L'OBSERVATOIRE

The electronic communications services market in France in the 1st quarter of 2007

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AUTORITÉ DE RÉGULATION des Communications électroniques et des Postes

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Introduction

In the first quarter of 2007, revenues generated by electronic communications operators were 10.3 billion euros on the retail market and 2.0 billion euros on the intermediate market.

The market for electronic communications services per se, i.e. excluding revenues from associated services (sale and rental of telephone equipment, directory services, advertising, hosting and call centre management, etc.) accounted for 9.6 billion euros of the revenues generated during the first quarter of 2007. This is up 1.8% over the year.

The volume of traffic generated by telephony services (fixed and mobile) was 52.1 billion minutes during the first quarter of 2007, also up 1.8% over the year.

Fixed telephony and Internet

Subscriptions to fixed telephony services stood at 38.7 million at the end of the first quarter of 2007, i.e. an increase of 4.0% over the year.

Subscriptions to broadband telephony services (DSL IP and cable IP) stood at 7.8 million, and now represent 20% of all telephone service subscriptions, compared with 11% at the same time last year. The rapid growth of this sector (+3.6 million over the year) is partly due to the move away from “traditional” telephone services using dial-up access (-2.2 million over the year), as a result of the increasing expansion of full LLU (2.6 million lines at the end of the first quarter of 2007, i.e. an increase of +170.6% over the year), and to the growing use of wholesale services of the standalone ADSL (also known as “naked” ADSL) type in non-unbundled areas. This has also resulted in an increase in requests for number portability from customers changing operators. During the first quarter of 2007, 750,000 fixed telephone numbers were ported from one operator to another.

Overall, 77% of fixed lines are now used solely for traditional PSTN telephone services (compared with 88% a year ago), 10% of lines are used solely for IP telephony, and 13% of lines support both types of telephone services, i.e. a “traditional” PSTN subscription and a subscription to a Voice-over-IP service (based on partial unbundling or bitstream services).

Revenues directly attributable to fixed telephony services have continued to fall, and were down 4.1% at the end of the first quarter of 2007. Revenues from PSTN line rental rose by 5.6% over the year, as a result of the price increase introduced on 1 July 2006, which has more than offset the decline in the number of PSTN subscriptions. Revenues from telephone calls have fallen by 13.0% over the year.

Outgoing traffic from fixed-line telephones has shown a slight reduction over the year. Voice-over-IP calls currently account for nearly 27% of this traffic, compared with 14% the same time last year. The growth is particularly marked for international IP calls, with the result that 40% of all calls from fixed lines to international numbers now use IP technology, compared with 15% a year ago.

Internet subscriptions showed an increase of 4.5% during the first quarter of 2007 and were up almost 15% over the year. Of the 15.9 million Internet access lines at the end of March 2007, almost 90% are broadband, the majority based on DSL technology. Growth in the broadband sector is still vigorous, up +30.6% over the year, which represents more than three million new customers over the same period. The result of this growth is that the 948 million euros generated by broadband services represent 87.3% of the total revenues generated by Internet services.

Subscriptions to xDSL television services reached 3.3 million at the end of the first quarter of 2007 and have more than doubled in one year.

Mobile telephony

The number of mobile telephony customers in France stood at 52 million at the end of the first quarter of 2007, two thirds of whom are signed up to calling plans. The growth of the mobile market remained steady during the first quarter of 2007 (+7.1% over the year).

Revenues from mobile services increased by 5.2% over the year and stood at 4.3 billion euros for the first quarter of 2007. The fall-off in the rate of growth seen throughout 2006 has continued.

Although the number of customers has grown, overall revenues have not, resulting in a decline in the average monthly bill per mobile customer (excluding value-added services and information services), which fell by 1.9% over the year to 27.6 euros in the first quarter of 2007.

Revenues from data services (text messaging, mobile Internet services and multimedia services) continue to show far stronger growth than revenues generated by mobile calls (+13.5% over the year, compared with +3.9%). However, with revenues of 621 million euros in the first quarter of 2007 compared with 3.7 billion euros from calls, data services still account for less than 15% of total revenues, and this percentage is increasing only slowly.

The volume of mobile telephony traffic showed strong growth during 2006, consistently achieving growth rates of 15% throughout the year. This has shown a marked slow-down in the first quarter of 2007 with an annual rate of growth of only +8.6%. This slow-down is mainly the result of a decline in mobile operators' on-net traffic, which, after showing strong growth over recent years with an annual growth rate of between 20 and 30%, only increased by 8.2% over the year in the first quarter of 2007.

The messaging market remains extremely buoyant, with almost 4.5 billion text messages sent during the first quarter of 2007, and a growth rate of +20.3% over the year. On average, this figure corresponds to 28.3 text messages per customer per month, i.e. 3 more than the same time last year. Customers with a text bundle send nearly twice as many text messages as customers on a pay-as-you-go plan (33.8 compared with 18 messages respectively).

Directory services

After a sharp reduction in the number of calls (-22% over the quarter) following the withdrawal of the old directory information service numbers (on 3 April 2006), the directory services market continued to decline throughout 2006. During the first quarter of 2007, 36 million calls were made to these services compared with 38 million during the fourth quarter of 2006. Two thirds of these calls were made by mobile operator customers.

Revenues from directory services have remained stable since the second quarter of 2006 and stood at 38 million euros in the first quarter of 2007.

Note: The figures relating to a particular quarter may be revised from one issue to the next as a result of corrections made by operators to their reports. Any discrepancies between annual growth figures expressed as a percentage and the corresponding values are due to rounding.

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1 The communications market as a whole

1.1 The retail market

Revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed services	3 776	3 755	3 757	3 881	3 867	2,4%
Fixed telephony (1)	2 900	2 849	2 830	*2 861*	2 781	-4,1%
Internet	876	906	927	*1 020*	1 087	24,1%
Mobile telephony (2)	4 083	4 139	4 345	4 299	4 294	5,2%
All telephony and Internet	**7 858**	**7 894**	**8 101**	***8 179***	**8 161**	**3,9%**
Valu-added services	*667*	*600*	*599*	*608*	601	-9,9%
Directory services and advertising	47	37	38	40	38	-19,2%
Leased lines	371	371	366	403	338	-9,0%
Data transport (3)	487	488	463	472	463	-5,1%
Electronic communications services	***9 431***	***9 391***	***9 567***	***9 702***	**9 601**	**1,8%**
Other revenues (4)	652	702	741	856	657	0,8%
Entire market	***10 083***	***10 093***	***10 308***	***10 558***	**10 258**	**1,7%**

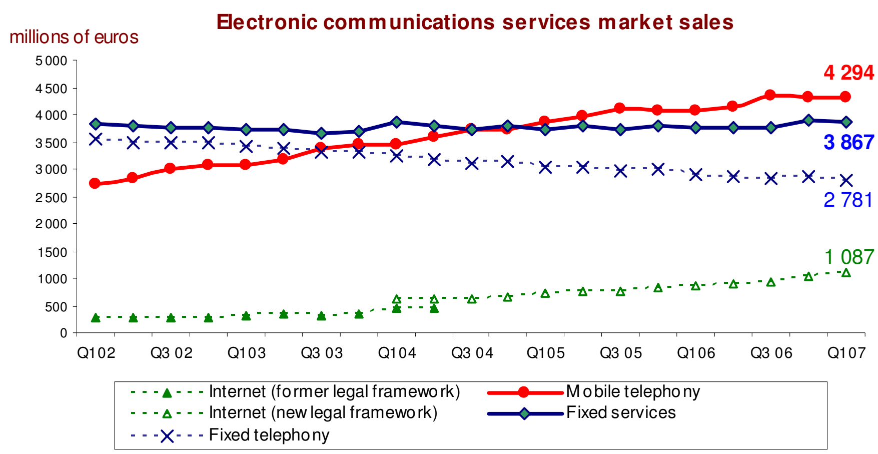
adjusted figures are in italics

(1) This indicator covers revenues from access fees and subscriptions, from calls from fixed lines excluding Internet connection calls, public payphones and cards. Calls from fixed lines included in multiplay packages(VoIP) are not taken into account .

(2) This item includes data transport on mobile networks (in particular SMS).

(3) The indicator includes only revenue from data transport originating from fixed lines. Data transport on mobile lines is included in the overall total for mobile.

(4) This market does not really fall under the telecommunications services market. Since registered operators contribute little to this market, this indicator gives only a partial idea of total figures. This item covers revenues from terminals and equipment, from hosting and call centre management, and from directories and advertising.



Revenues from electronic communications services sold by operators on the retail market amounted to 9.6 billion euros at the end of the first quarter of 2007.

Services sold over fixed networks (fixed telephony and Internet) accounted for 3.9 billion euros during the first quarter of 2007, an increase of 2.4% over the year. This growth has been supported by the ongoing rapid development of Internet services.

The annual rate of growth of Internet revenues has remained above 20% for almost two years (+24.1% over the year in the first quarter of 2007). On the other hand, revenues directly attributable to fixed telephony have shown a constant decline over the last few years (-4.1% over the year in the first quarter of 2007).

