Goller, Gardner and Feather

Professional Corporation

Attorneys and Counselors at Law

131 East High Street
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David R. Goller
Paul H. Gardner
Jean S. Feather
Pamela Q. Henrickson

Robert W. Hedrick
1918-1988

December 29, 2004

FILED[3]

DEC 2 9 2004

Missouri Public
Service Commission

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street
Jefferson City, MO 65101

Re: In the Matter of the Application of France Telecom Corporate Solutions L.L.C. for a Certificate of Service Authority to Provide Resold Basic Local and Interexchange Telecommunications Service in the State of Missouri and to Classify Said Services and the Company as Competitive

Dear Mr. Roberts:

Enclosed for filing please find an original and eight copies of an APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY in the above referenced case and one copy each of the proposed IXC Tarrif and CLEC Tarrif..

Sincerely,

Pamela Q. Henrickson

PQH:jkb
Encl.

FILED[3]

DEC 29 2004

Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of	)	
France Telecom Corporate Solutions L.L.C.	)	
for a Certificate of Service Authority to	)	
Provide Resold Basic Local and Interexchange	)	Case No.
Telecommunications Service in the State of	)	
Missouri and to Classify Said Services and the	)	
Company as Competitive	)	

APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY

COMES NOW France Telecom Corporate Solutions L.L.C. (hereinafter "Applicant" or "FTCS"), by its undersigned counsel, and hereby applies, pursuant to Sections 392.361, 392.410, 392.420, 392.430 and 392.450 RSMo 2000, and 4 CSR 240.2.060, for authority to provide resold basic local and interexchange telecommunications service in portions of the State of Missouri and to classify said service and company as competitive. In support of its application FTCS states as follows:

1. Applicant France Telecom Corporate Solutions L.L.C. is a limited liability company duly organized and existing under and by virtue of the laws of the State of Delaware and duly authorized to transact business in the State of Missouri. A copy of Applicant's certificate of formation is attached hereto as Exhibit A. Application's authority to transact business in the State of Missouri is attached hereto as Exhibit B.

2. All inquiries, correspondence, communications, pleadings, notices, orders and decisions relating to the case should be addressed to:

Paul H. Gardner
Pamela Q. Henrickson
Goller, Gardner and Feather, P.C.
131 E. High Street
Jefferson City, MO 65101

Please provide copies to:

William K. Coulter
Coudert Brothers LLP
1627 I Street, NW
Washington, DC 20006

3. FTCS proposes to provide resold basic local exchange telecommunications services throughout all exchanges currently served by the incumbent local exchange telecommunication companies of GTE, Sprint Missouri, Inc. and SBC Missouri. The specific exchanges within which FTCS proposes to offer service are listed in the incumbent providers' respective local exchange tariffs. FTCS may seek authority to provide this service in other areas of the state in a subsequent proceeding. Applicant proposes to provide interexchange telecommunications services throughout the entire State of Missouri.

4. Pursuant to this application, FTCS seeks to offer and provide all forms of basic local and interexchange telecommunications services on a resale basis within the State. Applicant intends to market services mainly to business customers. Initially, Applicant will provide Local Exchange Service, Virtual Private Network Service, Local Dedicated Service, Integrated Services Digital Network Primary Rate Interface (ISDN-PRI). Applicant also intends to provide the following interexchange services: Switched Interexchange Service, Dedicated Interexchange Service, Virtual Private Network Service, Frame Relay Service, Carrier 800 Service, Private Line Service and Travel Calling Card Service. In addition, Applicant intends to provide resold commercial mobile radio service.

5. FTCS possesses the technical and managerial expertise and experience necessary to provide the services it proposes. Description of backgrounds of France's management, which demonstrate the extensive experience and expertise, are attached hereto and incorporated herein

by reference as Exhibit C.

6. FTCS seeks classification of itself and its service as competitive.

7. FTCS will offer resold basic local telecommunications service as a separate and distinct service in accordance with applicable law. FTCS will give consideration to equitable access for all Missourians, regardless of where they might reside or their income, to affordable telecommunications services in FTCS' proposed service areas in accordance with applicable law.

8. FTCS is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards, including, but not limited to billing, quality of service, and tariff filing and maintenance in a manner consistent with the Commission's requirements for incumbent local exchange carrier(s) with whom FTCS seeks authority to compete. Additionally, FTCS Agrees that, pursuant to Section 392.455(3) & (4) RSMo 2000, its service area shall be no smaller than an exchange and FTCS will offer basic local telecommunications service as a separate and distinct service. Consistent with the Commission's treatment of other certificated local exchange telecommunications companies, FTCS requests that the following statutes and regulations be waived for FTCS and its basic local exchange service offerings:

Statutes	Missouri Public Service Commission Rules
392.210.2	4 CSR 240-10.020
392.240.1	4 CSR 240-3.545(2)(C)
392.270	4 CSR 240-30.040
392.280	4 CSR 240-3.550(5)(C)
392.290	4 CSR 240-33.030
392.300.2	4 CSR 240-30.010(2)(C)
392.310	4 CSR 240-35
392.320	
392.330	
392.340	

9. Pursuant to 4 CSR 240.3.510(1)(C), attached hereto as Exhibit D are Applicant's proposed initial tariffs with a forty-five day effective date. Because Applicant is non-facilities

based, it does not intend to enter into an interconnection agreement with its underlying facilities-based carriers. Applicant will not seek to purchase any unbundled network elements from its underlying carriers. Rather, Applicant will resell the services of its underlying carriers to its customers. Applicant intends to purchase services from its underlying carriers pursuant to tariff or resale agreements.

10. FTCS submits that the public interest will be served by Commission approval of this application because FTCS' proposed services will create and enhance competition and expand customer service options consistent with the legislative goals set forth in the federal Telecommunications Act of 1996 and Chapter 392 RSMo. Prompt approval of this application also will expand the availability of innovative, high quality, and reliable telecommunications services within the State of Missouri.

11. Applicant has the requisite financial capability to provide services in Missouri. See Exhibit E.

12. There is no pending legal action and no unsatisfied final judgments or adverse decision from any state or federal agency or court which involves customer service or rates which have occurred in the last three years.

13. There are no annual reports or assessment fees overdue.

WHEREFORE, Applicant France Telecom Corporate Solutions L.L.C. respectfully requests that the Commission grant it a Certificate of Service Authority to provide resold basic local and interexchange telecommunications services as herein requested, classify FTCS and its proposed services as competitive, and grant a waiver of the aforesaid statutes and regulations.

Respectfully submitted

Paul H. Gardner Mo Bar No. 28159
Pamela Q. Henrickson Mo Bar No. 31450
Goller, Gardner & Feather, P.C.
131 E. High Street
Jefferson City, MO 65101
Attorneys for Applicant

Of counsel:

William K. Coulter
Coudert Brothers LLP
1627 I Street, NW
Washington, DC 20006
Tel. (202) 775-5100
Fax (202) 775-1168
E-mail: coulterw@coudert.com

AFFIDAVIT

State of Virginia:

: SS.

County of Fairfax:

Jean-Sebastien Falisse, Affiant, being duly sworn/affirmed according to law, deposes and says that:

He is the Treasurer of France Telecom Corporate Solutions L.L.C.;

That he is authorized to and does make this affidavit for said Applicant;

To the best of his information and belief, the information contained in the application are true and correct; and

That the Applicant will comply with all applicable statutes, administrative rules and orders of the Commission.

Jean-Sebastien Falisse, Treasurer
France Telecom Corporate Solutions L.L.C.

Sworn and subscribed before me this 13th day of December, 2004

Notary Public Shirley Z. Thomas
My commission expires: May 31, 2007

SEAL

WASHINGTON 385573v1

EXHIBIT A

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "FRANCE TELECOM CORPORATE SOLUTIONS L.L.C." IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF OCTOBER, A.D. 2002.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3461073 8300

020642303

AUTHENTICATION: 2040119

DATE: 10-17-02

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "FRANCE TELECOM CORPORATE SOLUTIONS L.L.C.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF NOVEMBER, A.D. 2001, AT 9:30 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3461073 8100

010601102

AUTHENTICATION: 1469978

DATE: 11-29-01

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:30 AM 11/28/2001
010601102 - 3461073

CERTIFICATE OF FORMATION

OF

FRANCE TELECOM CORPORATE SOLUTIONS L.L.C.

1. The name of the limited liability company is France Telecom Corporate Solutions L.L.C.

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of France Telecom Corporate Solutions L.L.C.

this 28th day of November, 2001

FRANCE TELECOM PARTICIPATIONS
U.S., INC.

Danielle Aguto

Danielle Aguto
Assistant Secretary

Cert_form.doc

EXHIBIT B

STATE OF MISSOURI

Matt Blunt
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF GOOD STANDING

I, MATT BLUNT, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

FRANCE TELECOM CORPORATE SOLUTIONS L.L.C.

using in Missouri the name

FRANCE TELECOM CORPORATE SOLUTIONS L.L.C.
FL0540996

a DELAWARE entity was created under the laws of this State on the 11th day of September, 2003, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand an imprinted the GREAT SEAL of the State of Missouri, on this, the 17th day of October, 2003

Matt Blunt
Secretary of State

Certification Number: 6161324-1 Page 1 of 1 Reference:
Verify this certificate online at http://www.sos.state.mo.us/businessentity/verification

SOS #30 (1-01)

EXHIBIT C

France Telecom Corporate Solutions L.L.C.
Demonstration of Technical and Managerial Capability

The Members of the senior management team responsible for the operations of the Applicant have extensive experience in the telecommunications industry and highly-qualified technical staff has been assigned to work with Applicant will ensure that Applicant's operations will meet the most demanding standards for service quality and reliability.

As demonstrated by the attached resumes, Applicant has assembled an outstanding and experienced team of industry professionals to achieve its mission of market leadership. The founding members of the executive and technical teams have held key technical, marketing and financial positions at leading communications companies, including France Telecom, Equant and Global One.

Therefore, Applicant clearly possessed the requisite managerial and technical capability to provide intrastate telecommunications services in the State.

