's personnel
(assets, end of period, on a comparable basis)



distribution of personnel by geographical zone
(in permanent employment contracts at 31 December 2007)

187,331 employees
around the world, including 106,172 in France at the end of 2007

25%
increase in the number of hours of training per employee in two years (+35% in France, with an average of 27 hours per year per employee)

14,000 people
recruited in 2007

In brief...

The Group has built an ambitious policy of diversity and equal opportunities, reflecting its values, based on the conviction that diversity generates wealth, both for the business and for the companies into which it evolves. Professional equality between men and women and the integration of disabled people are the two primary principles. Within the framework of its collective agreement, the Group has therefore committed itself to obtaining a Label Egalité Professionnelle (Professional Equality Award) in all the countries where such recognition exists. In France, initiatives are being implemented to encourage young people to enter the world of work: by signing the Plan Espoir Banlieues (Hope Plan for Disadvantaged Suburbs), the Group has made a commitment to recruit young people from disadvantaged areas or to offer them training courses. The Group's managerial personnel are taking part in large-scale programmes of mentoring for students from poorer backgrounds (Cercle Passeport Télécom (Télécom Passport Circle)) to help them obtain their diploma, or of coaching for school-leavers to help them find their first job with "Nos Quartiers ont des Talents" (Our Neighbourhoods Have Talents).

environmental and social responsibility

For a number of years, the Group has been committed to a process of responsible growth in all the countries in which it is present. This is both a commitment and an opportunity: integrating the challenges of sustainable development into its strategy and policies supports the Group's changes and helps to improve its overall performance. Based on values and principles of ethics enshrined in the ethics charter and nourished by the dialogue with its stakeholders, this approach takes concrete form, on a day-to-day basis, in the design of communication solutions: offering a correct balance between economic competitiveness, social progress and protection of the environment. An element of innovation, sustainable development lies at the heart of the values of the Group and of the Orange brand.

taking care of the future

In order to strengthen the sharing of best practices in corporate responsibility within the Group and incentivise its employees, an internal multi-country competition named "caring for the future" was launched in 2007. For this first year of the competition, 12,000 employees from 16 countries took part in selecting the projects most emblematic of the commitments undertaken. Among the prize winners were the following:

- the Action Handicap Orange (Orange Disability Action) project in Cameroon, which promotes the social and professional integration of people with physical disabilities by providing them, for example, with a working tool for using "call boxes" (portable telephone boxes);
- the mapping of channels for the end-of-life processing of products carried out in France by the Group's Purchasing Department, consisting of an evaluation of capacity and compliance with legislation by providers of waste collection and disposal services.

solutions for sustainable development

The Group is convinced that telecommunications have a role to play in combating climate change and improving the lives of individuals. As the leading user of its products and services, Orange uses the "greenest" network applications and information systems possible. But it also strives to promote these solutions to its private, or business customers, via five levers:

- **developing collaborative working:** bringing people together without them having to move is the heart of the Group's business;
- **vehicle fleet management:** based on "machine to machine" technology, the Group's solutions make it possible to optimise the movements of thousands of vehicles in real time and improve their preventive maintenance;
- **consolidating infrastructures:** solutions for virtualisation, hosting and facilities management, etc.; solutions for consolidating data centres and for reducing server numbers and energy consumption;
- **dematerialising exchanges:** among other solutions, the Group offers electronic invoicing that enables customers to drastically reduce their paper consumption;
- **human services:** the Group's solutions help put citizens in touch with government departments, maintain a social and medical link at home for old people, and improve the quality of telecare services.

"We want to reduce our ecological footprint. The dematerialisation of information exchanges thanks to Business Everywhere has enabled us to do away with faxing by our salespeople, saving more than 50,000 pages a year. We also chose Orange Business Services for its ability to offers us "green" solutions, and for its commitment to sustainable development."
Frédéric Lallemand,
Head of Information Systems
at Metarom, a group specialising
in the manufacture of flavourings
and colourings for the agri-food
industry.