Revenues from mobile services, amounting to 4.3 billion euros in the first quarter of 2007, accounted for nearly 45% of the revenues from all electronic communications services taken together. The upward trend remains strong, but its momentum has slowed since the beginning of 2006 (+5.2% over the year in the first quarter of 2007).

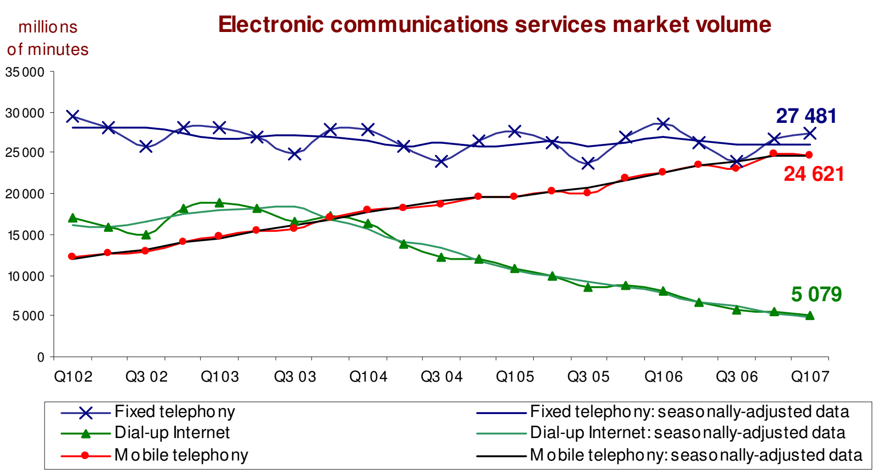
Volumes *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed telephony	28 502	26 336	23 864	26 737	27 481	-3,6%
Mobile telephony	22 669	23 519	23 004	24 901	24 621	8,6%
Total voice services	51 171	49 855	46 868	51 638	52 102	1,8%
Internet (dial-up)	8 033	6 601	5 853	5 434	5 079	-36,8%
Number of SMS sent *(millions of units)*	3 641	3 605	3 679	4 098	4 406	21,0%

The volume of traffic generated by voice services overall (both fixed and mobile telephony) amounted to 52 billion minutes. This figure represents an increase of 1.8% over the year for the first quarter of 2007, compared with rates of between 6 and 8% during 2006. This decline can be explained by the slower rate of growth of the volume of mobile calls during this first quarter.

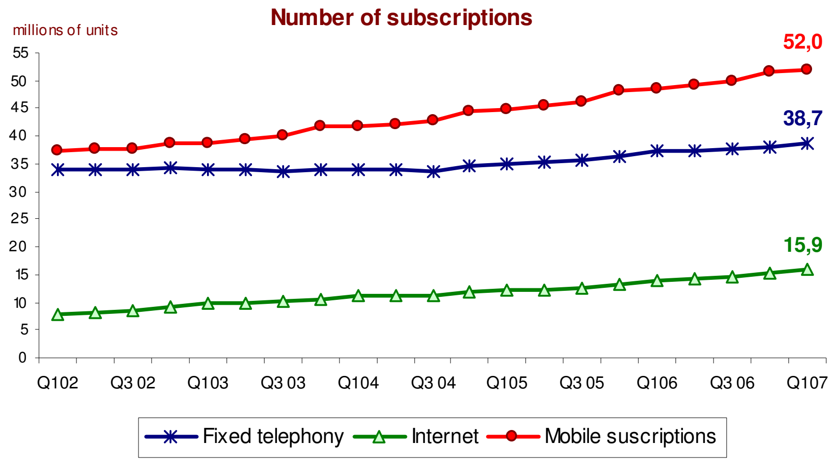
Voice traffic originating in fixed networks has remained generally stable, as a result of the increased contribution of IP telephony traffic, as shown by the seasonally-adjusted figures. In raw data terms, it fell by 3.6% over the year in the first quarter of 2007.

The volume of traffic originating in mobile networks increased by 8.6% in the first quarter of 2007. This is a considerably lower growth rate than that recorded throughout 2006 (when it was approximately +15%).

The number of text messages sent continues to grow at a lively rate (+21% over the year in the first quarter of 2007).



Number of subscriptions *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of subscription to telephone service	37,188	37,388	37,674	38,168	38,671	4,0%
Internet subscriptions	13,879	14,188	14,728	15,252	15,945	14,9%
Number of mobile customers	48,592	49,081	49,827	51,662	52,048	7,1%



1.2 The intermediate market (interconnection services/wholesale markets)

1.2.1 The market as a whole

As far as fixed network operators are concerned, revenues have shown an overall increase of 4.4% over the year, boosted by the 30.4% increase in wholesale broadband services (LLU, bitstream or equivalent services). These types of services now account for one third of the intermediate market revenues of fixed operators, compared with one quarter a year ago.

The fall in the revenues of mobile operators on the intermediate market (-6.3% over the year) is linked to the reduction in call termination tariffs, which were cut by 21% for Orange France and SFR and by 18% for Bouygues on 1 January 2007 for voice call termination and by 30% in September 2006 for SMS termination. The volume of traffic, measured in minutes, has increased by 22.5% over the year.

Interconnection services *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed operators	1 020	1 039	1 044	1 041	1 064	4,4%
of which telephony services	745	732	730	*732*	713	-4,3%
of which dial-up Internet	14	11	14	13	11	-21,8%
of which broadband services	261	295	300	296	340	30,4%
Mobile operators	1 018	1 102	1 150	1 110	954	-6,3%
Revenue	**2 038**	**2 142**	**2 194**	**2 151**	**2 019**	**-0,9%**

adjusted figures are in italics

Interconnection services *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed operators	42 597	40 720	37 656	39 374	39 005	-8,4%
Internet (dial-up)	4 489	3 591	3 875	3 215	2 724	-39,3%
Mobile operators	8 106	8 698	8 722	9 199	9 927	22,5%
Volume	**55 192**	**53 009**	**50 253**	**51 789**	**51 655**	**-6,4%**

adjusted figures are in italics

Notes:
- Interconnection revenues and traffic volumes are not calculated on the basis of the same criteria, which makes a comparison between the two indicators unsuitable for estimating average prices

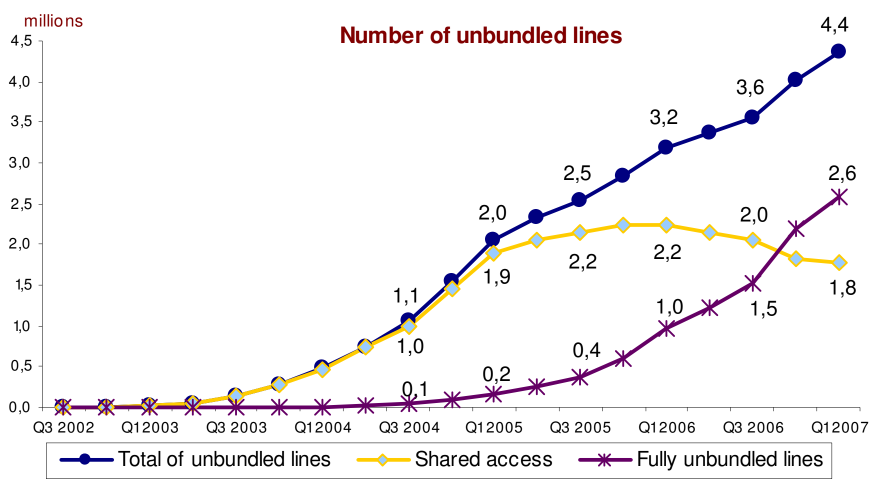
(interconnection revenues include fixed revenues such as charges for connection links and inter-carrier services).
- Interconnection covers all the services provided by one carrier to another under the terms of an interconnection agreement. In cases of mergers or takeovers, some of the revenue streams between the telcos disappear, which might account for decreases in revenues from one quarter to the next.
- Please note that the interconnection figures shown above might be accounted for twice, particularly in the case of fixed operators.
- Wholesale broadband services include revenues from both LLU and bitstream or equivalent services.

The number of unbundled lines reached 44 million at the end of the first quarter of 2007. Almost 60% of these, i.e. 2.6 million, are fully unbundled.

While the number of partially unbundled lines has fallen since the beginning of 2006, the expansion of full unbundling has been very rapid, with a growth rate of 170.6% over the year, i.e., an additional 1.6 million lines. Some of this growth is due to the conversion from partially unbundled to fully unbundled lines.

Unbundling *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Partially unbundled lines	2,236	*2,155*	2,046	1,831	1,770	-20,8%
Fully unbundled lines	0,959	*1,212*	1,513	2,189	2,595	170,6%
Number of unbundled lines	**3,195**	***3,367***	**3,559**	**4,020**	**4,364**	**36,6%**

adjusted figures are in italics



1.2.2 Incoming international interconnection[1]

Revenue from incoming international interconnection services *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed operators	88	89	100	84	98	11,9%
Mobile operators	32	35	43	41	39	23,6%
Revenue	**120**	**124**	**143**	**124**	**138**	**15,0%**

Volume of incoming international interconnection services *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed operators	1 624	1 637	1 726	1 696	1 964	21,0%
Mobile operators	326	357	439	413	496	52,1%
Volume	**1 950**	**1 993**	**2 165**	**2 108**	**2 460**	**26,2%**

adjusted figures are in italics

1.2.3 Mobile roaming-in services[2]

Roaming-in	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Revenue *(millions of euros)*	171	205	259	163	151	-12,1%
Volume *(millions of minutes)*	314	382	496	321	334	6,3%

Note: Roaming-in is a service whereby a French mobile operator carries calls made and received in France by customers of foreign mobile operators. The revenue corresponds to the outpayments made between operators. The ratio of revenue to volume does not correspond to any specific tariff and particularly not to the price billed to the customer.