Bernard Perrillon
Vice President
France Telecom Integration and Outsourcing Business Unit
France Telecom, SA

Bernard Perrillon was named Vice President of Integration and Outsourcing Business Unit of France Telecom Group in October 2001. He is in charge of Finance, quality control and integration services. The Business Unit in charge of Integration and Outsourcing operates several contracts signed with large accounts of France Telecom Group. Prior to this appointment, Mr. Perrillon served as France Telecom's Vice President for International Development of the Corporate Division, a position he held for one year and half.

Mr. Perrillon, began his professional career in 1982 in the operations of mobile services in France Telecom. From 1985 to 1987, he attended the scolarship of ENA.

From 1988 to 1991, he was managing the cost analysis department of France Telecom purchasing division. Then, he was managing director of Interpac Italia the first italian subsidiary of Transpac in Italy. From 1995 to 1997, he was in charge of the controlling department of a regional branch of France Telecom. In early 1997, he joined France Cables et Radio de Mexico for more than 3 years, where he was executive vice president in charge of finance and business development.

Jean-Sebastien Falisse
10394 Adel Road
22124 Oakton, Va, USA
Tel: (703) 975 6302

CAREER EXPERIENCE

FRANCE TELECOM, Americas
Regional Headquarters: Herndon, VA - USA
Chief Financial Officer April 2002 - present

Created the Finance and IT support function to provide all Finance, Information Technology and Tax related support to France Telecom Long Distance and to other France Telecom activities in the Americas, ensuring data integrity, timely reporting, and performance against financial objectives.

Establishes and monitors required budgets, issue timely reports, analyzes/reports against variances, Manages the function of Transaction Processing for FTLD in the US and in Canada. Supports external and France Telecom internal audit initiatives, Ensures timely and accurate filings with the tax authorities and Co-ordinates tax matters for the region.

Provides IT and Application support to 300 users in the region, manages the web based application that serves the finance and reporting needs of all regions of FTLD, drove the implementation of the FTLD subsidiary accounting system.

Process owner and lead on the development, formulation, implementation of all processes, methods and procedures, Information Systems related to financial reporting, internal controls, tax compliance and reporting.

EQUANT
Reston, VA - USA
Group Controller July 2001 – March 2002

Heads up the corporate controller's function assisting all 400+ entities worldwide in reporting accurate and timely management and legal entity results in a uniform format, in accordance with US GAAP.

Led the integration of the accounting and reporting functions of the legacy Equant, Global One and SITA companies in 225 countries; implemented, staffed up and managed 5 regional organizations, redefined roles and responsibilities, initiated the centralization of the functions to reduce the 700+ staff headcount and create synergies and efficiencies.

GLOBAL ONE
Corporate Headquarters: Reston, VA - USA
Assistant Vice President – Group Accounting & Consolidation June 2000 – June 2001

Reporting to the Chief Financial Officer. With a team of 53 in the US and in Europe, assumes overall responsibility for Global One General Ledger accounting and consolidation. Supervises the accounting function in 65 countries as well as in the US based Shared Service Center established to cluster accounting responsibilities and maintain state of the art central processes.

Owns the monthly French GAAP reporting process to the shareholders. Manages and coordinates the relationships with the external auditors.

Turned the Company in 3 months to a US GAAP compliant registrant with the SEC and the COB. Implemented low cost processes for improved reporting of the Company's Fixed Assets. Developed financial systems and procedures to support the monthly multi currency Transfer Pricing Process.

GLOBAL ONE

Corporate Headquarters: Brussels, Belgium

Senior Director - Corporate Finance, Accounting & Reporting Nov. 1998 – May 2000

Responsible for the monthly consolidation and reporting of the group's financial information. Reports IAS compliant financial information to the shareholders. Managed a team of 35 in Brussels (Belgium), Reston (Virginia, US), Paris (France) and Bonn (Germany).

Financial Officer of the headquarter entities in Belgium, France, Germany and the US and of the group's clearing activities in Ireland and holding companies in the Netherlands.

Company's interface with shareholders, other departments and external auditors with respect to accounting matters.

Established, disseminated, provided advice on and ensured compliance with a US GAAP based policies and procedures manual for the group.

Performed all internal transfer pricing processes to allocate headquarters and network costs and support business model and shareholders decisions.

Coordinated the due diligence exercise conducted by the shareholders prior to the buy out by France Telecom. Acted as single point of contact for all transactions with the shareholders. Helped saving significant amounts on long outstanding disputes.

Implemented a $184 million IAS compliant restructuring provision, set up reporting processes to gather information from Finance and non Finance departments around the world

Participated to the wind up of the Headquarter entity in Brussels, maintaining restructuring and reorganization costs to the lowest level possible.

Director – Consolidation & Reporting July 1998 – Nov. 1998

Responsible for the Company's management and statutory financial reporting process to senior executives, shareholders, external auditors and the European Commission.

Review business units and regional results, performed detailed variance analysis and coordinated the reporting of financial results. Significantly improved the review and reporting process to streamline the legal and management consolidation processes.

Managed and coordinated external audit processes.

COOPERS & LYBRAND
Belgium/Luxembourg/Zaire/Burundi
Director Audit Brussels, Partner Audit Luxembourg June 1990 – July 1998

Responsible of a client based portfolio in the audit practice. Ultimately responsible for audit reports and opinions on IAS, US, French, Belgian, German, Luxembourg, Dutch GAAP financial statements, due diligence review reports and for providing financial and management advice.

Lead Member of the European Audit Training Group and responsible for Audit training program for the Belgium / Luxembourg firm. Member Telecom Leadership Group.

Speaker at Insurance / Reinsurance seminars in Europe. Developed a course on Financial Instruments for the firm and for the banks in Luxembourg

Major assignments included
- Due diligence for acquisition target of a gold mine in Zaire, for privatization of a sugar company in Burundi and for the floating of a Belgian high tech company;
- Project manager for a consulting project in the reorganization of a governmental agency and in the regulatory reporting of a major Belgian telecommunication company,
- Advice to international telecommunication companies on various finance aspects (US GAAP, structural reorganization, shareholder reporting, consolidation tool)

From March through June 1998, dedicated to Global One to assist the VP Accounting and Reporting, responsible for the monthly consolidation and reporting. Supervised the accounting function in the Headquarter entities in Europe and in the United States.

Manager Audit - Zaire June 1988 – June 1990

Manage audit assignments for the World Bank and for the IMF in Kinshasa and Lubumbashi in the mining, petrol refinery sectors.

Auditor – Brussels September 1985 – June 1998

EDUCATION

Institut des Reviseurs d'Entreprises
Luxembourg
Chartered Accountant September 1994

University of Louvain
Louvain la Neuve, Belgium
Institut d'Administration et de Gestion
Bachelor's Degree in Applied Economics, cum laude June 1985

OTHER English, French, Knowledge of Dutch

WORK EXPERIENCE
CHRONOLOGY

RUSSEL ALAN EMERSON
6410 Brass Bucket Ct
Laytonsville Md 20882
301 926 0386

July 2001- PRESENT	**Head CPSP: Americas/TINOS Reg Dir Americas** Outsourcing and Complex Projects :all telecom	EQUANT
June 2000- June 2001	**Dir Prog Mgmt; Americas Region** All Global One Data services	GLOBAL ONE
June 1998- May 2000	**Dir Prog Mgmt, AMEA Region** Asia Pac/Middle East/Russia/Africa All Global One Data services	GLOBAL ONE
June 1994- May 1998	**Dir Prog Mgmt, Asia Pacific Region** All Global One services	GLOBAL ONE
Feb 1993 - June 1994	**Group Manager. OPNs PM** • Field Opns Logistics Group • Network Operations Rollout • Network projects: Voice • Data: X.25/FR/IP/ FAX • Managed all Sprint Intl Opns projects for 2 years **Group Manager, PMs** -International Services and Large Projects	SPRINT INTL
May 1990- June 1993	**Senior Prog Manager** Area Manager, International Services US Domestic and International	SPRINT INTL
June 1984- Apr 1990	**Prog Mgr Telecom** Intl services	TELENET
June 1969- May 1984	**Lt Col United States Marine Corps** **Aviation career/Pilot**	
Oct 1961- May 1969	**US MARINE CORPs** 16 years Mgmt/23 years service.	

Marc Dandelot
President
France Telecom North America

Marc Dandelot was named President of France Telecom North America and Country Manager of France Telecom Group in North America in February 2000. France Telecom operations in North America include Equant (corporate data networks), GlobeCast (satellite services), FT Long Distance (carrier services), Etrali (services to financial institutions), R&D Labs and Venture Capital. Prior to this appointment, Mr. Dandelot served as France Telecom's Executive Vice President for International Development, a position he held for four years.

Mr. Dandelot, a lawyer by training, began his professional career in 1973 in European Affairs, specializing in anti-trust regulations. In 1983 he joined France Telecom as a legal advisor and later became the Chief of Staff to the Minister of Telecommunications.

From 1987 to 1990, Mr. Dandelot served as the Chairman and CEO of France Câbles & Radio, a France Telecom subsidiary. In 1990 he founded a consulting firm focusing primarily on international telecommunications. Mr. Dandelot returned to the France Telecom Group in 1994 as the Chairman of France Telecom holding company Cogecom.

For several years Mr. Dandelot was a professor at the leading Business School and Political Studies Institute in Paris. He has also received the Chevalier de la Légion d'Honneur and Officier de l'Ordre National du Mérite awards.

In his current position as President of France Telecom North America, Mr. Dandelot is leading the company's efforts in developing its North America investment strategy.

Mr. Dandelot is a Partner of the New York City Partnership and Chamber of Commerce, a member of the Board of Directors of the French-American Chamber of Commerce, and member of the French-American Foundation.

