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Sir David Tweedie,
Chair
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Leslie Seidman,
Chair
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116
United States of America

Paris, December 15, 2010

Exposure Draft ED/2010/09 "Leases"

Dear Madam and Sir,

We welcome the opportunity to comment on the joint IASB-FASB Exposure Draft "Leases" (DP) after having commented on the DP "Leases: preliminary views". In the context of this answer, France Telecom Orange ("FTO") participated in several French and European forums about the ED and had the opportunity to participate in outreach activities for which we would like to express our thanks.

About France Telecom Orange

In 2009, FTO had consolidated sales of 45.6 billion euros and served over 190 million customers in 30 countries. It invested 5.3 billion euros and held 10.4 billion of intangible assets and 24.3 billion of tangible assets. Orange the key brand of FTO, covers Internet, television and mobile services and, under the brand Orange Business Services, covers telecommunication services to multinational companies.

Like other telecommunications companies, FTO is both a lessor and lessee:
- As lessor, FTO rents to customers set-top boxes and modems/routers as adjuvants to its services.
- As lessee, FTO leases some of its real-estate (technical premises, office buildings, shops, antennas sites etc.), some telecommunication equipments, and non core equipment like cars, PCs and copiers.

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- FTO also enters into agreements for satellite broadcasting or cable transmission capacities that may qualify as lease or service contracts.
- FTO also operates in a highly regulated sector, where France Telecom Orange must grant its competitors access to FTO's assets or services.

Follow-up on our comments on the DP

Our letter on the DP articulated five recommendations:

A - The Boards should assess whether their proposals remedy the criticisms to the current lease models

B- The Boards should analyze whether their proposals are not putting at risk the confidence in financial reporting

C- Similarly, the Boards should evaluate the possible business impact of their proposed accounting

D- The asset and liability that would be recognized should not be based on the look-through approach

E- The asset and liability that would be recognized are linked and the accounting should reflect this link

With respect to points A, B, and C, we believe the due process followed by the Boards has failed to provide the community of preparers, investors and market supervisors alike with articulated arguments in favour of the ED choices, most of which seem to be based on preconceived ideas about the role of leases in the economy and on expedients for measurement.

With respect to points D and E, although in some limited areas (in substance purchases, remeasurements), our concerns have been partially addressed by the Boards, most of our comments remain valid.

This letter does not reiterate the comments we made at the time of the Discussion Paper.

Our proposals

As we support most of the technical comments made by EFRAG, we have elected not to make detailed answers to the questions addressed to constituents.

Our recommendations to the Boards are the following in a decreasing order of preference

- Consider amendments to the current literature which may serve the users needs and minimize the uncertainties and costs introduced by the ED
    - Maintain the current treatment of leases that are not in substance purchases in the statement of net income and the statement of cash flows
    - Present discounted minimum contractual commitments of leases as rights of use and obligations to pay at the bottom of the statement of financial position or within that statement
    - Further analyze the concept of assets as a bundle of rights for IAS16 and IAS38 in order to provide guidance on partial (de)recognition

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- Or, if this approach is rejected,

    - adopt the views expressed by the IASB dissenting Board member for the term of the lease, the variable consideration, and the transition
    - reconsider the line between services and leases
    - provide a real relief for short term leases in order to focus the efforts on key pluriannual term firm commitments
    - If the view of an asset as a bundle of right is affirmed, confirm the partial derecognition model as the preferred model for lessor accounting

In brief

We do not believe that the proposals are effective in addressing the concerns about the complexity of lease accounting and comparability of information. Furthermore, we are not convinced that the proposals result in information that is relevant to users of financial statements. Therefore, we believe the ED should not be issued as a final standard. We acknowledge that our recommendations may not be compatible with the June 2011 deadline that the Board has set for itself in this project. However, we believe that supplementary time required to make the final standard robust and worthwhile is a matter of months and not years.

If you would like to discuss our comments further, please do not hesitate to contact us at nicolas.depaillerets@orange-ftgroup.com or valerie.therond@orange-ftgroup.com.

Yours sincerely,

Valérie Thérond (Chief Accounting Officer)

Nicolas de Paillerets (Director of the Group Accounting Principles)

Cc:

Mrs Françoise Flores, EFRAG
Mr. Jérôme Haas, ANC

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