[1] This market segment is a subset of the overall market (cf. 1.2.1)
[2] This market segment is a subset of the overall market (cf. 1.2.1)

2 Market segments

2.1 Fixed telephony

2.1.1 Access, subscriptions and fixed lines

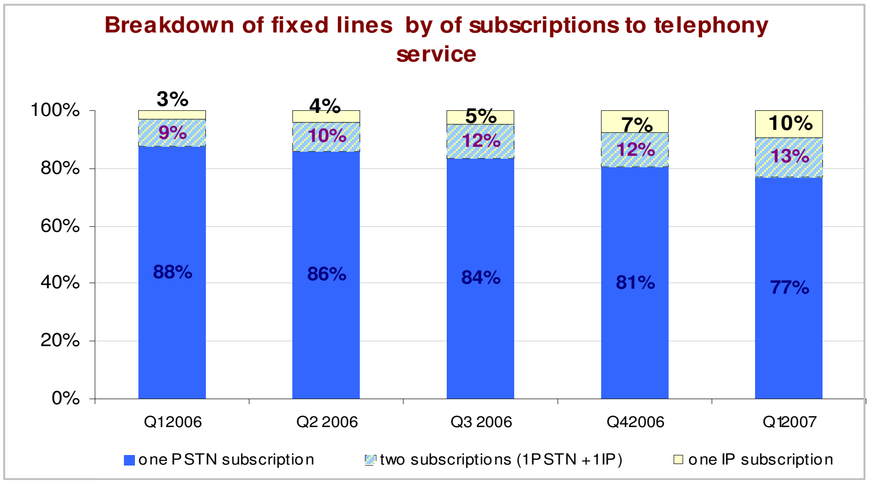
Number of subscriptions to telephone service *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Dial-up access subscriptions (analogue or digital lines, cable)	32,987	32,549	32,132	31,560	30,831	-6,5%
Access resales	-	-	-	-	0,076	-
Broadband access subscriptions (DSL IP,cable)	4,201	4,839	5,541	6,608	7,839	86,6%
DSL lines without PSTN line rental	-	-	-	-	3,117	-
Number of subscriptions to telephone service	**37,188**	**37,388**	**37,674**	**38,168**	**38,671**	**4,0%**

adjusted figures are in italics

The number of subscriptions to telephone services has increased by 4.0% over the year as a result of the rapid growth in IP telephony services. These services account for 20% of the 38.7 million subscriptions, i.e. 7.8 million, compared with only 11% a year ago. Some of these broadband voice services (based on full unbundling and “naked” ADSL services) now replace the existing traditional telephone service, while others (based on partial unbundling and bitstream access, excluding naked ADSL) are subscribed for as an additional service. Consequently, 13% of lines supported two telephone service subscriptions at the end of the first quarter of 2007. The number of dial-up access services on analogue or digital lines or over cable (30.8 million at the end of the quarter) has fallen by more than 2 million compared with the first quarter of 2006.

Two new indicators have been added to the Observatory as from the first quarter of 2007:

- The number of subscriptions to a Voice-over-IP service using xDSL lines without PSTN line rental, i.e. lines on which the low frequencies are not used to carry voice services (by either the incumbent or an alternative operator). In practice, such subscriptions correspond to fully unbundled, naked ADSL (or the equivalent) lines. At the end of the first quarter of 2007, there were 3.1 million such lines.
- The number of switched voice subscriptions for which the service access charges are billed to the customer by an alternative operator. These subscriptions are based on wholesale line rental (WLR) services which are part of the intermediate market between operators. There were 76,000 retail market subscriptions to this type of service at the end of the first quarter of 2007.



Further information concerning the IP telephony service indicators

The terminology used:

The IP telephony service indicators referred to in this issue cover broadband voice services, regardless of the type of bearer (primarily DSL IP, but also cable IP) and Internet voice services where the operators are registered with ARCEP.

ARCEP uses the term "broadband voice services" to refer to fixed telephony services which use VoIP technology on an Internet access network with a bandwidth of more than 128 kbit/s and whose quality is controlled by the operator providing the service, and "Internet voice services" to mean voice call services using the public Internet network and whose quality is not controlled by the operator providing the service.

The Observatory only records VoIP service calls which originate in the access layer. The indicators do not cover traffic which uses IP protocol solely in the core network.

Furthermore, the Observatory does not take into account unregistered operators which offer PC-to-PC Internet voice services. These operators are not covered by the scope of the survey.

The revenues taken into account:

The Observatory distinguishes between calls originating from IP telephony services and other voice calls. However, while the volume of VoIP calls relates to all such traffic on the retail market, the revenues recorded cover only the billed VoIP traffic (e.g. calls made on top of those included in a multiplay package).

The volume of ported numbers has increased considerably over the last two quarters, rising from approximately 400,000 to 750,000 numbers ported each quarter. This increase in the number of ported numbers is the result of the strong growth in full unbundling and naked ADSL services.

Portability *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of fixed numbers ported during the quarter	*0,388*	*0,380*	0,378	*0,742*	0,751	93,8%

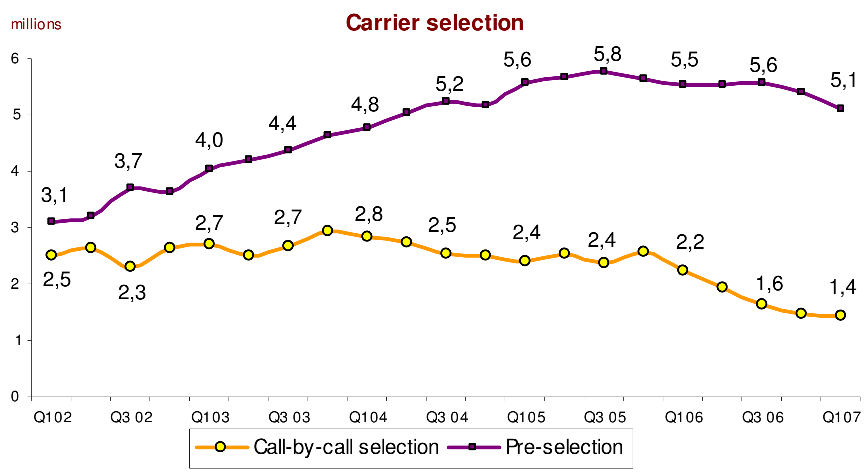
adjusted figures are in italics

The decline in services based on carrier selection has continued in the face of strong competition from IP telephony services. Call-by-call carrier selection services have fallen sharply, and by the end of the first quarter of 2007 involved only 1.4 million customers.

Carrier preselection subscriptions (5.1 million at the end of the first quarter of 2007) have also been on a downward path since the beginning of 2006. This downward trend accelerated in the first quarter of 2007 (-7.9% over the year).

Carrier selection *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Call-by-call selection	2,244	1,926	1,639	1,470	1,430	-36,3%
Preselection	5,540	5,544	5,558	5,413	5,104	-7,9%
Number of indirect connections	**7,784**	**7,469**	**7,196**	**6,883**	**6,534**	**-16,1%**

adjusted figures are in italics



Note: The number of call-by-call selection customers only takes into account active subscriptions, while the carrier preselection figures only take into account current subscriptions, net of cancellations.

Access revenues stood at 1.5 billion euros in the first quarter of 2007, up 5.6% over the year.

This increase in access revenues is primarily due to the 7.2% increase in France Télécom's monthly line rental charges which took effect on 1 July 2006. This increase has partially offset the impact of the reduction in subscriptions to analogue or digital lines.

Access revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Access fees, subscriptions and supplementary services	1 419	1 442	1 490	1 500	1 498	5,6%

Note: In addition to the revenues relating to access to the telephone service, access revenues also include subscriptions to IP telephony and revenues generated by supplementary services (such as calling line identification presentation, etc.).

2.1.2 Calls from fixed lines (excluding public payphones and phonecards)

Revenues generated by calls from fixed lines fell by 13% over the year in the first quarter of 2007 and now account for only 43.4% of all fixed telephony revenues.

This downward trend reflects both the reduction in PSTN retail prices (reductions in the cost of national calls and calls to mobiles) and also the decline in the volume of calls (-3.4% over the year in the first quarter of 2007), as well as the trend for traditional telephone services to be replaced by IP telephony services (see the note below).

Revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
National calls	781	762	701	724	681	-12,8%
International calls	148	138	*137*	134	135	-8,6%
Calls to mobiles	458	411	*400*	408	390	-14,9%
All calls from fixed lines	**1 387**	**1 311**	**1 238**	**1 266**	**1 206**	**-13,0%**
Of which calls originating on VoIP services	40	53	57	72	81	100,0%

adjusted figures are in italics

Note: Revenues from VoIP calls only include the charges billed by operators for such calls made on top of those included in a multiplay package. Therefore, this amount does not include the cost of the multiplay subscription, nor the charge for connection to a broadband telephone service.