Resume

Jean NIVOIX

Vice President Integration Services & Outsourcing

Education :
1967 : Ing. ENST (Telecom) Paris

Complementary Education :
- People management/motivation (Krauthammer)
- Enterprise Strategy (INSEAD)
- Bull's Offer Strategy

Main professional responsibilities :

Since 2001 — **General Manager of France Telecom Corporate Solutions**

Since end 2000 — **Vice President of DISO (Integration Services & Outsourcing)**
In charge of complex integration and outsourcing offers (presales) and project management (post sales)

From April 1998 to end 2000 — **Executive Vice President Expertel FM (Groupe France Telecom)**
In charge of Outsourcing Development for voice, data and end user services (PBX and LAN)

From Sept. 1993 to April 1998 — **Director of IBT**
International Bull Telecommunications

Worldwide management entity responsible for the internal telecommunications of Groupe Bull : "Provide the best telecoms services at the lowest cost".
(Operational responsibility over 250 people (France, US, UK, Italy, Germany), about 500 MFF yearly expenses budget and 50 MFF of yearly investments.)
Additional missions on Facilities Management business.

From Dec. 1990 to Sept. 1993 — **Director of Telecommunications and Office Automation for Groupe Bull (DTBG)**

Functional responsibility over internal Telecommunications and Office Automation.
(architecture, coordination, budget consolidation ~ 600 MFF)
Direct operational responsibility on central structure and part of Telecoms/Office Automation resources in France (100 people, 100 MFF).

From 1985 to Dec. 1990 — **Responsible for Validation/Qualification of low range products in Bull's Offer = micros, terminals, servers and UNIX systems**

Before 1985 — **Responsible for Mini6 Support** (R&D support for Europe)

Development of Software Products and Systems
(mainly in telecoms domains)

Project Management for Bull's Customers
(development of specific softwares/applications in telecoms domains)
(Chu Hanovre, DGT/DRT, CISI, EDF, Banques Populaires, Bibliothèque Nationale, Univ. Brême, ...)

Miscellaneous :

- Bilingual French/German
- English - WW permanent usage

Resume

Jean NIVOIX

Vice President Integration Services & Outsourcing

Education :
1967 : Ing. ENST (Telecom) Paris

Complementary Education :
- People management/motivation (Krauthammer)
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From 1985 to Dec. 1990	**Responsible for Validation/Qualification of low range products in Bull's Offer = micros, terminals, servers and UNIX systems**
Before 1985	**Responsible for Mini6 Support** (R&D support for Europe) **Development of Software Products and Systems** (mainly in telecoms domains) **Project Management for Bull's Customers** (development of specific softwares/applications in telecoms domains) (Chu Hanovre, DGT/DRT, CISI, EDF, Banques Populaires, Bibliothèque Nationale, Univ. Brême, ...)

Miscellaneous :

- Bilingual French/German
- English - WW permanent usage

NICOLAS Frédéric
7463 Somerset Bay Apt B
Indianapolis, IN 46240
U.S.A.
+1 317 257 6962 (home)
+1 317 587 4836 (office)
+1 317 828 0943 (mobile)

38 years old, single, without children
French Nationality

Formation and diplomas

1980	"Baccalauréat C"
1981 - 1982	"Mathématiques supérieures et spéciales".
1983 - 1985	Engineer school : **Ecole Centrale de Lyon (ECL)** University degree: DEA Electronique
1986	Specialisation at "Sup Telecom (ENST)" in Telecommunication and Networks

Professional Experience (13 years)

Eunetcom/Global One/Equant (1996-2002)

Started in **1996** at Eunetcom as Service Manager for one of the biggest Eunetcom multinational customer (JTI) which is still a customer from Equant.

In **2001**, director of a worldwide team of 30 customer service managers spread over various countries in Europe and Asia Pacific region This team ensured the service management of 100 multinational customer networks for Voice, IP, Frame Relay or ATM products.

The responsibility of the director was particularly:

- To lead the organisation in defining role, staffing, structure, as well as improving processes and tools for Service Management for Global One customers in relation with Customer Care, Product Management and GCSC.
- To ensure chargeback of service management activities to selling entities ($250,000 monthly)
- To define and set-up of homogeneous Service Management Reporting tools and processes for all customers

As of 2002, program and service manager of the outsourcing TINOS project for the Americas region. The Tinos Program & Service Manager Americas is responsible at the region level for the following, including services in and out of Equant port-folio:

- Manage the day-to-day relationship with the customer
- Supporting the Tinos Regional Manager during the different project phases (process implementation, local contract transfers, ...)
- Management and relationship of the local/regional sub-contractors for non-standard services, including ordering of services/equipment, validation of invoices.

- Ensuring good operation of implemented local processes (charge-back, ordering, payment of sub-contractors, maintenance,...)
- Ensuring compliance with Quality and Service Level Agreement Targets,.
- Interventions on major troubles or major customer service issues
- Consolidate Service Management Reports
- Launching & leading of regional project reviews.
- Responsible for receiving, processing and implementing all customer changes (new orders, moves, etc..), including standard and non-standard services.
- Ensuring customer invoices are accurate and timely issued. Reviewing with the customer any billing issues.

Bull Ingenierie (1988-1996)

(Subsidiary of Bull computer company specialised in system integration)

1988 to 1996

Several activities as **Manager of the network and data exchange department**

- Project Manager
- Realisation of internet security studies.

(architecture and communication protocols, networks, electronic mail and directory solutions, internet)

- Management and follow-up of Research and Development activities.
- Participation in human resource allocation to projects (training and management of the fifteen engineers of the department)
- Pre-sales activities and consulting in product or project implementation phase.

❑ Languages

Fluent in English
Some German and Spanish

❑ Technical Expertise

Systems	UNIX, WINDOWS
Computer Languages	C, Visual Basic,
Network	ISO, TCP/IP, X25, Ethernet, Lan Manager, Novell
Mail	X400, X500, SMTP, Ms-Mail, cc:Mail, gateways
Others	Word, Excel, Access, PPR (Nortel Performance Reporting tool)

❑ Other experience or activities

Sport and hobbies	• Tennis, Ski, Bridge
Teaching	• Teacher in Gabon for undergraduate students during two scholar years (1986 to 1988)

EXHIBIT D.

EXHIBIT E

France Telecom Corporate Solutions L.L.C.
Demonstration of Financial Capability

As a newly-formed company, Applicant does not have any audited financial statements. Applicant is majority owned and controlled by France Télécom S.A. ("France Telecom"), one of the largest communications companies in the world. Applicant's financial information will be fully consolidated in the financial statements of its parent company.[1] Excerpts of France Telecom's financial filings with the Securities and Exchange Commission are attached, including a Management Report (for the six months ended June 30, 2003 and 2004), and consolidated audited financial statements for the last three years.

France Telecom is a leading integrated communications company which is publicly-traded on both the Paris Stock Exchange and the New York Stock Exchange.

The attached financial documents demonstrate that France Telecom Corporate Solutions L.L.C. clearly possesses the requisite financial capability to provide intrastate telecommunications services in this State.

---

[1] *See* Consolidated Financial Statements – France Telecom, 2002, 2001 and 2000 at p. F-9 ("companies which are wholly owned or which France Telecom controls, either directly or indirectly, are fully consolidated").

As filed with the Securities and Exchange Commission on April 16, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file no. 1-14712

FRANCE TELECOM

(Exact name of Registrant as specified in its charter)

Not applicable	**6, place d'Alleray**	**French Republic**
(Translation of Registrant's name into English)	**75505 Paris Cedex 15**	**(Jurisdiction of incorporation or organization)**
	France	
	(Address of principal executive offices)	

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
American Depositary Shares, each representing one Ordinary Share, nominal value €4.00 per share	New York Stock Exchange
Ordinary Shares, nominal value €4.00 per share*	New York Stock Exchange
American Depositary Contingent Value Rights	New York Stock Exchange
Contingent Value Rights*	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of the American Depositary Shares and American Depositary Contingent Value Rights pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, nominal value €4.00 per share: 2,402,316,828 at December 31, 2003

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐ Item 18 ☑

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

3.1 SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and other operating data of France Telecom. The selected financial data set forth below should be read in conjunction with the Consolidated Financial Statements and "Item 5. Operating and Financial Review and Prospects" appearing elsewhere in this annual report on Form 20-F. The selected financial data presented below has been prepared on a basis constant with the basis of preparation used in the Consolidated Financial Statements as described in Note 2. Prior years have been reclassified as necessary for a consistent presentation. France Telecom's Consolidated Financial Statements are prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP. See Note 33 of the Notes to the Consolidated Financial Statements for a discussion of the principal differences between French GAAP and U.S. GAAP as they relate to France Telecom and a reconciliation of its net income and shareholders' equity to U.S. GAAP.

The selected consolidated financial data as of and for each of the five years ended December 31, 1999, 2000, 2001, 2002 and 2003 are extracted or derived from the Consolidated Financial Statements, which have been audited by Ernst & Young Audit and RSM Salustro Reydel, independent auditors, for the years ended December 31, 1999, 2000, 2001 and 2002, and which have been audited by Ernst & Young Audit and Deloitte Touche Tohmatsu, independent auditors, for the year ended December 31, 2003. The Consolidated Financial Statements as of and for the year ended December 31, 1999 have been translated into euro using the fixed exchange rate for French francs and euro on January 1, 1999.