the Orange Foundation celebrates its 20th anniversary

Since its creation in 1987, the Orange Foundation has implemented a major sponsorship programme echoing the activities of the business. Its purpose is to facilitate all forms of communication that might enrich links between people. This commitment is based around three major areas: disability, with actions in the field of autism and visual and auditory difficulties; education, with programmes to combat illiteracy and educate young girls in developing countries; and finally culture, with support for community choirs. Every year, more than 500 sponsorship projects are supported in these different fields and in 23 countries, in Europe, Asia, the Middle East and Africa.
On the occasion of its 20th anniversary, the Foundation presented an exhibition, "a sharing world" at the French National Library: seven photographs from the Magnum Photo agency based around the Foundation's actions, providing a moving and powerful testimony to the day-to-day work of the associations, organisations and choirs supported all over the world. The Group's commitment to sponsorship was also hailed by the French Ministry of Culture, which awarded the Médaille de Grand Mécène *(Grand Patronage Medal)* to the Foundation.
For more information:
www.orange.com/fondation.
At the end of 2007, the Foundation set up an online blog to promote its work, its partners and the associations supported: **www.orange.com/fondation/blog.**

All the Group's social and environmental actions are described in its 2007 corporate responsibility report, in the **"responsibility"** channel on **www.orange.com**.

In 2007, over 500,000 conference calls made by Orange Business Services customers saved the emission of 1,000 tons of CO_2 into the atmosphere.

Violence-free Schools

The national "Violence-Free Schools" programme conducted by the TP Group foundation was voted best educational campaign at the "Zlote Spinacze 2007" (Gold Clip 2007), a prestigious competition for institutional press relations. TP won second prize, following on from the award 3 years ago for the "Phone Mum" programme. "Violence-Free Schools" is aimed at highlighting the problem of violence in schools through profiles and statements from pupils, teachers and parents who are against it.
Handbooks, specialist staff, and campaign kits are all available to show schools how they can respond effectively to the problem of violence. 15% of Polish schools have already signed up to the programme, representing 4,600 pupils at 60 schools.

consolidated financial statements

7

consolidated income statement

Year ended 31 December (amounts in millions of euros, except per share data)	2007	2006
Revenues	**52,959**	**51,702**
External purchases	(23,156)	(22,809)
Other operating incomes	440	473
Other operating expenses	(2,360)	(2,235)
Labour expenses:		
– Wages and employee benefit expenses	(8,767)	(8,592)
– Employee profit-sharing	(359)	(346)
– Share-based compensation	(279)	(30)
Depreciation and amortization	(8,111)	(7,824)
Impairment of goodwill	(26)	(2,800)
Impairment of non-current assets	(107)	(105)
Gains (losses) on disposal of assets	769	97
Restructuring costs	(208)	(567)
Share of profits (losses) of associates	4	24
Operating income	**10,799**	**6,988**
Interest expenses, net	(2,521)	(3,155)
Foreign exchange gains (losses)	(4)	26
Discounting expense	(125)	(122)
Finance costs, net	**(2,650)**	**(3,251)**
Income tax	(1,330)	(2,180)
Consolidated net income after tax of continuing operations	**6,819**	**1,557**
Consolidated net income after tax of discontinued operations	**–**	**3,211**
Consolidated net income after tax	**6,819**	**4,768**
Net income attributable to equity holders of France Telecom S.A.	6,300	4,139
Minority interests	519	629
Earnings per share (in euros) (see note 30)		
Net income of continuing operations attributable to equity holders of France Telecom S.A.		
– Basic	2.42	0.40
– Diluted	2.36	0.39
Net income of discontinued operations attributable to equity holders of France Telecom S.A.		
– Basic	–	1.19
– Diluted	–	1.17
Net income attributable to equity holders of France Telecom S.A.		
– Basic	2.42	1.59
– Diluted	2.36	1.57

The accompanying notes are an integral part of the consolidated financial statements.
They can be viewed on the www.orange.com website and are available on request from the Company.

consolidated balance sheet

Year ended 31 December (in millions of euros)	2007	2006
Assets		
Goodwill	31,389	31,517
Other Intangible assets	16,658	18,713
Property, plant and equipment	27,849	28,222
Interests in associates	282	360
Assets available for sale	518	338
Non-current loans and receivables	1,960	867
Non-current financial assets at fair value through profit or loss	54	44
Non-current hedging derivatives assets	42	37
Other non-current assets	63	39
Deferred tax assets	7,273	8,250
Total non-current assets	**86,088**	**88,387**
Inventories	1,068	844
Trade receivables	6,556	6,756
Current loans and other receivables	81	53
Current financial assets at fair value through profit or loss, excluding cash equivalents	534	543
Current hedging derivatives assets	12	3
Other current assets	2,035	1,788
Current tax assets	111	247
Prepaid expenses	673	580
Cash and cash equivalents	4,025	3,970
Total current assets	**15,095**	**14,784**
Total assets	**101,183**	**103,171**