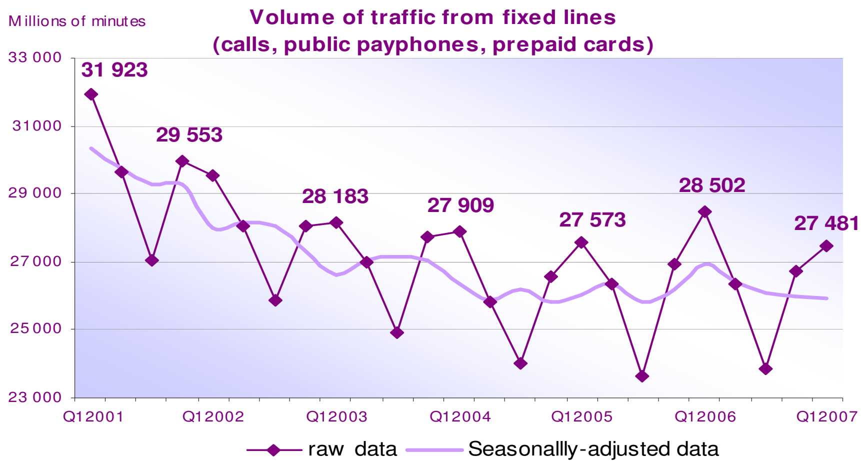
In the first quarter of 2007, the volume of VoIP calls accounted for nearly 27% of the total volume of all telephone calls.

The rapid increase in the use of IP telephony (+84.9% over the year) has tended to stabilise the total volume of calls, as shown by the seasonally adjusted figures. The apparent 3.4% fall over the year in the volume of PSTN and IP calls for the first quarter of 2007 was essentially due to the exceptionally high volume of such calls during the first quarter of 2006.

The total volume of international calls has risen by 27.9% over the year, due to the extremely large increase in international VoIP calls (up by 243.7% over the year). It is now the case that 40% of international call minutes originate from a VoIP service.

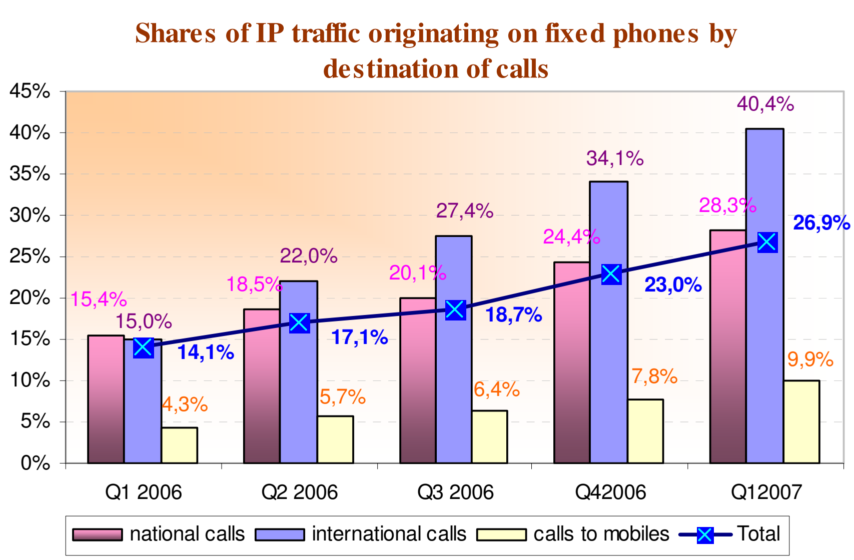
The volume of fixed-to-mobile calls is falling (-9.4% in the first quarter of 2007). This type of traffic experienced high annual growth rates during the period from the fourth quarter of 2005 through to the second quarter of 2006 (quarterly figures of +11.4%, +13.0% and +5.3% respectively), which took the quarterly volume of call minutes to 3.2 billion minutes. Since the third quarter of 2006, the volume of this traffic has returned to its previous level of around 3 billion minutes. Only 10% of fixed-to-mobile call minutes originate from a VoIP service.

Volumes *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
National calls	23 337	21 252	19 096	21 748	22 391	-4,1%
International calls	1 151	1 197	1 159	1 316	1 472	27,9%
Calls to mobiles	3 286	3 198	2 899	3 005	2 976	-9,4%
All calls from fixed lines	**27 774**	**25 646**	**23 154**	**26 069**	**26 839**	**-3,4%**
Of which calls originating on PSTN/ISDN	23 869	21 259	18 814	20 083	19 618	-17,8%
Of which calls originating on VoIP services	3 905	4 387	4 340	5 986	7 221	84,9%



Notes:
- The volume of traffic originating from a fixed line includes calls from landline telephones, public payphones and prepaid phonecards.
- The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website

Volumes (IP traffic) *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
National calls	3 590	3 941	3 838	5 303	6 331	76,3%
International calls	173	263	318	448	595	243,7%
Calls to mobiles	141	183	184	235	294	108,7%
All IP calls	**3 905**	**4 387**	**4 340**	**5 986**	**7 221**	**84,9%**



Note:
- The Observatory differentiates between calls originating from VoIP services and other voice calls. However, if the entire volume of traffic recorded on the end market comprises VoIP calls, the revenues taken into account will <u>only cover VoIP traffic billed to the customer</u> (e.g. calls made on top of those included in a multiplay package).

2.1.3 Fixed phonecards and public payphones

Charge cards and prepaid cards	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Revenue *(millions of euros)*	54	47	57	50	42	*-22,4%*
Volume *(millions of minutes)*	574	527	538	531	520	*-9,3%*

Public payphones	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of public payphones at end of quarter *(units)*	176 327	173 677	171 828	169 790	167 026	-5,3%
Revenue *(millions of euros)*	40	48	44	44	34	-14,1%
Volume *(millions of minutes)*	154	163	173	138	122	-21,0%

The number of payphones in use has been falling at a constant rate of between 5 and 6% per year over the last two years and fell by -5.3% in the first quarter of 2007. Revenues and the volume of traffic from public payphones are also declining (falling by 14.1% and 21.0% respectively over the year).

2.2 Internet on fixed networks

At the end of the first quarter of 2007, the number of Internet connections (both broadband and dial-up) was 15.9 million, up 14.9% over the year.

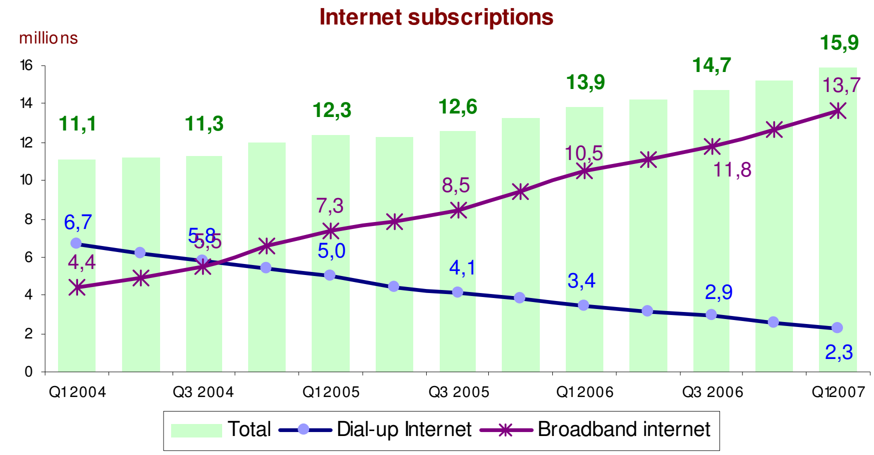
The number of broadband connections (mainly using xDSL technology, but also via cable, WLL, etc.) has increased by three million over the year (i.e., up +30.6%). With 13.7 million connections at the end of the first quarter of 2007, broadband now accounts for 85.8% of all Internet connections, compared with 75.5% a year ago.

The growth in Internet revenues (+24.1% over the year) has been boosted by the growth in broadband revenues which, in the first quarter of 2007, amounted to 948 million euros, i.e. 87.3% of the total.

Dial-up Internet has declined sharply over the last two years. This decline has been felt across the board, i.e. in the number of active subscriptions, the volume of connections and the revenues generated by dial-up subscriptions.