	Year ended December 31,					
	2003	2003	2002	2001	2000	1999
	$[1]	(€ millions, except per share data)				
CONSOLIDATED STATEMENT OF INCOME DATA						
Amounts in accordance with French GAAP:						
Sales of services and products	58,101	46,121	46,630	43,026	33,674	27,233
Operating income[2]	12,035	9,554	6,808	5,200	4,856	4,490
Interest expense, net[3]	(4,995)	(3,965)	(4,041)	(3,847)	(2,006)	(662)
Other non-operating income/(expense), net	(1,410)	(1,119)	(12,849)	(5,904)	3,957	767
Net income (loss) from integrated companies	8,453	6,710	(12,809)	(2,316)	4,975	2,965
Goodwill amortization	(2,113)	(1,677)	(2,352)	(2,531)	(1,092)	(136)
Exceptional goodwill amortization	(1,432)	(1,137)	(5,378)	(3,257)	–	–
Net income (loss)	4,039	3,206	(20,736)	(8,280)	3,660	2,768
Basic number of shares (rounded)	2,463	1,955	1,085	1,103	1,065	1,025
Diluted number of shares (rounded)	2,754	2,186	1,159	1,177	1,091	1,050
Earnings per share/ADS:						
Net income (loss) per share (basic)	2.07	1.64	(16.75)	(6.58)	3.01	2.37
Net income (loss) per share (diluted)	2.02	1.60	(16.75)	(6.58)	2.97	2.34
Dividend per share[5]	–	–	–	1.00	1.00	1.00
Approximate amounts in accordance with U.S. GAAP:[6]						
Net income (loss)	6,699	5,318	(33,556)	(19,278)	5,131	2,905
Earnings (loss) per share/ADS (basic)[4]	3.43	2.72	(26.70)	(14.86)	4.10	2.41
Earnings (loss) per share/ADS (diluted)[4]	3.24	2.57	(26.70)	(14.86)	4.04	2.36

	Year ended December 31,					
	2003	2003	2002	2001	2000	1999
	$[1]	(€ millions, except per share data)				
CONSOLIDATED BALANCE SHEET DATA						
Amounts in accordance with French GAAP:						
Intangible assets	53,404	42,392	46,086	53,152	52,338	2,131
Property, plant and equipment, net	38,593	30,635	36,268	31,728	34,623	28,964
Total assets	125,766	99,833	106,587	127,358	129,585	54,055
Short-term borrowings	1,978	1,570	10,490	11,365	25,165	2,479
Long-term debt, including current portion	60,243	47,821	60,393	56,139	38,089	14,784
Borrowings net of available cash and marketable securities	55,640	44,167	68,019	63,423	60,998	14,628
Shareholders' equity (deficit)	15,150	12,026	(9,951)	21,087	33,157	18,903
Capital stock[7]	31,421	24,942	29,511	28,843	28,843	10,727
Approximate amounts in accordance with U.S. GAAP:[6]						
Shareholders' equity (deficit)	(588)	(467)	(26,751)	11,411	26,311	21,678
CONSOLIDATED STATEMENT OF CASH FLOWS DATA						
Amounts in accordance with French GAAP:						
Net cash provided by operating activities	14,263	11,322	11,839	7,076	6,613	8,109
Purchase of property, plant, equipment and intangible assets	(6,427)	(5,102)	(7,943)	(8,553)	(14,313)	(5,001)
Proceeds from sale of assets[8]	752	597	2,916	296	274	150
Cash paid for investment securities, acquired businesses, net of cash and investments in affiliates[9]	(299)	(237)	(2,228)	(4,355)	(40,561)	(2,804)
Holdings of own shares	–	–	(5,022)	(8,807)	–	–
Issuance (repayment) of short-term borrowings and long-term debt, net	(24,919)	(19,781)	(63)	5,514	39,301	(209)

(1) In millions. The Consolidated Financial Statements are stated in euro except for 1999, which were originally stated in French francs. The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the Noon Buying Rate on December 31, 2003 of €0.7938 to $1.00.

(2) Operating income for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 includes items (€238 million, €225 million, €210 million, €199 million and €211, respectively) relating to the amortization of part of the additional provision for early retirement payments resulting from the change in 1998 and 1999 in actuarial assumptions used in calculating such provision. See Note 22 of the Notes to the Consolidated Financial Statements.

(3) Including interest expense on TDIRA.

(4) Earnings per ADS have been recalculated for all periods presented to reflect the 2002 stock dividend as required under U.S. GAAP, and as discussed in Note 33 of the Notes to the Consolidated Financial Statements.

(5) In 1996, prior to France Telecom's change of status on December 31, 1996, a payment of €686 million, which was appropriated from net income, was made to the French State. No dividend was declared after the change of status. The annual general meeting of the shareholders for the year ended December 31, 2003 authorized a payment of €0.25 per share to shareholders this year.

(6) Amounts presented under this caption were calculated by applying the principles described in Note 33 of the Notes to the Consolidated Financial Statements.

(7) Capital stock represents the sum of share capital and additional paid-in capital.

(8) Includes, for 2002 and 2003, a gain from the sale of real estate of €2,550 million and €419 million.

(9) Includes, for 2000, a cash payment of €21,693 million in connection with the acquisition of Orange plc.

	Year ended December 31,		
	2003	2002	2001
OPERATING DATA			
Telephones lines (standard lines and ISDN channels) at period-end (millions)(1)	49.3	49.5	40.0
ADSL lines in France at period-end (millions)	3.1	1.4	0.4
Total controlled wireless subscribers at period-end (millions)	56.2	49.9	43.2
Number of employees at period-end	218,523	243,573	211,554

(1) For the purposes of this presentation, each ISDN channel is counted as the equivalent of one standard access line.

3.2 EXCHANGE RATE INFORMATION

Under the provisions of the Treaty on the European Union signed at Maastricht in early 1992, a European Monetary Union ("EMU") with a single European currency, the euro, was established. On May 3, 1998, European governments and central banks announced that the following 11 member states would participate in the last stage of EMU: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxemburg, The Netherlands, Portugal and Spain. These countries have since been joined by other member states. The last stage of the EMU, which fixed exchange rates between national currencies and the European Currency Unit, and the introduction of the euro for certain purposes, began on January 1, 1999, at which time the exchange rate between the French franc and the euro was established at FF 6.55957 to €1.00 (or €0.1524 to FF 1.00).

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro-denominated prices of the shares and, as a result, will affect the market price of the ADSs in the United States. In addition, exchange rate fluctuations will affect the U.S. dollar equivalent of any cash dividends received by holders of ADSs.

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate in New York City for cable transfers for foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York expressed in U.S. dollars per €1.00. Such rates are provided solely for the convenience of the reader and are not necessarily the rates used by France Telecom in the preparation of the Consolidated Financial Statements included elsewhere in this annual report on Form 20-F. No representation is made that the euro could have been, or could be, converted into U.S. dollars at the rates indicated below or at any other rate.

U.S. dollars per €1.00	Year/period end rate	Average rate(1)	High	Low
Yearly amounts				
1999	$1.01	$1.06	$1.18	$1.00
2000	$0.94	$0.92	$1.03	$0.83
2001	$0.89	$0.89	$0.95	$0.84
2002	$1.05	$0.95	$1.05	$0.86
2003	$1.26	$1.14	$1.26	$1.04
Monthly amounts				
October 2003	$1.16	$1.17	$1.18	$1.16
November 2003	$1.20	$1.17	$1.20	$1.14
December 2003	$1.26	$1.23	$1.26	$1.20
January 2004	$1.25	$1.26	$1.29	$1.24
February 2004	$1.24	$1.26	$1.28	$1.24
March 2004	$1.23	$1.23	$1.24	$1.21
April 2004 (through April 14)	$1.19	$1.21	$1.24	$1.19

(1) The average of the Noon Buying Rates on the last business day of each month during the relevant period.

For information regarding the effects of currency fluctuations on France Telecom's results, see "Item 5. Operating and Financial Review and Prospects – 5.1.1 Activity and Operating Profitability of the Group".

3.3 RISK FACTORS

In addition to the other information contained in this annual report on Form 20-F, prospective investors should carefully consider the risks described below before making any investment decisions. These risks, or one of these risks, could have a negative effect on the business, the financial situation, or the results of operations of France Telecom. Moreover, additional risks not currently known to France Telecom, or that France Telecom currently deems immaterial, may also impair its business operations. France Telecom's business, financial condition or results of operations could be materially adversely affected by any of these risks and investors could lose all or part of their investment.

The risks described below concern:

- Risk factors relating to France Telecom's business (see "– 3.3.1 Risk Factors Relating to France Telecom's Business");
- Risk factors relating to the telecommunications and wireless industries (see "– 3.3.2 Risk Factors Relating to the Telecommunications and Wireless Industries");
- Risks factors relating to financial markets (see "– 3.3.3 Risk Factors Relating to Financial Markets"); and
- Risk factors relating to legal proceedings (see "– 3.3.4 Risk Factors Relating to Legal Proceedings").

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

3.3.1 Risk Factors Relating to France Telecom's Business

France Telecom may not be able to reduce its debt. If it is unable to reduce its indebtedness, France Telecom's cash flow may be insufficient to meet its financing needs and its ability to invest in the development of its business may be reduced.

During the period from 1999 to 2002, France Telecom achieved strong external growth at a cost of €100 billion, of which 80% was paid in cash. This led to a major increase of its net consolidated financial debt, which went from €14.6 billion at the end of 1999 to €68.0 billion at the end of 2002.

The major priority of the "Ambition FT 2005" Plan, launched in December 2002, is to reduce France Telecom's indebtedness through an increase in capital, undertaken on April 15, 2003 for close to €15 billion and through its operational performance improvement program called "TOP". These two elements, for the most part, allowed France Telecom to reduce its net consolidated financial debt to €44.2 billion at December 31, 2003.

Nevertheless, in the future, France Telecom may not be able to generate sufficient cash flow to further reduce its indebtedness. This situation could result from negative factors such as the following:

- competition or decisions made by regulatory authorities that have the effect of reducing prices or revenues;
- the slowdown of the current growth in terms of business volume (wireless activities, data base services, Internet services);
- the decrease in business volume of older sectors (a tendency that is already being experienced in fixed line telephony);
- obstacles to the efforts to achieve savings in terms of operating expenses before amortization and depreciation and in terms of investments in tangible and intangible assets;
- the necessity, due to competition or technological advancement or changes in regulations, to incur operational or investment expenses that are greater than those planned.

If France Telecom does not succeed in reducing its indebtedness, its cash flow may be insufficient to meet its financing needs, including meeting scheduled repayments of its debt.

Furthermore, France Telecom's financing agreements contain a certain number of financial covenants (see Note 20 and Note 20.4 of the Notes to the Consolidated Financial Statements). If France Telecom fails to meet its obligations arising from its financing agreements or other payment obligations, its creditors may require early repayment. Many of France Telecom's financing agreements and its outstanding securities include cross-default and cross-acceleration provisions pursuant to which a payment default or acceleration, or a failure to respect a financial covenant, may result in the acceleration of all or a significant part of France Telecom's debt and an inability to draw upon its credit lines. France Telecom's high level of debt, its obligations to maintain certain financial ratios and its other obligations may limit its ability to borrow additional funds and invest in the development of its business.

The "TOP" Program may not achieve the expected results, which could have a material adverse impact on France Telecom's financial condition and results of operations.