Year ended 31 December (in millions of euros)	2007	2006
Equity and liabilities		
Share capital	10,457	10,427
Additional paid-in capital	15,317	15,179
Retained earnings (deficit)	(3,966)	(5,171)
Net income for the year	6,300	4,139
Cumulative translation adjustment	1,747	2,220
Equity attributable to equity holders of France Telecom S.A.	**29,855**	**26,794**
Minority interests	4,470	4,844
Total equity	**34,325**	**31,638**
Non-current trade payables	435	535
Non-current financial liabilities at amortized cost, excluding trade payables	32,532	36,199
Non-current financial liabilities at fair value through profit or loss	154	798
Non-current hedging derivatives liabilities	955	1,066
Non-current employee benefits	535	534
Non-current provisions	1,657	2,206
Other non-current liabilities	870	959
Deferred tax liabilities	1,440	1,749
Total non-current liabilities	**38,578**	**44,046**
Current trade payables	9,580	9,015
Current financial liabilities at amortized cost, excluding trade payables	8,694	9,264
Current financial liabilities at fair value through profit or loss	730	0
Current hedging derivatives liabilities	353	33
Current employee benefits	1,881	1,606
Current provisions	1,599	1,816
Other current liabilities	1,837	2,110
Current tax payables	331	466
Deferred income	3,275	3,177
Total current liabilities	**28,280**	**27,487**
Total equity and liabilities	**101,183**	**103,171**

The accompanying notes are an integral part of the consolidated financial statements
They can be viewed on the www.orange.com website and are available on request from the Company.

consolidated cash flow statement

(in millions of euros)	2007	2006
Operating activities		
Net income attributable to equity holders of France Telecom SA	6,300	4,139
Adjustments to reconcile net income/(loss) to funds generated from operations		
Depreciation and amortization	8,111	7,833
Impairment of non-current assets	107	105
Impairment of goodwill	26	2,800
Gain on disposals of assets	(769)	(3,079)
Change in other provisions	(945)	(847)
Share of profits (losses) of associates	(4)	(24)
Income tax	1,330	2,302
Interest income and expense	2,627	3,004
Minority interests	519	629
Foreign exchange gains and losses, net	(740)	(796)
Derivatives	756	1,038
Share-based compensation	234	34
Change in inventories, trade receivables and trade payables		
Decrease/(increase) in inventories (net)	(250)	1
Decrease/(increase) in trade accounts receivable	121	82
Increase/(decrease) in trade accounts payable	190	(318)
Other changes in working capital requirements		
Decrease/(increase) in other receivables	(98)	15
Increase/(decrease) in other payables	331	235
Dividends and interest income received	315	164
Interest paid and interest rates effects on derivatives, net	(2,726)	(2,848)
Income tax paid	(791)	(606)
Net cash provided by operating activities	**14,644**	**13,863**

The accompanying notes are an integral part of the consolidated financial statements.
They can be viewed on the www.orange.com website and are available on request from the Company.

(amounts in millions of euros)	2007	2006
Investing activities		
Purchases/sales of property, plant and equipment and intangible assets		
Purchases of property, plant and equipment and intangible assets	(7,064)	(7,039)
Increase/(decrease) in amounts due to fixed asset suppliers	125	228
Proceeds from sales of property, plant and equipment and intangible assets	113	105
Cash paid for investment securities, net of cash acquired		
FT España ISP (Ya.com)	(319)	–
Telkom Kenya	(270)	–
Purchase of treasury shares by TP SA	(185)	–
Amena	–	(113)
Orange Moldova	(103)	–
Silicomp	(96)	–
Voxmobile	(80)	–
Other payments for investment securities	(64)	(142)
Proceeds from sales of investment securities, net of cash transferred		
PagesJaunes	–	2,697
Orange Nederland	1,306	–
Tower Participations	254	–
Bluebirds	110	–
One	82	–
Other proceeds from sales of investment securities	56	112
Decrease/(increase) in marketable securities and other long-term assets		
Escrow deposit	(757)	–
Other	11	(539)
Net cash used in investing activities	**(6,881)**	**(4,691)**
Financing activities		
Issuances		
Bonds convertible, exchangeable or redeemable into shares	3,122	928
Long-term debt	824	585
Redemptions and repayments		
Bonds convertible, exchangeable or redeemable into shares	(4,001)	(3,895)
Long-term debt	(2,430)	(1,997)
Equity portion of hybrid debt	(16)	(42)
Increase/(decrease) in bank overdrafts and short-term borrowings	(906)	(1,117)
Decrease/(increase) in deposits and other debt-linked financial assets (including cash collateral)	(330)	192
Exchange rates effects on derivatives, net	(99)	(724)
Purchase of treasury shares	(214)	(10)
Capital increase	140	54
Minority shareholders' contributions	50	(50)
Dividends paid to minority shareholders	(677)	(593)
Dividends paid by France Telecom SA	(3,117)	(2,602)
Net cash used in financing activities	**(7,654)**	**(9,271)**
Net change in cash and cash equivalents	109	(99)
Effect of exchange rates changes on cash and cash equivalents and other non-monetary effects	(54)	(28)
Cash and cash equivalents at beginning of year	3,970	4,097
Cash and cash equivalents at end of year	**4,025**	**3,970**