Internet subscriptions *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Dial-up	3,403	3,096	2,935	2,557	2,270	-33,3%
Broadband	10,475	11,092	11,793	12,695	13,677	30,6%
of which xDSL	9,870	10,456	11,138	12,019	12,989	31,6%
Internet subscriptions	**13,879**	**14,188**	**14,728**	**15,252**	**15,945**	**14,9%**

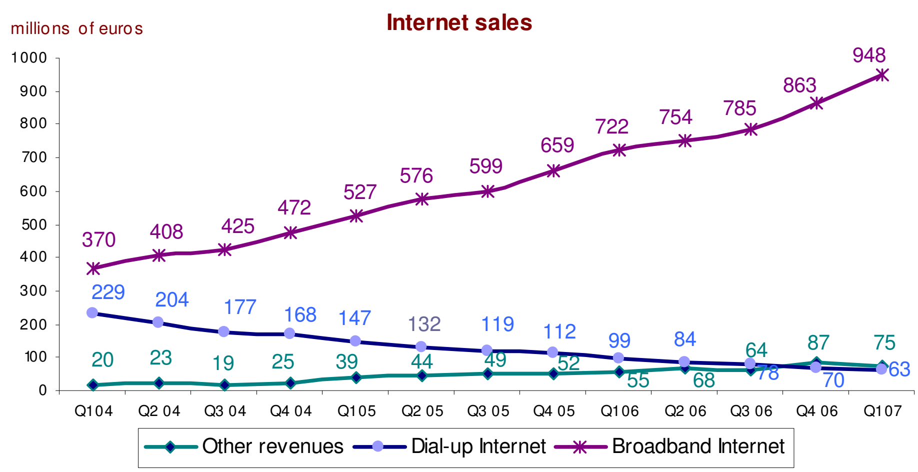
Note: There may be a time lag between the delivery of a service on the wholesale market (LLU or bitstream) and its actual availability on the retail market. A comparison between the data relating to these different markets might reflect this.



Total Internet revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Dial-up	99	84	78	70	63	-36,4%
Broadband	722	754	785	863	948	31,3%
of which xDSL	680	711	745	823	910	33,7%
Other revenue	55	68	64	87	75	37,8%
Total Internet revenue	**876**	**906**	**927**	**1 020**	**1 087**	**24,1%**

adjusted figures are in italics

Note: The item "Other Internet services" corresponds to related ISP revenues such as web hosting or revenues from online advertising. Income from the sale and rental of telephones and terminal equipment is included in the item "Sale and rental of telephones and terminal equipment by fixed operators and Internet service providers".



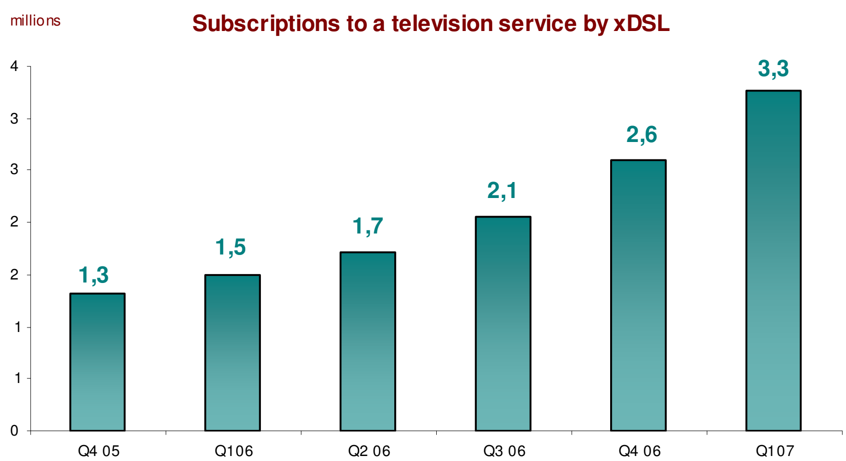
Volumes of dial-up Internet *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Volumes of dial-up Internet	**8 033**	**6 601**	**5 853**	**5 434**	**5 079**	**-36,8%**

adjusted figures are in italics

2.3 Television

The number of subscriptions to television services using xDSL technology has more than doubled in one year (+119.7%) and reached 3.3 million at the end of the first quarter of 2007.

Subscriptions *(millions)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Subscriptions to television services on DSL	1,489	1,713	2,055	2,596	3,272	119,7%



Note: This indicator covers subscriptions which are "eligible" for television services, i.e. those where subscribers are able to activate this type of service, regardless of the number of channels available or the pricing plan involved. It takes into account both standalone subscriptions and those which are part of a "multiplay" service package, which includes access to one or more other services besides television (Internet, telephone service).

2.4 Mobile telephony

Note: This item covers both mobile network operators (MNO) and mobile virtual network operators (MVNO).

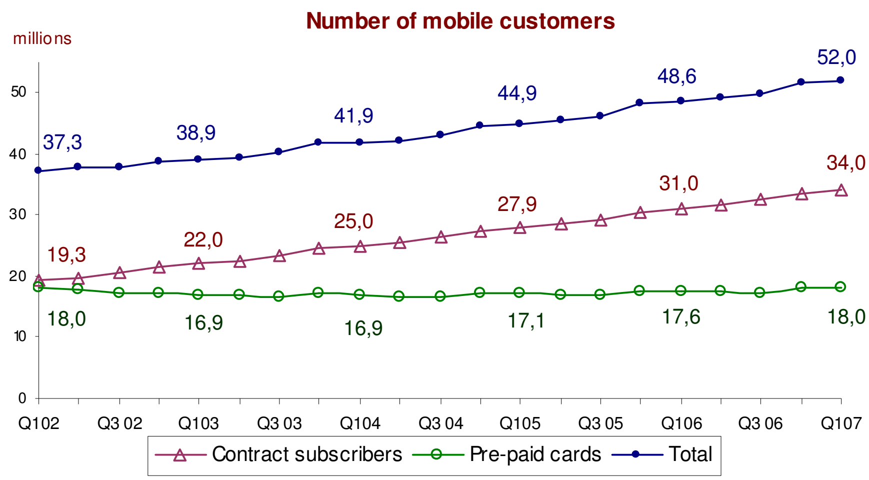
2.4.1 Subscriptions

Number of mobile customers *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Contract subscribers	31,027	31,688	32,510	33,572	34,027	9,7%
Prepaid cards	17,565	17,393	17,316	18,090	18,021	2,6%
*of which active prepaid cards **	16,703	16,531	16,385	17,185	16,936	1,4%
Mobile customers	**48,592**	**49,081**	**49,827**	**51,662**	**52,048**	**7,1%**

*A prepaid card is considered active if the customer has made or received at least one call during the past three months. Only telephone calls are taken into account, regardless of whether they are freephone or chargeable calls. Text messages are not included in the calculation.

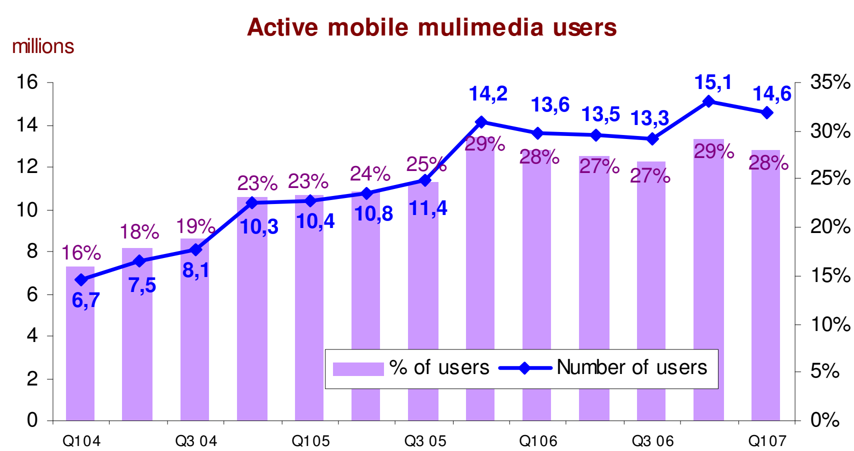
The number of mobile telephone service customers reached 52 million at the end of the first quarter of 2007, 34 million of whom (i.e. 65.4%) have subscribed to a calling plan.

The rate of increase in the number of mobile telephony customers remains high, with an increase of 7.1% over the year in the first quarter of 2007. However, this growth rate is slightly lower than the annual rate of between 7.5 and 8% recorded over the last two years.



Almost 15 million mobile customers used the multimedia services provided by their mobile operator (access to mobile Internet services, MMS messaging, etc.) in the first quarter of 2007.

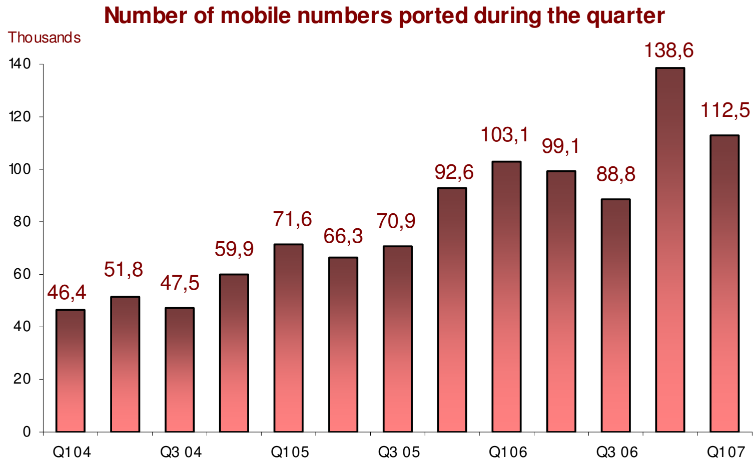
There was a progressive decline in the annual growth rate in the number of users throughout 2006, falling from +30% in the first quarter to +6.5% in the fourth quarter. In the first quarter of 2007, this rate was +7.3%. The percentage of all mobile customers using these services was 28%, a proportion which has remained stable since the fourth quarter of 2005.