The "TOP" operational performance improvement program strives to achieve optimal levels of performance for each of its activities and generate more than €15 billion in net cash flow over the period from 2003 to 2005.

The results of the "TOP" Program in 2003 are discussed in "Item 5. Operating and Financial Review and Prospects – 5.1.2.2 Results of the 'TOP' Operational Improvements Program".

In particular, the "TOP" Program allowed France Telecom to generate approximately €6.4 billion in free cash flow excluding asset disposals (for a calculation of free cash flow excluding asset disposals and a description of the manner in which France Telecom uses it, see "Item 5. Operating and Financial Review and Prospects – 5.4.2 Liquidity" and "Item 5. Operating and Financial Review and Prospects – 5.9 Non-GAAP Financial Measures and Financial Glossary"). France Telecom's management uses free cash flow excluding asset disposals to analyze its ability to generate net cash available for debt repayment in the context of the "TOP" Program. Operating expenses before depreciation and amortization decreased, on a comparable basis, from €30.3 billion in 2002 to €28.8 billion in 2003, representing a decrease of close to €1.5 billion. Investments in tangible and intangible assets (excluding acquisitions of licenses) decreased, on a comparable basis, from €6.95 billion in 2002 to €5.1 billion in 2003, representing a decrease of close to €1.9 billion.

In the future, the goals of this program may not be achieved or may be delayed, which would have a material impact on the financial condition and results of operations of France Telecom. France Telecom may encounter difficulties in the implementation of the program. For example, reorganization costs may be greater than expected (from €800 million to €1 billion), especially in cases of withdrawals from certain markets (for example, the withdrawal of Orange from the Swedish market).

Furthermore, the implementation of the "TOP" Program could lead to unexpected results. For example, investments in tangible and intangible assets, and more generally, the investments made in growth sectors, may be insufficient to maintain the Group's status as a leader, to improve networks and to develop and promote new and existing services, especially in the highly competitive sectors of wireless and Internet services.

France Telecom may not be able to successfully integrate the companies that it has acquired or to achieve planned synergies.

During 2003, France Telecom continued to pursue its integration of Equant and TP Group. France Telecom may:

- have difficulty integrating the operations and personnel of the acquired entities;
- fail to successfully incorporate networks or acquired technology into its network and product offerings;
- fail to generate anticipated synergies;
- fail to maintain uniform standards, controls, procedures and policies; or
- fail to maintain satisfactory employee relations with acquired entities as a result of changes in management and ownership.

Any major difficulties related to the integration of these entities or other businesses acquired by France Telecom could have an adverse effect on its business, financial condition and results of operations.

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

In some of the Group's activities, especially in the "Orange" and "Other International" segments, France Telecom holds a non-controlling interest. Under the governing documents or agreements for certain of these entities, certain key matters such as the approval of business plans and decisions as to the timing and amount of distributions require the agreement of France Telecom's partners, and in some cases, decisions regarding these matters may be made without France Telecom's approval. There is a risk of disagreement or deadlock or a risk that decisions contrary to the interests of France Telecom will be made. For example, following the difficulties encountered with MobilCom, France Telecom was obliged to depreciate the total amount of its investment in MobilCom in 2002.

The consolidated subsidiaries that may be impacted by the risks described above are either proportionately consolidated (as in the case of control exercised with one or more other shareholder(s)) or consolidated according to the equity method (see Note 32 of the Notes to the Consolidated Financial Statements).

Companies that are consolidated proportionately mainly include ECMS (Mobinil), a subsidiary of Orange in Egypt, which is consolidated at 71.25%, as well as operators in Mauritius (Mauritius Telecom) and Jordan (JTC), in which France Telecom has a 40% controlling interest in each.

Companies that are consolidated by the equity method (see Note 11 of the Notes to the Consolidated Financial Statements) mainly include the operating subsidiaries of BITCO/TA Orange, a subsidiary of Orange in Thailand controlled at 49%, and

Radianz, a subsidiary of Equant controlled at 49%. At December 31, 2003, following an additional depreciation, the book value of the securities of BITCO was brought to zero. Moreover, France Telecom has a 36% interest in the share capital of Tower Participations following its withdrawal from TDF and a 20% interest in the share capital of Bluebird Participations France following its withdrawal from Eutelsat.

Finally, France Telecom has non-consolidated holdings (see Note 12 of the Notes to the Consolidated Financial Statements) that could be impacted by the risks mentioned above, in particular, Orange's interests in the share capital of ONE (17.5%, Austria) and Optimus (20%, Portugal). France Telecom fully depreciated at December 31, 2003 the value of its 27% interest in the share capital of Noos (Cable television, France).

In some cases, strategic or joint venture partners may choose not to continue their partnership. In addition, France Telecom's arrangements with its joint venture partners may expose France Telecom to requirements for additional financing, or additional capital expenditure or investment requirements or obligations to buy or sell holdings. See Note 28 of the Notes to the Consolidated Financial Statements.

These factors could impact France Telecom's ability to pursue its stated strategies with respect to those entities or have a material adverse effect on its results of operations or financial condition.

The high cost of UMTS licenses, and investments and expenses necessary for the success of this technology, could adversely affect France Telecom's business, financial condition and results of operations.

At December 31, 2003, France Telecom had paid over €8 billion to acquire UMTS licenses in Europe (excluding minority interests, notably MobilCom). Under the terms of these licenses, France Telecom has agreed to make significant investments in its networks in order to offer new products and services. If France Telecom decided not to pursue UMTS development in certain countries, or if it was unable to meet the costs, it may incur significant costs, including revocation of the licenses, relating to its withdrawal from these markets.

For example, if Orange cannot fulfill the conditions under its UMTS licenses or obtain their modification, the licenses may be revoked and Orange may be liable for damages to the state that awarded the licenses, or to its partners in UMTS development in these countries, as well as to its creditors or its suppliers. All of these risks could have a significant negative impact on France Telecom's financial condition and results of operations.

In addition, once its UMTS network has been launched, the costs related to the development and marketing of new products are difficult to estimate and may be very high, in particular to promote demand for UMTS services or to subsidize UMTS-compatible handsets.

France Telecom cannot be certain that the demand for UMTS products and services will justify the related high costs. Low demand, or demand with weak growth, for UMTS products and services in markets where France Telecom offers them would adversely affect its results of operations. The level of demand for UMTS products and services may be adversely affected by the failure of prior preliminary launches by France Telecom's competitors or by the launch of alternative technologies. France Telecom will need to offset the high purchase costs of the licenses, network capital expenditures and the related amortization costs with increased revenues from customers. Furthermore, any delay in the provision of UMTS products and services resulting from problems with suppliers of components of the UMTS network, the roll out of the network, the unavailability of products compatible with UMTS services, the inability to comply with the requirements of UMTS licenses or any other factor may adversely affect revenues from UMTS services or the date from which such revenues are generated. If, in the future, France Telecom's current estimates relating to future cash flow generated under the UMTS licenses are not met, France Telecom's revenues could be adversely affected, and France Telecom could be required to significantly depreciate the value of its UMTS licenses and related assets recorded in its financial statements.

To the extent that France Telecom expects to generate significant cash flows from its wireless telephony subsidiaries, such as Orange and PTK Centertel, the failure by these activities to generate sufficient revenues could render France Telecom unable to meet its financing needs related to the development of UMTS or its other activities. Its financial condition and results of operations may be adversely affected.

For more information relating to the cost and value of UMTS licenses, see "Item 5. Operating and Financial Review and Prospects – 5.2.2.1 Orange Segment – Investments in Tangible and Intangible Assets".

France Telecom recorded significant goodwill following the acquisitions it made between 1999 and 2002. Accelerated amortization of this goodwill may be required, which could have a material negative impact on France Telecom's results.

France Telecom recorded significant goodwill in connection with its acquisitions since 1999, particularly for the acquisitions of Orange, Equant and TP Group. Goodwill amounted to approximately €26 billion at December 31, 2003. Pursuant to French generally accepted accounting principles, goodwill is amortized over a period determined at the time the goodwill is recorded.

The value of goodwill is reassessed annually and, when events and circumstances indicate that a decrease in value may occur, France Telecom depreciates this goodwill, particularly in the case of events and circumstances that include lasting material adverse changes affecting the economic environment or affecting the assumptions and objectives that were used at the time of the acquisition. For example, France Telecom depreciated its investments in Equant and in certain subsidiaries of Orange and Wanadoo in 2002 and 2003. France Telecom cannot guarantee that new events or unfavorable circumstances will not take place that would lead France Telecom to reassess the value of its goodwill and record additional significant exceptional amortization, which could have a material adverse effect on France Telecom's revenues.

For further information relating to the exceptional amortization of goodwill, see "Item 5. Operating and Financial Review and Prospects – 5.2.3.8 Goodwill Amortization".

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

The occurrence of a natural disaster, such as the major storms in December 1999 that affected service in France at the beginning of 2000, or the flooding in southern France in 2002, and other unanticipated problems at France Telecom's facilities or any other damage to or failure of its network could result in interruptions in its service. In 2000, such damages amounted to approximately €150 million. In certain circumstances, France Telecom has no insurance for damages to its aerial lines and must itself finance these costs. Information technology system (hardware or software) failures, human error or computer viruses could also affect the quality of its services and cause temporary service interruptions. While the risk cannot be quantified, such events could result in customer dissatisfaction and reduced traffic and revenues for France Telecom.

France Telecom will be obligated to adopt new accounting standards in 2005 that may have a material impact on its accounts and may render a comparison between financial periods more difficult.

In June 2002, the European Union adopted new regulations requiring all listed EU companies, including France Telecom, to apply International Financial Reporting Standards ("IFRS") (previously known as International Accounting Standards or "IAS") in their financial statements from January 1, 2005.

The IFRS norms may have a material impact on important items in the accounts and balance sheet of France Telecom. For further information on the impact of IFRS norms, see "Item 5. Operating and Financial Review and Prospects – 5.7.2 Implementation of IFRS (International Financial Reporting Standards) within the France Telecom Group".

The value of France Telecom's international investments in telecommunications companies outside Western Europe may be materially affected by political, economic and legal developments in these countries.