glossary

2G: 2^{nd} generation mobile telephony, see GSM.

3G: 3^{rd} generation mobile telephone network based on the UMTS standard.

3G+: see HSDPA.

ADSL (Asymmetric Digital Subscriber Line): high-speed data transmission technology on the traditional telephone network, making it possible to provide broadband data transfer services (firstly Internet access) on a copper cable.

dualplay: broadband subscription with two services – Internet access and IP telephony.

e-health: series of telecommunications solutions making it possible to offer services for healthcare players (doctors, hospitals, insurance or public health organizations, etc.) and people (patients, dependent people, etc.).

EDGE: wireless technology that upgrades existing GSM networks to accommodate Internet and multimedia services at four times the speed of GPRS.

GPRS (Global Packet Radio System): extension of the GSM standard, increasing data transfer speeds, also referred to as 2.5G.

GSM (Global System for Mobile Communications): European standard for 2^{nd} generation mobile telephony networks, operating on wavebands from 900 to 1,800 MHz.

HSDPA (High Speed Downlink Package Access): upgrade to the 3^{rd} generation (3G) mobile telephony standard UMTS, also referred to as 3.5G or 3G+. Thanks to a software development, it offers performances that are 10 times faster than UMTS, supporting high-speed packet downlinks.

IP (Internet Protocol): basic protocol used on the Internet for data transmission, defining the way in which information packets are structured for routing on the web.

IP VPN (IP Virtual Private Network): a virtual private network that provides the same benefits as a private network (security, etc.), but runs on public infrastructures, offering lower costs and eliminating network management needs for users.

machine to machine: information exchanges between machines that are set up between the central control system (server) and any type of equipment, through one or more communications networks.

MMS (Multimedia Messaging Service): service that enables mobile phone users to exchange messages containing text, images, audio and video content.

Mobile Virtual Network Operator: see MVNO.

modem: this is an acronym for Modulator Demodulator. It converts digital data from the computer into analogue data that can be understood by the telephone line. The modem represents a piece of equipment making it possible to connect up to the Internet through an Internet service provider.

multiplay: services enabling customers to receive data and images and make calls via their phone line in IP mode.

MVNO (Mobile Virtual Network Operator): mobile operator that uses third-party network infrastructures to provide its own mobile telephony services.

open source: refers to software whose source code is made available to all. Open source software, like freeware, has a source code that is available to all, but it is not necessarily free.

quadruple play: triple play service combined with mobile telephony.

SIM card (Subscriber Identity Module): smartcard containing data on a mobile network subscriber (subscription type, services taken out). When introduced into a terminal (mobile telephone or computer), it makes it possible to identify the owner on the network and operate their mobile services.

SMS (Short Message Service): communication service for short written messages on mobile telephony handsets and networks.

triple play: broadband subscription service including Internet access, telephony services and a range of television channels.

UMTS (Universal Mobile Telecommunications Systems): 3^{rd} generation mobile telecommunication system capable of providing broadband multimedia services.

unbundling: introduction of competition on the local loop. The phone line remains the property of the incumbent operator, but is connected to equipment belonging to a rival operator located inside the telephone exchange.

VoD (Video on Demand): refers to the possibility to select digital video content and download it from a central server on to a computer or television.

web 2.0: this represents a new approach to using the Internet that enables users themselves to relay or adapt web content in line with their needs. In this way, each user is a broadcaster, transmitter and receiver of information, thanks to the development of broadband Internet and mobile.

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