Multimedia users and portability *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Active mobile multimedia users	13,564	13,495	13,345	15,079	14,550	7,3%
Number of mobile numbers ported during the quarter	0,103	0,099	0,089	0,139	0,113	9,1%

adjusted figures are in italics

In the first quarter of 2007, 112,500 mobile numbers were ported from one operator to another. The number of ported numbers has increased by 9.1% compared with the first quarter of 2006.



Notes:
- The number of active multimedia users is defined as the number of customers (contract or prepaid subscribers) who have used a multimedia service such as Wap, i-Mode, MMS or email (SMS messages are not covered by this definition) at least once in the past month, regardless of the type of bearer technology used (CSD, GPRS, UMTS, etc.). Scope: Mainland France and overseas dependencies.
- The number of ported numbers is defined as the number of telephone numbers effectively ported to another operator (numbers activated by the receiving operator) during the course of the quarter in question. Scope: Mainland France and overseas dependencies

2.4.2 Revenue and volume indicators

Revenues from mobile services (voice and data) reached 4.3 billion euros in the first quarter of 2007, i.e. an increase 5.2% over the year.

The slowdown in the rate of increase in mobile service revenues continued during the first quarter of 2007. Measured over the year, the rate of increase, which was between 8 and 10% per quarter during 2005, has been between 5 and 6% per quarter since the beginning of 2006.

The transport of mobile data (revenues from text messaging, Internet access services and multimedia services) accounted for 621 million euros in the first quarter of 2007. The increase in revenues from these services (+13.5% over the year) is higher than the increase in revenues from mobile telephony (+3.9% over the year). However, revenues from data transport accounted for only 14.5% of all mobile service revenues in the first quarter of 2007. This percentage, which was 13.4% a year ago, has shown only a slight increase.

Revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Mobile telephony	3 536	3 611	3 763	3 717	3 673	3,9%
of which outgoing internationals calls	135	146	159	149	150	11,2%
Data transport on mobile networks	547	528	582	582	621	13,5%
of which text and multimedia messaging (SMS, MMS)	374	350	386	380	401	7,2%
of which access to mobile Internet and multimedia services (1)	173	178	196	202	220	27,2%
Total mobile telephony and data transport	**4 083**	**4 139**	**4 345**	**4 299**	**4 294**	**5,2%**

adjusted figures are in italics

(1) Revenues from this item correspond to amounts billed by operators to their customers for access to services; part of the revenue is then repaid by the operators to content providers

Volumes *(millions of minutes)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Calls to national fixed lines	4 984	4 818	4 570	4 809	4 741	-4,9%
Calls to mobiles on the same network (1)	12 244	12 601	12 085	13 441	13 243	8,2%
Calls to other networks	4 932	5 534	5 640	6 056	6 048	22,6%
Outgoing internationals calls	260	280	308	311	312	20,0%
Roaming-out (2)	249	285	400	283	277	11,2%
Total mobile telephony	**22 669**	**23 519**	**23 004**	**24 901**	**24 621**	**8,6%**

(1) On-net calls (MNO or MVNO)

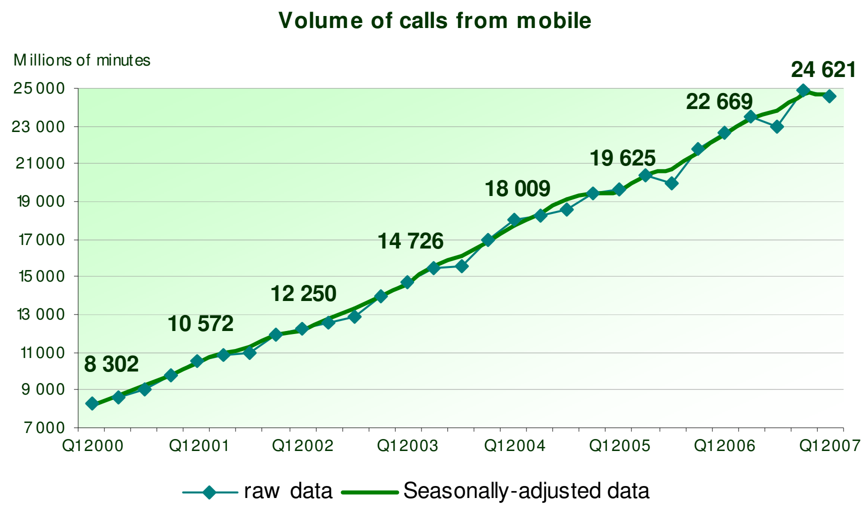
(2) Roaming-out means calls made in other countries by customers of French mobile operators

The volume of mobile-originated traffic continued to grow in the first quarter of 2007, but this growth rate, which remained stable at around 15% throughout 2006, showed a sharp decline in the first quarter of 2007, with an increase of only 8.6% over the figure for the first quarter of 2006.

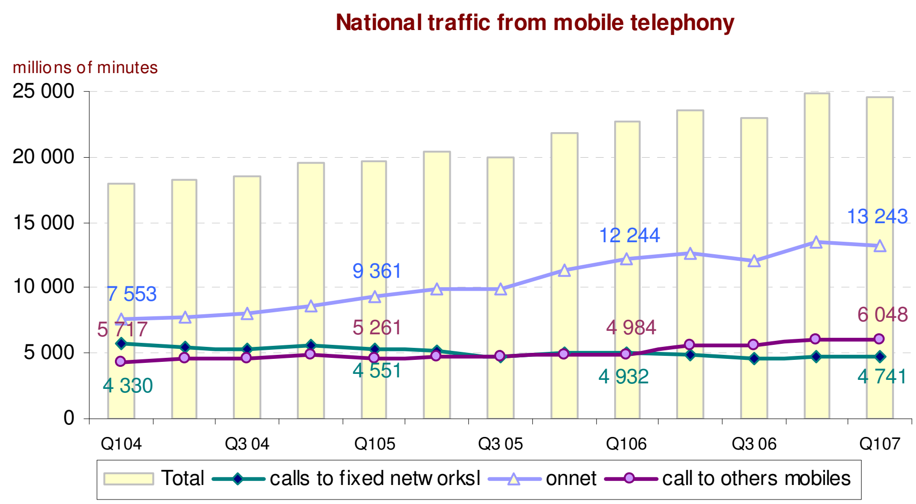
The seasonally adjusted figures indicate the beginning of a slight change in direction of the trend for the first quarter of 2007 (although this needs to be confirmed).

The slow-down in the rate of increase in the volume of calls mainly relates to the volume of on-net mobile calls. The rate of increase in these calls, which account for more than half of all mobile-originated calls, slowed during 2006 (falling from +30.8% to +18.4%) and was only 8.2% over the year in the first quarter of 2007.

The volume of off-net mobile and international mobile calls have shown strong growth, with increases of 22.6% and 20.0% respectively over the year. The volume mobile-to-fixed calls has been falling since the beginning of 2005 (-4.9% over the year in the first quarter of 2007).



(The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website)



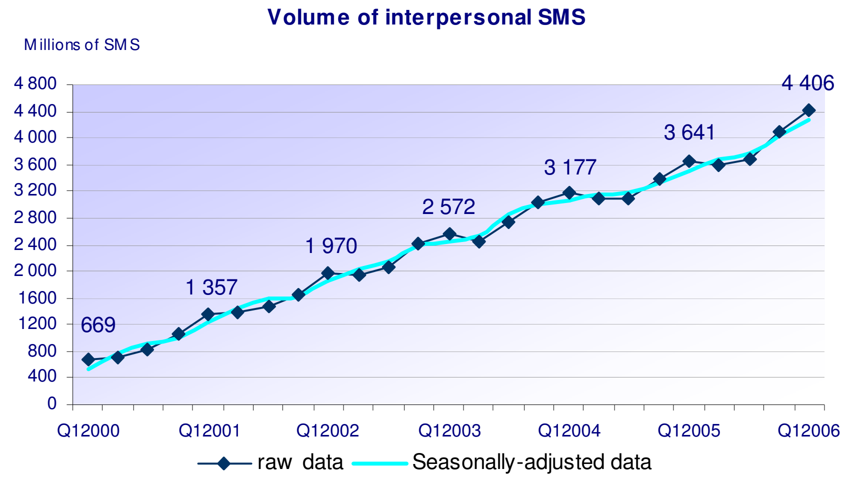
The volume of text (SMS) and multimedia (MMS) messages sent continues to show strong growth: 4.4 billion messages were sent in the first quarter of 2007, which is an increase of 20.3% over the year. The seasonally adjusted values confirm this trend.

Text messages account for more than 98% of all types of messages exchanged.

On average, 28.3 text messages are sent by each customer every month, which is 3 more than a year ago. Customers with an inclusive text bundle send on average twice as many text messages as customers with a pay-as-you-go plan (33.8 compared with 18 messages per month).