France Telecom has made a significant number of investments in telecommunications operators in countries in Eastern Europe, the Middle East, the Caribbean, Latin America, Asia and Africa, particularly with respect to its activities in the "Orange" and "Other International" segments.

The political, economic and legal systems of the countries in these regions of the world (as, for example, in the Ivory Coast) may evolve in an unpredictable manner. Political or economic upheaval or changes in laws may negatively affect the operations of companies in which France Telecom has invested, and may impair the value of these investments.

The downgrading of France Telecom's debt ratings in 2001 and in 2002 by rating agencies increased the cost of its debt. Despite the ratings increases in December 2002, in 2003 and in 2004, the downgrading of its debt rating could limit its ability to borrow and may increase the cost of access to financial markets.

In October 2001, the rating agencies that evaluate France Telecom's debt downgraded their ratings on France Telecom's short- and long-term debt. Standard & Poor's Ratings Services, or S&P's, lowered its rating on France Telecom's long-term debt from A- to BBB+, with a negative outlook, and downgraded France Telecom's short-term debt rating from A1 to A2. Moody's Investors Service, or Moody's, lowered its rating of France Telecom's long-term debt from A3 to Baa1, with a negative outlook, and downgraded its rating of France Telecom's short-term debt from P1 to P2. Fitch Ibca downgraded its rating of France Telecom's long-term debt from A– to BBB+ with a negative outlook, and lowered the rating of its short-term debt from F1 to F2. After the publication of France Telecom's annual accounts in March 2002, S&P's and Moody's placed their respective BBB+ and Baa1 ratings of France Telecom's long-term debt, on review for downgrade; similarly, Fitch Ibca placed its F2 rating of France Telecom's short-term debt on review for downgrade beginning March 2002. On May 13, 2002, Moody's also placed France Telecom's short-term debt under review.

On June 24, 2002, Moody's downgraded its rating of France Telecom's long-term debt from Baa1 to Baa3 and downgraded France Telecom's short-term debt rating from P2 to P3, with a negative outlook for the long-term debt. On June 25, 2002, S&P's downgraded France Telecom's long-term debt rating from BBB+ to BBB and downgraded France Telecom's short-term debt rating from A2 to A3. S&P's also put France Telecom's long-term rating on review, with a negative outlook. On July 5, 2002, Fitch Ibca downgraded its rating of France Telecom's long-term debt to BBB-, with a stable outlook, and lowered its rating of France Telecom's short-term debt from F2 to F3. On July 12, 2002, S&P's again downgraded its rating of France Telecom's long-term debt from BBB to BBB-, with a stable outlook.

These ratings downgrades have limited France Telecom's access to financial markets while it faces significant debt repayments in 2003, 2004 and 2005. According to the rating agencies, the downgrading of France Telecom's ratings and their placement under review is due to doubts about France Telecom's ability to execute its debt reduction plan, due to both the deterioration of market conditions in the telecommunications sector and the difficulties encountered by France Telecom in carrying out its asset disposal program. The rating agencies have also expressed concern about the possible assumption by France Telecom of MobilCom's debt. In this regard, France Telecom recently completed, in 2003, the transactions contemplated by the MC Settlement Agreement with MobilCom (see Note 22.3 and Note 26 of the Notes to the Consolidated Financial Statements).

On December 5, 2002, after the announcement related to the launch of the "Ambition FT 2005" Plan (see "Item 4. Information on France Telecom – 4.2.1 'Ambition FT 2005' Plan") Fitch Ibca amended its outlook on France Telecom's long-term debt from stable to positive and S&P's confirmed its rating of France Telecom's long-term debt at BBB- with a stable outlook. On December 9, 2002, Moody's also confirmed France Telecom's long-term debt rating at Baa3 with a stable outlook. On May 14, 2003, S&P's increased its rating on France Telecom's long-term debt from BBB- to BBB with a positive outlook and its rating on short-term debt from A-3 to A-2. On August 7, 2003, Fitch IBCA increased its rating on France Telecom's long-term debt from BBB- with a positive outlook to BBB with a positive outlook. On September 23, 2003, Moody's increased its outlook on the long-term debt placed at Baa3 from stable to positive, then on December 5, 2003, placed it under positive review. On February 18, 2004, S&P's increased its rating on France Telecom's long-term debt to BBB+ with a positive outlook. On February 19, 2004, Fitch Ibca increased its rating on France Telecom's long-term debt to BBB+ with a positive outlook. On March 3, 2004, Moody's increased its rating on France Telecom long-term debt to Baa2 with a positive outlook and its short-term rating to P2, with a stable outlook.

France Telecom cannot guarantee that the rating agencies will not further downgrade its credit ratings, particularly if the TOP Program does not produce the expected results or if France Telecom is unable to reduce its indebtedness.

A significant portion of the debt (€17.1 billion outstanding at the end of 2003) includes step-up provisions, or provisions that will lead to the amendment of the coupons or margins should the ratings of France Telecom change. The deterioration in the ratings of France Telecom in June and July of 2002 led to an increase in coupon bonds starting September 2002 for bonds denominated in U.S. dollars or in pounds sterling, and starting in February and March of 2003 for the other bonds (annual bonds). This can be explained by the impact of the deterioration in the ratings of France Telecom that occurred in 2002 on interest expense which was approximately €40 million in 2002, compared to €164 million in 2003.

Furthermore, France Telecom S.A.'s securitization programs require, where applicable, a rating above BB-.

France Telecom cannot guarantee that it will succeed in applying the measures adopted to reinforce or maintain its credit ratings. It also cannot guarantee that the rating agencies will deem the undertaken measures sufficient. In addition, factors outside France Telecom's control, including factors relating to the telecommunications industry or specific countries or regions in which it operates, may affect the rating agencies' assessment of France Telecom's credit profile.

For information purposes, France Telecom believes that a decrease of one notch in its long-term debt rating by S&P's and Moody's would automatically increase its annual interest expense by approximately €90 million, based on its current level of indebtedness, and would also adversely affect its ability to access, and the conditions under which it accesses, the financial markets.

In addition, in the event of a ratings downgrade, certain derivatives contracts and certain contracts related to lease transactions with distinct third parties may be terminated or require the posting of collateral. France Telecom has already been required to post collateral for certain of these contracts.

3.3.2 Risk Factors Relating to the Telecommunications and Wireless Industries

The profound and permanent transformation of the telecommunications industry could render existing technology obsolete. A deficiency in France Telecom's response to technological advancement could lead to the loss of customers or market share in the sectors in which France Telecom operates and could have an impact on its revenues and results of operations.

The telecommunications industry has experienced profound changes in recent years, and France Telecom believes that these changes will continue. If France Telecom fails to rapidly adapt its business to meet the developments of the telecommunications industry, it may be unable to compete effectively and its business activities, financial condition and results of operations may suffer. France Telecom may be unable to appropriately anticipate the demand for certain technologies or may not be in a position to acquire or finance the necessary licenses and intellectual property rights in time. Further, new technologies that France Telecom chooses to develop may lead to significant costs and may not be as successful as planned. As a result, France Telecom may lose customers or market share or may be obligated to undertake substantial expenditures to maintain its customers.

The intense competition of the telecommunications industry in Europe may strain France Telecom's resources.

France Telecom faces intense competition in all areas of its business.

In the fixed line telephony business in France, which has been open to competition since January 1, 1998, France Telecom faces competition that has created a dramatic reduction in rates, as well as a reduction in its market share from 1998 through 2001. In addition, competition in the markets for regional and local calls is intensifying. The recent regulatory changes, such as the unbundling of its local loop, the preselection of operators, number portability and main distribution frame access, have increased the ease with which its customers can use the services of other telecommunications carriers instead of France Telecom's services. In the local call sector principally, with the introduction of carrier preselection at the beginning of 2002, France Telecom lost approximately 25% of its market share at December 31, 2002. France Telecom expects a further decrease of its market share and continued decreases of rates in the fixed line services in France, where it currently enjoys the greatest market share. In addition, according to France Telecom, an increasing proportion of calls that would previously have been made over the fixed line network are now being made on mobile telephones, a process known as "fixed-wireless substitution". The level of competition is significantly influenced by decisions of the ART, which could make decisions that would lead to further declines in rates in the fixed line telephony business. For further information regarding competition and regulatory decisions that could affect the level of competition, see "Item 4. Information on France Telecom – 4.5.3 Fixed Line, Distribution, Networks, Large Customers and Operators" and "Item 4. Information on France Telecom – 4.12.2 French Regulations".

In addition, restructuring by certain competitors and overcapacity in the international transmissions sector could materially affect France Telecom's results in the international transmissions business. If these conditions continue, they could negatively impact France Telecom's results in this market. In the data transmissions market, Equant and Transpac, both subsidiaries of France Telecom, face intense competition. The success of the France Telecom group in this market will depend on the ability of Equant and Transpac to compete with the other large telecommunications operators, intellectual property and data specialists and new entrants in this market, including operators from competing networks and suppliers of Internet services or other value added services. France Telecom believes that the number of competitors, the vertical and horizontal concentration of this activity, the pressure on rates and the competition in terms of market share could increase in the future.

In the wireless telecommunications business, France Telecom faces intense competition in all of its principal markets (particularly in France and the United Kingdom) from existing and new market participants. In certain countries, France Telecom must compete with new non-traditional operators that offer wireless communications services without maintaining their own networks (known as mobile virtual network operators). Although competition based on handset subsidies has diminished in France and the United Kingdom, competition based on rates, subscription options offered, coverage and service quality remains intense. As these markets have become increasingly saturated, the focus of competition is starting to shift from customer acquisition to customer retention, which could lead to higher expenses for customer loyalty initiatives. Rates for wireless communications have been declining over the past several years and may continue to decline in France Telecom's principal markets.

France Telecom also faces competition in the market for Internet and multimedia services, particularly in France. The Internet access market is experiencing increased competition and shifting usage patterns which exert a pressure that may be influenced by regulation, particularly in France. There are few substantial barriers to entry in the Internet industry and connection costs for users and customers are low. As a result, France Telecom's most significant competitors in this segment may be new entrants such as the French postal service that would not be burdened by the costs of modernizing older equipment. It may be very expensive for France Telecom to upgrade its networks, products and technology in order to continue to compete effectively with other competitors. Wanadoo faces competition in the printed directories market from editors that offer regional directories in France. Online directories remain highly competitive with many market participants.