Volumes of text and multimedia messages *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of text (SMS) messages	3 641	3 605	3 679	4 098	4 406	21,0%
Number of multimedia (MMS) messages	81	74	73	82	73	-9,4%
Total number of messages sent	**3 722**	**3 680**	**3 753**	**4 179**	**4 479**	**20,3%**

adjusted figures are in italics



(The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website)

2.5 Other market components

2.5.1 Value-added services (excluding directory services)

Revenues from value-added services, which amounted to 601 million euros in the first quarter of 2007, have declined by 9.9% compared with the figures for the first quarter of 2006. This fall applies equally to both "voice and telematic" services (Minitel) and "data" services.

The number of calls to value-added services is now being monitored by the Observatory. In the first quarter of 2007, 1.2 billion calls were made to such services, of which 1.1 billion originated from fixed-line phones.

Value-added services revenue* *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Value-added "voice and telematic" services	*583*	*529*	*527*	*533*	525	-9,9%
From fixed telephony network	380	325	318	327	321	-15,4%
From mobile telephony networks	203	204	208	206	204	0,2%
Value-added "data" services	*85*	*71*	*72*	*75*	76	-9,9%
Value-added services	***667***	***600***	***599***	***608***	**601**	**-9,9%**

adjusted figures are in italics

** This corresponds to all sums billed to customers by operators, including outpayments from operators to service providers. "Data" value-added services include premium-rate services such as those on the Orange "Gallery" portal, push services, chat rooms, weather forecasts, TV game shows, horoscopes, ringtone downloads, etc.*

Volume of value-added "voice and telematic" services *(millions of minutes)*	*Q1 2006*	*Q2 2006*	*Q3 2006*	*Q4 2006*	Q1 2007	Change 1Q07/1Q06
From fixed telephony network	*3 068*	*2 782*	*2 511*	*2 640*	2 938	*-4,2%*
From mobile telephony networks	*376*	*370*	*382*	*397*	389	3,5%
Volumes	***3 444***	***3 152***	***2 892***	***3 037***	**3 327**	***-3,4%***

adjusted figures are in italics

Volume of value-added "data" services *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of messages (SMS+, MMS+)	167	154	157	160	151	-9,8%

adjusted figures are in italics

2.5.2 Directory services

Revenues from directory services were 38 million euros in the first quarter of 2007, down 19.2% over the year. However, in order to put this development into context, we need to take into account the fact that directory services were, in the first quarter of 2006, still in state of transition, with the old directory information numbers still available alongside the new 118xyz.

The number of calls to directory information services (36 million in the first quarter of 2007) has been falling since the old directory information numbers were finally withdrawn on 3 April 2006, and fell by 33.3% over the year in the first quarter of 2007. Two thirds of calls made to these services are made by customers of mobile operators.

The volume of traffic for calls to directory information services was 65.2 million minutes in the first quarter of 2007.

Revenue from directory services *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Directory service operators	47	37	38	40	38	-19,2%

Directory services *(millions of units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of calls	53	41	40	38	36	-33,3%

Note: Directory information services include: the old fixed-line (12, 3200, 3211, 3212) and mobile (612, 712, 222) information numbers in use until 3 April 2006, the new 118xyz numbers in use since November 2005 and the short numbers used to access reverse lookup directory services (3288, 3217, 3200) or international directory services (3212).

2.5.3 Leased lines and data transport (fixed operators)

Revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Leased lines	371	371	366	403	338	-9,0%
Data transport	487	488	463	472	463	-5,1%

adjusted figures are in italics

Note: Revenues from leased lines may be accounted for twice as the figures include operator-to-

operator sales. These sales may represent up to 29% of total leased-line revenues.

2.5.4 Hosting and call centre management services

Revenue *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Hosting and call centre management	9	7	7	13	11	21,3%

adjusted figures are in italics

2.5.5 Telephones and terminal equipment

In the first quarter of 2007, revenues from the sale and rental of telephones and terminal equipment remained stable over the year at 533 million euros, of which 335 million related to mobile operators.

Revenue from telephones and terminal equipment *(millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed & Internet operators	181	175	181	196	198	9,7%
Mobile operators	354	326	363	469	335	-5,3%
Telephones and terminal equipment	**534**	**500**	**544**	**664**	**533**	**-0,2%**

** adjusted figures*

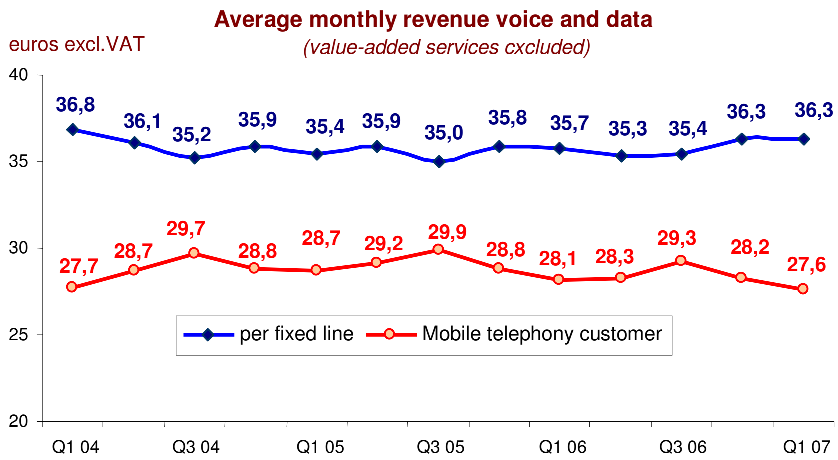
Note: As in previous issues, the revenues from mobile packs and telephones given here include the commission paid to distributors.

2.6 Average monthly usage indicators

Average monthly bill (excluding value-added services)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Per fixed line: line rental, calls and Internet	35,7	35,3	35,4	36,3	36,3	1,7%
Per mobile telephony user	28,1	28,3	29,3	28,2	27,6	-1,9%

The average monthly bill per fixed line is calculated by dividing the income from calls originating from fixed lines (line rental, call charges and Internet service charges) for quarter N by the estimated average number of fixed lines in existence for quarter N, and then by the number of months. (See the box on page 28) for an explanation of the concept of a "line")

The average monthly bill per mobile customer is calculated by dividing the income from mobile telephony (voice and data revenues, including roaming-out, excluding revenue from incoming calls) for quarter N by the estimated average number of mobile customers for quarter N, and then by the number of months. This indicator, which does not include interconnection revenues, or those from value-added services, does not equate to the traditional Average Revenue Per User (ARPU) indicator.



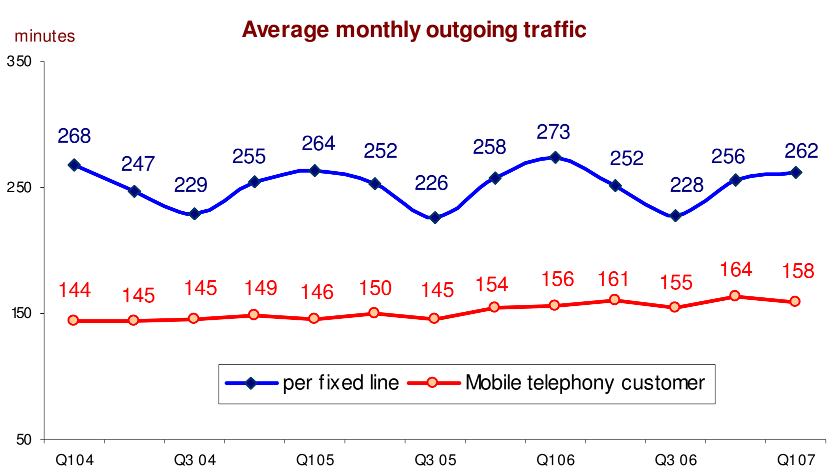
Average monthly outgoing voice traffic *(in hours)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Per fixed line	4h33	4h12	3h48	4h16	4h22	-4,1%
Per mobile telephony user	2h36	2h41	2h35	2h44	2h38	1,3%

Number of SMS sent per user *(units)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of SMS sent per user during the quarter	25,1	24,6	24,8	26,9	28,3	12,8%

The average monthly volume of traffic per fixed line is calculated by dividing the volume of traffic (PSTN and IP) for quarter N by the estimated average number of fixed lines in existence for quarter N, and then by the number of months.

The average monthly volume of traffic per mobile operator customer is calculated by dividing the volume of mobile telephony traffic (including roaming-out) for quarter N by the estimated average number of mobile customers for quarter N, and then by the number of months.

The average number of SMS messages per customer is calculated by dividing the number of SMS messages for quarter N by the estimated average number of customers for quarter N, and then by the number of months.