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

- price erosion for France Telecom's products and services;
- an inability to increase market share or a loss of market share;
- loss of existing or prospective customers and greater difficulty in retaining existing customers;
- more rapid deployment of new technologies and obsolescence of existing technologies;
- the increase of costs related to investments in new technologies that are necessary to retain customers and market share;

- increased pressure on France Telecom's profit margins, preventing it from maintaining or improving its current level of operational profitability; and
- difficulties repaying the debt it incurred to finance its acquisitions and strategic and technological investments if it cannot generate revenues and an adequate gross margin of internal financing.

If growth in the Internet and wireless businesses slows, France Telecom's revenues may not grow as rapidly as in the past and may even decrease, which in turn could adversely affect its profitability.

In recent years, France Telecom's revenues, at a constant exchange rate, have grown in large part because of rapid expansion in its Internet and wireless communications businesses, in line with growth in the Internet and wireless markets in Europe. If these markets do not continue to expand, particularly in France and the United Kingdom, France Telecom's revenue may not grow or may even slow, which in turn could affect its financial condition and results of operations, in particular if the revenues of the "Fixed Line, Distribution, Networks, Large Customers and Operators" segment were to decrease.

Despite the current trend towards deregulation in France and other European countries, France Telecom continues to operate in highly regulated markets in which its flexibility to manage its business is limited.

France Telecom must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of its fixed line, wireless and Internet networks and the provision of its products and services. It must also cooperate with agencies or other governmental authorities that regulate and supervise the allocation of frequency spectrum and that oversee the general competitiveness of the telecommunications market. Furthermore, France Telecom faces a number of regulatory constraints as a result of its dominant position in the fixed line telecommunications market in France, including certain obligations that lead to significant costs. For example, France Telecom is required to provide interconnection services to other operators on terms that must be approved by the regulatory authority. France Telecom is also required to have its rates for fixed line voice telephony services approved by the regulatory authority prior to implementation. France Telecom believes that, in general, it fulfills the requirements imposed by the applicable regulations, but it cannot predict the opinion of regulatory or judicial authorities, who could be asked to review or have already been asked to review France Telecom's compliance.

Like other operators, France Telecom's activities and operating income may be impacted significantly by legislative, regulatory and governmental changes and, in particular, by decisions made by regulatory authorities and competition authorities in relation to:

- granting, modifying and renewing licenses (see "Item 5. Operating and Financial Review and Prospects – 5.2.2.1 Orange Segment – Investments in Tangible and Intangible Assets" for further information on the renewal of the GSM license in France);
- rates or the possibility of extending activities to new markets;
- network accessibility to virtual network operators and other service providers; or
- access to third party networks.

Such decisions could significantly impact results of operations.

The following can be cited as examples of risks related to regulatory changes or decisions: the conditions for the renewal of Orange France's GSM license and Wanadoo's obligation to submit to the European Commission accounting information related to its broadband offers.

Regarding the first point, the GSM license granted to Orange France for a period of 15 years, from March 25, 1991, expires in March 2006. In compliance with the terms of the license, the conditions for renewing the license, like those for SFR, were defined in March 2004. The new conditions approved by the French government provide for a 1% fee per year on the revenues of wireless operators, in addition to a fee of €25 million per year. The wireless operators have agreed to continue to reduce the price of SMS text messages and will work in close cooperation with the French State, local authorities and the regulatory authority to complete the rural area coverage program and ensure 100% wireless telephony coverage for all French towns and villages. In other countries where it operates, France Telecom cannot foresee the new conditions that will be applicable within the framework of GSM licenses following their renewal, and in particular, cannot dismiss the possibility that the cost to the operator may be significantly higher than the current cost of the license fees.

Regarding the second point, within the framework of a July 2003 decision by the European Commission (see Note 29 of the Notes to the Consolidated Financial Statements) imposing a fine of €10.4 million on Wanadoo France for having abused its dominant position in the retail market for broadband Internet access by practicing predatory pricing between 2001 and October 2002 (Wanadoo filed an appeal against this decision), the European Commission has required that Wanadoo France furnish it with its operational accounts related to its broadband offers until 2006, in order to enable the Commission to verify that Wanadoo France is not engaging in predatory pricing.

Furthermore, licenses are required in most countries to provide telecommunications services and operate networks. These licenses frequently impose requirements regarding the way the operator conducts its business, including, in particular, minimum service requirements, roll out completion deadlines, and network quality and coverage.

Failure to meet these requirements could result in fines or other sanctions, including, ultimately, revocation of the licenses.

Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations or litigation, that may have adverse effects on the results of operations of France Telecom.

In France, by decree dated May 3, 2002, the Health Ministry required wireless operators to provide their customers with recommendations on the use of mobile telephones and information on the remaining uncertainties relating to potential health risks. In addition, Orange signed charters of good conduct relating to the installation of transmitter sites with other operators and certain municipalities in France. On January 21, 2003, the ART published a scientific study regarding the health risks associated with wireless telephone transmitter sites and mobile telephones. The results of this study, ordered by the French National Institute for Industrial Environment and Risks (the *Institut national pour l'environnement industriel et des risques*, or "Ineris"), confirmed the conclusions of an independent report published in 2001, which found that "no study has been able to conclude that exposure to radio-frequency fields emitted by mobile telephones or their base stations have had a harmful influence on health". In total, at least four scientific studies with the same conclusions, including the one mentioned above, were published in 2003.

In the United Kingdom, a study on wireless telecommunications health issues conducted by the Independent Expert Group on Mobile Phones, known as the Stewart Report, reported that to date, there is no evidence that suggests that wireless phone technologies pose a health risk for the general public. The Department of Health in the United Kingdom has nevertheless required that information be made available to customers so that they can make their own informed choices about how to use mobile phones. In the United Kingdom, Orange and other wireless network operators are promoting in-depth scientific research into wireless technology through joint financing of a program with the government of the United Kingdom. The published scientific studies concluded that no long-term health risks exist.

While to date France Telecom is not aware of any substantiation of health risks associated with wireless communication devices, actual or perceived health risks may adversely affect France Telecom's results of operations or financial condition through a reduction in the number of customers, reduced usage per customer, exposure to potential litigation or other liability. In the event that future evidence is considered to show that health risks exist, the use of mobile phones could be subject to regulations which, for example, could limit emission levels from handsets or transmitter sites. Such regulations could have an adverse effect on France Telecom's operations and results of operations.

3.3.3 Risk Factors Relating to Financial Markets

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

A significant portion of France Telecom's revenues and expenses are accounted for in currencies other than the euro. Over the course of 2002 and 2003, the main currencies for which France Telecom was exposed to exchange rate risk were the pound sterling, the Polish zloty and the U.S. dollar. Where appropriate, France Telecom enters into derivative instruments to hedge underlying exposures to changes in exchange rates, but France Telecom cannot guarantee that these derivative transactions will effectively or totally hedge its risks. To the extent that France Telecom has not entered into derivative instruments to cover a portion of this risk, or if its strategy of using these instruments is not successful, France Telecom's cash flow and revenues may be affected. Derivative instruments are described in Note 20 of the Notes to the Consolidated Financial Statements.

For consolidation purposes, the balance sheets of France Telecom's consolidated foreign subsidiaries are converted into euro using the exchange rate at the end of the period, and their income statements and cash flow charts are converted using the average exchange rate for the period. The impact of such a conversion on the balance sheet and shareholders' equity may be significant. From one period to another, fluctuations in the average exchange rate relating to a particular currency may significantly affect the reported revenues as well as the expenses incurred in such currency, as reflected in France Telecom's income statement, which could significantly affect its results of operations. For example, in 2003, the impact of fluctuations in the exchange rate on France Telecom's revenues was approximately €2 billion.

France Telecom's business may be affected by fluctuations in the financial markets, including changes in interest rates.

In the ordinary course of its business, France Telecom is exposed to financial market risks, including changes in interest rates. Where appropriate, France Telecom enters into derivative instruments to hedge underlying exposures to changes in interest rates. The derivative instruments used by France Telecom are described in Note 20 of the Notes to the Consolidated Financial Statements. France Telecom's exposure to market risks is described in "Item 11. Quantitative and Qualitative Disclosures about Market Risk – 11.1 Exposure to Market Risks and Financial Instruments".

Risk factors relating to the volatility of France Telecom's shares.

France Telecom S.A.'s share prices may fluctuate due to a number of factors, including:

- a change in France Telecom's credit rating, or level of indebtedness or sales of assets;
- changes in recommendations made by financial analysts with respect to France Telecom;
- changes in analysts' forecasts regarding the markets in which France Telecom operates;
- an announcement by France Telecom or one of its competitors regarding strategic partnerships, results of operations, changes in its capital structure or other important changes in activity;
- the recruitment or departure of key employees; and
- general stock market fluctuations.

Following the exchange offer for Orange shares completed in 2003, France Telecom held none of its own shares at December 31, 2003.

In addition, the share prices of France Telecom's listed subsidiaries, Wanadoo, Equant and TP S.A., may fluctuate. This could impact the financial condition of France Telecom or its share price.

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

At December 31, 2003, the French State held, directly or indirectly, through the intermediary, ERAP, approximately 54.5% of the share capital of France Telecom. Until January 2004, the French State had the legal obligation to hold more than 50% of the share capital of France Telecom. However, French law no. 2003-1365 of December 31, 2003, relating to the public telecommunications service and to France Telecom, allows the French State to transfer its holding to private investors. If the French State decides to reduce its holding in the share capital of France Telecom, such a sale or even the perception of potential sales could impact France Telecom's share price.

The price of France Telecom's ADSs and the U.S. dollar value of any dividends will be affected by fluctuations in the U.S. dollar/euro exchange rate.

The ADSs are quoted in U.S. dollars. Fluctuations in the exchange rate between the euro and the U.S. dollar are likely to affect the market price of the ADSs. For example, because France Telecom's financial statements are reported in euro, a decline in the value of the euro against the U.S. dollar would reduce France Telecom's earnings as reported in U.S. dollars. This could adversely affect the price at which the ADSs trade on the U.S. securities markets. Any dividend that France Telecom might pay in the future would be denominated in euro. A decline in the value of the euro against the U.S. dollar would reduce the U.S. dollar equivalent of any such dividend.