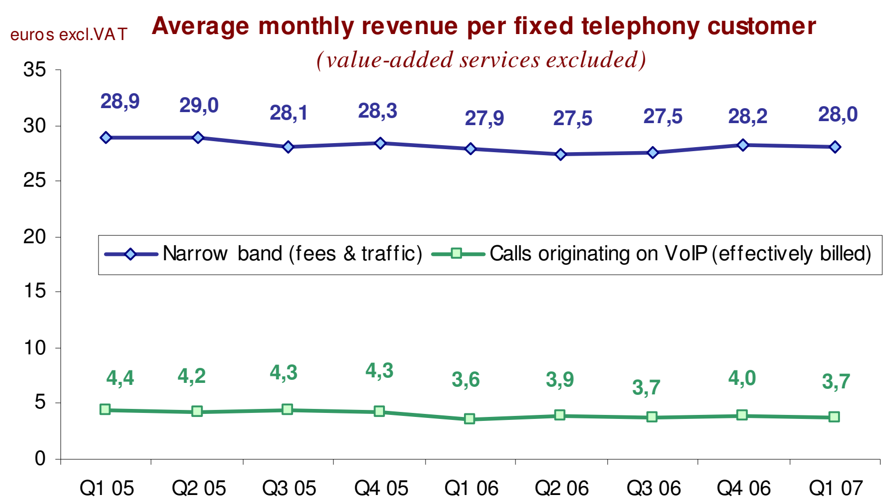
Average monthly bill per customer *(in euros excluding VAT)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed PSTN/ISDN telephony user	27,9	27,5	27,5	28,2	28,0	0,5%
Fixed IP telephony user	3,6	3,9	3,7	4,0	3,7	3,5%
Dial-up Internet user	9,1	8,7	8,6	*8,5*	8,7	-5,0%
Broadband Internet user	24,2	23,3	22,9	23,5	24,0	-0,8%

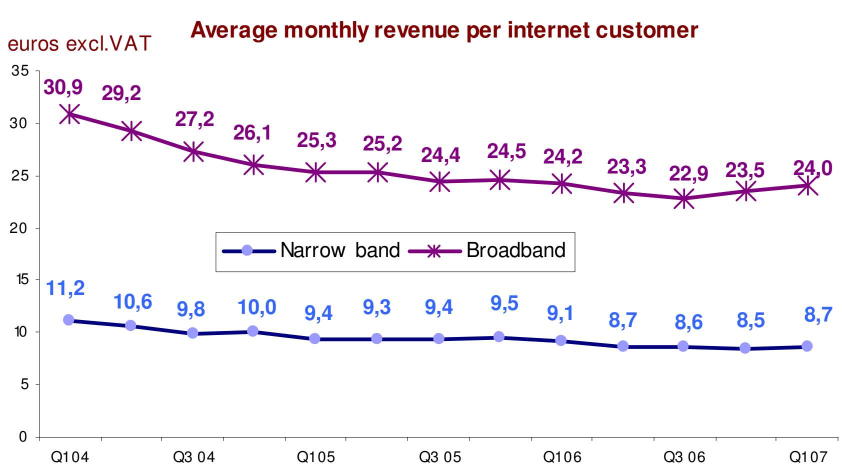
adjusted figures are in italics

The average monthly bill per PSTN subscription is calculated by dividing the income from line rental and calls made from PSTN fixed lines (i.e. excluding VoIP revenues) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number of months.

The average monthly bill per subscription to an IP telephony service is calculated by dividing the income solely from IP calls billed (i.e. those made on top of those included in a multiplay package) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number of months.

The average monthly bill per dial-up (or broadband) Internet subscription is calculated by dividing the income from the dial-up (or broadband) Internet connections for quarter N by the estimated average number of customers for quarter N, and then by the number of months.

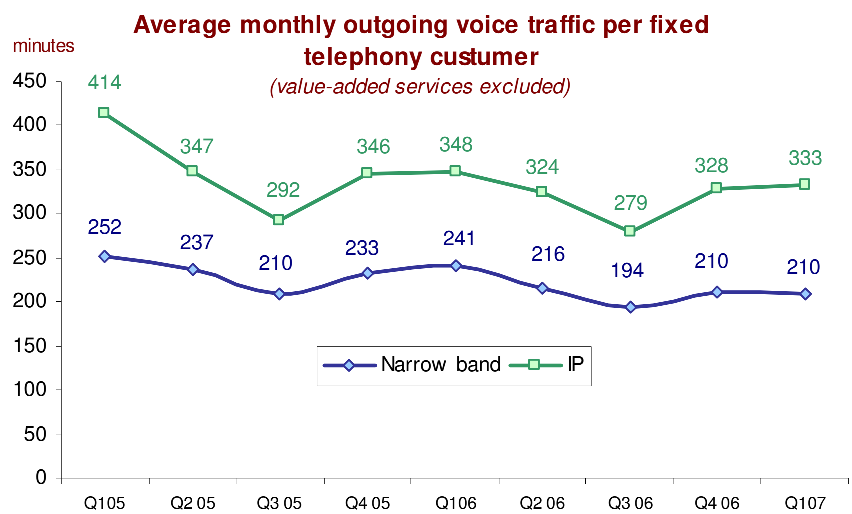




Average monthly outgoing traffic per customer *(in hours)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Fixed PSTN/ISDN telephony user	4h01	3h36	3h14	3h30	3h30	-12,9%
Fixed IP telephony user	5h48	5h24	4h39	5h28	5h33	-4,3%
From dial-up Internet	12h23	11h17	10h47	11h00	11h41	-5,5%

The average monthly volume of PSTN (or IP) traffic is calculated by dividing the volume of PSTN (or IP) traffic for quarter N by the estimated average number of subscriptions to a PSTN (or IP) telephone service for quarter N, and then by the number of months.

The average monthly volume of dial-up Internet traffic is calculated by dividing the volume of dial-up Internet traffic for quarter N by the estimated average number of subscriptions to a dial-up Internet service for quarter N, and then by the number of months.



Average number of customers for quarter N: [(total number of customers at the end of quarter N + total number of customers at the end of quarter N-1) / 2]

Further information concerning the average monthly bill and volume indicators

With the growing use of broadband voice services as a second line, talking of the average revenue per subscription is no longer of much use as an indicator. In fact, a large number of households do now have a second telephone service subscription, usually a VoIP service, but this doesn't mean that they make twice as many calls. Consequently, the average volume of traffic and average bill per subscription is, naturally, lower. In order to obtain a clearer picture of the indicators reflecting customers' usage of telephone services and their average expenditure, the concept of what constitutes a "line" has been redefined.

Until 2004, the terms "line" and "subscription" were used interchangeably when referring to the number of subscriptions to telephone services.

In the case of telephony over analogue lines, a subscription corresponded to a fixed line. It was accepted practice, in the case of digital lines, to take the number of channels subscribed for as the number of fixed lines, i.e. 2 for BRI lines and up to 30 for PRI lines. In practice, the business customer pays as many monthly line rental charges as the number of channels subscribed for, i.e. 2 for BRI lines and up to 30 for PRI lines. This convention has been retained.

With the implementation of broadband voice services, operators can provide an IP telephone service over an analogue line which is already used for a PSTN telephone service. In order to facilitate comparisons over time, the number of "lines" indicator has been defined as:
- for digital lines: the number of channels subscribed for, i.e. 2 for BRI lines and up to 30 for PRI lines;
- for analogue lines: ✓ the PSTN subscriptions
  ✓ the xDSL line subscriptions without a PSTN subscription;
- for cable telephone service subscriptions: the subscription

As far as revenues are concerned, the number of multiservice packages is constantly growing. These include the possibility of making unlimited calls to national fixed lines and to certain international destinations without additional charges. Consequently, the overall bill covers an increasing range of services, regardless of the number of calls made (as also happens with mobile services). Internet access and telephone services are becoming increasingly inseparable.

The average bill per line reflects what the customer pays per month for both telephone service and Internet access. The revenues taken into account are:
- revenues from service subscription charges and supplementary services
- revenues from calls made from fixed-line telephones, including IP calls made on top of the multiplay inclusive package
- revenues from dial-up Internet access and broadband Internet access.

The following are not taken into account:
- revenues from payphones and phone cards;
- revenues from other services linked to the Internet access, which correspond to the ISP revenues from online advertising and commissions paid to the ISPs in relation to online trading;
- revenues from value-added services and information services.

Lines supporting the telephone service (fixed networks) *(in millions)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Number of lines at the end of the quarter	33.994	33.851	33.761	34.087	34.123	0.4%

Fixed-line revenues *(in millions of euros)*	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Change 1Q07/1Q06
Line rental charges, Internet, calls	3,627	3,592	3,591	3,699	3,716	2.4%

Average bill and average volume per customer, ARPU or AUPU – how do they differ?

The market Observatory publishes indicators for the **average monthly bill per subscription for fixed telephony, mobile telephony and Internet**. These indicators correspond to the average subscription and call charges (voice and data) billed by operators to customers. Revenues from interconnection (incoming calls) are not taken into account. These indicators are not the same as the **ARPU** (Average Revenue Per User) figures which correspond generally to the operators' revenues from all income related to the use of the network. For instance, in the case of mobile operators, the ARPU includes the revenue from outgoing calls, data services and value-added services AS WELL AS the revenue from incoming calls (interconnection). It may or may not include revenue from roaming, depending on the operator.

The Observatory also publishes indicators for the **average monthly outgoing traffic per customer**, representing the use consumers make of their telephone.

As with the ARPU, the indicator of average traffic per customer or **AUPU** (Average Usage Per User) is used by certain financial firms and the operators. It covers some or all of the incoming calls in order to create a figure for volume which is comparable to that used for the ARPU. It does not represent the average usage per customer and is considered rather as an indicator of the operator's volume of business per customer.