Holders of ADSs may face disadvantages compared to holders of France Telecom's shares when attempting to exercise voting rights. Holders of shares wishing to exercise their voting rights must block their shares for at least five days prior to the shareholders' meeting pursuant to French law.

In order to vote at shareholders' meetings, ADS holders who are not registered on the books of the depositary are required to transfer their ADSs for a certain number of days before a shareholders' meeting into a blocked account established for that purpose by the depositary. Any ADS transferred to this blocked account will not be available for transfer during that time. ADS holders who are registered on the books of the depositary must give instructions to the depositary not to transfer their ADSs during this period before the shareholders' meeting. ADS holders must therefore receive voting materials from the depositary sufficiently in advance in order to make these transfers or give these instructions. There can be no guarantee that ADS holders will receive voting materials in time to instruct the depositary to vote. Also, the depositary is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. It is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote at all.

In order to participate in any general meeting, a holder of shares held in registered form must have its shares registered in its name in a shareholder account maintained by France Telecom or on France Telecom's behalf by an agent appointed by France Telecom by 3:00 p.m. (Paris time) the day before the meeting. A holder of bearer shares must obtain a certificate (*certificat d'immobilisation*) from the accredited intermediary with whom the holder has deposited its shares, and the certificate must state that the shares are not transferable until the time fixed for the meeting. The holder must deposit this certificate at the place specified in the notice of the meeting by 3:00 p.m. (Paris time) the day before the meeting.

Preemptive rights may be unavailable to holders of France Telecom's ADSs.

Holders of France Telecom's ADSs or U.S. resident shareholders may be unable to exercise preemptive rights granted to France Telecom's shareholders, in which case holders of France Telecom's ADSs could be substantially diluted. Under French law, whenever France Telecom issues new shares for payment in cash or in kind, France Telecom is usually required to grant preemptive rights to its shareholders. However, holders of France Telecom's ADSs or U.S. resident shareholders may not be able to exercise these preemptive rights to acquire shares unless both the rights and the shares are registered under the Securities Act of 1933 or an exemption from registration is available.

If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case no value will be given for these rights.

3.3.4 Risk Factors Relating to Legal Proceedings

France Telecom is involved in several investigations or legal proceedings that are more fully described in Note 29 of the Notes to the Consolidated Financial Statements. France Telecom's position as the leading operator and provider of networks and telecommunications services in France and one of the leading telecommunications operators in the world subjects it to the scrutiny of its competitors and French and European competition authorities. In addition, France Telecom is regularly involved in legal disputes with competitors as a result of its leading positions in the fixed and wireless telecommunications markets in which it operates. With the exception of the proceedings set forth in Note 29 of the Notes to the Consolidated Financial Statements, France Telecom believes that none of these proceedings, taken by itself, would have a material adverse effect on the financial condition or results of operations of the Group.

5.1.2.2 RESULTS OF THE TOP OPERATIONAL IMPROVEMENTS PROGRAM

The following table shows the reductions achieved in operating expenses before depreciation and amortization and before amortization of actuarial adjustments in the early retirement plan ("operating expenses before depreciation and amortization" or "OPEX"; see "– 5.9 Non-GAAP Financial Measures and Financial Glossary – Financial Glossary") and investments in tangible and intangible assets (excluding UMTS/GSM licenses) ("CAPEX") between 2002 and 2003, in the context of the implementation of the TOP Program.

(€ millions)	Year ended December 31,			Variations	
	2003	2002	2002	2003/2002	2003/2002
		on a comparable basis[1] (unaudited)	historical	on a comparable basis (unaudited)	historical
OPEX[2]	(28,818)	(30,305)	(31,713)	1,487	2,895
CAPEX	5,086	6,950	7,441	(1,864)	(2,355)
Operating income before depreciation and amortization less CAPEX	12,217	7,355	7,475	4,863	4,742
Changes in working capital (trade)[3]	(1,278)		(992)		

(1) The calculation, using figures on a historical basis, of figures on a comparable basis is set forth above and below.

(2) OPEX is equal to the sum of costs of goods and services sold, selling, general and administrative expenses and research and development expenses, as presented by destination on the income statement. These expenses are also followed on the basis of type of expense, as detailed below.

(3) Changes in working capital (trade) is discussed below. See "– 5.4.2.1 Net Cash Provided by Operating Activities".

TOP projects crossed from the launch stage to the roll-out stage. After priority given to projects delivering rapid results in the first quarter of 2003, the gradual restructuring of principal procedures delivered its first results and is being integrated at all levels of the organization to improve operating performance in a continuing manner.

The results achieved from the TOP Program during 2003 exceeded targets. These results should permit the acceleration of debt reduction for the Group, while reinforcing its growth.

France Telecom affirms its goal to generate more than €15 billion of free cash flow over the period 2003-2005, through the TOP Program. In 2003, France Telecom generated more than €6.4 billion in free cash flow excluding asset disposals (see "– 5.4.2 Liquidity"), compared to an initial goal of more than €3 billion raised to more than €4 billion excluding asset disposals.

- **Changes in operating expenses before depreciation and amortization**

See "– 5.2.1.2 From Revenues to Operating Income Before Depreciation and Amortization – Operating Expenses Before Depreciation and Amortization Excluding Personnel Costs".

Operating expenses before depreciation and amortization by type of expense is an alternative presentation to operating expenses as they are presented on the income statement by destination (cost of services and products sold, selling, general and administrative expenses and research and development expenses) – see Note 5 of the Notes to the Consolidated Financial Statements for information regarding how these presentations inter-relate. Following the implementation of the FT Ambition Plan 2005 plan, management follows Group operating expenses before depreciation and amortization by type of expense. As a result, the discussion of Group 2003 and 2002 results focuses on operating expenses before depreciation and amortization by type of expense, while the discussion by segment focuses on operating expenses before depreciation and amortization by destination.

Between 2002 and 2003, operating expenses before depreciation and amortization decreased €2,895 million.

On a comparable basis, the gains recorded for operating expenses before depreciation and amortization for the same period were approximately €1,487 million.

In 2003, operating expenses before depreciation and amortization amounted to approximately €28.8 billion, compared to €30.3 billion in 2002 on a comparable basis, or approximately 62.5% of revenues compared to approximately 67.9% for the year earlier period, an improvement of over 5 points.

The transformation in procedures and the effects of the TOP Sourcing Program (contractual renegotiations and reduction in the number of suppliers) particularly benefits operating expenses before depreciation and amortization through improvement in the selection of expenses and pooling of resources among the France Telecom Group's divisions. Gains in operating expenses before depreciation and amortization were mainly drawn from:

- the first results of the actions taken by "saving trackers" for the streamlining and improved allocation of general expenses, resulting in a modification of the approach to expenditure in the long-term and to a reduction in expenses relating to off-site transport, business travel and expenses relating to studies and fees;
- the implementation of new operational processes and the internalization of certain activities leading to an improvement in the operational processes relating to the maintenance and use of networks; and
- the restructuring of costs related to communication around advertising and a streamlining of expenses related to sponsorship.

Gains in operating expenses before depreciation and amortization were mainly derived from external purchases, which experienced a significant decrease during the years amounting to €18.0 billion in 2003, compared to €19.0 billion in 2002 on a comparable basis, representing a gain of €969 million. Among these, savings in consulting/advisory related expenses amounted to approximately €444 million and communications and advertising gains amounted to €107 million in 2003.

- **Changes in progression of investments in tangible and intangible assets excluding licenses ("CAPEX")**

Between 2002 and 2003, investments in tangible and intangible assets excluding licenses decreased €2,355 million.

On a comparable basis, the gain in investments in tangible and intangible assets excluding licenses recorded for the same period was €1,864 million. This reflected better selectivity in investments in tangible and intangible assets, the effects of the TOP Sourcing Program and support for growth sectors.

The principal contributors to the reduction of investments in tangible and intangible assets were:

- the "Orange" segment for 42%;
- the "Fixed Line, Distribution, Networks, Large Customers and Operators" segment for 40%;
- the "Equant", "TP Group" and "Other International" segments for a total of 16%; and
- the "Wanadoo" segment for 2%.

Orange's investments in tangible and intangible assets excluding licenses decreased as a result of the delay of investments in the UMTS network due to the insufficient maturity of the market for the launch of the 3rd generation. A "CAPEX sharing" project was commenced in order to increase the pooling of assets for investments in areas such as information systems and billing. The decreases in the "Fixed Line, Distribution, Networks, Large Customers and Operators" segment corresponded to the decrease in expenditure in areas such as the switching and transmission capacities of the network in France.

However, in line with the TOP Program, and in order to accelerate productivity and improve the selectivity of investments, expenses for investments in tangible and intangible assets excluding licenses increased in areas with strong growth potential. This was particularly the case for investments related to broadband. Investments in the ADSL network increased 31% for the Group in 2003 compared to 2002 on a comparable basis, whereas the production of ADSL lines reached 3.1 million in 2003.

As a result, the level of the Group's investments in tangible and intangible assets excluding licenses is aimed at ensuring long-term growth in growth markets.

- *Operating income before depreciation and amortization less CAPEX*

Operating income before depreciation and amortization less CAPEX increased €4,742 million between 2002 and 2003.

The results achieved under the TOP Program exceeded targets.

On a comparable basis, operating income before depreciation and amortization less CAPEX increased over 66% (approximately €4,863 million) to €12.2 billion at December 31, 2003 compared to €7.4 billion at December 31, 2002. This improvement of €4.9 billion was due to an increase of approximately €1.5 billion in revenues, approximately €1.5 billion for operating expenses before depreciation and amortization gains and approximately €1.9 billion in gains in investments in tangible and intangible assets excluding licenses.

For information regarding risks related to the TOP Program, see "Item 3. Key Information – 3.3.1 Risk Factors Relating to France Telecom's Business – The 'TOP' Program may not achieve the expected results, which could have a material adverse impact on France Telecom's financial condition and results of operations".