

L'OBSERVATOIRE

**The electronic communications services market
in France
in the 1st quarter 2008**

Introduction

In the first quarter of 2008, electronic communications operators earned €10.7 billion in income on the end market. An additional €2.0 billion in income was generated by interconnection services and sales on the wholesale market between operators on the intermediate market.

Income from electronic communications services alone on the end market (i.e. excluding operators' related income like sales of terminals, directories, advertising, hosting or call centre management, etc.) was €9.9 billion in the first quarter of 2008 and increased 3.1% over one year.

Fixed and mobile telephony services represented 54.2 billion minutes of traffic in the first quarter of 2008, with this volume rising 4.0% over one year.

Fixed telephony and Internet

There were 40.0 million subscriptions to a telephone service at the end of the first quarter 2008, a number that continues to grow thanks to the success of broadband telephony (VoIP). With 11.9 million subscriptions at the end of the first quarter 2008, VoIP now represents close to 30% of all telephone subscriptions, and is growing by about one million subscriptions every quarter. The number of telephone subscriptions to dial-up access (28.1 million at the end of the quarter) has been declining since the beginning of 2007 at a rate of 700 000 per quarter.

Most fixed lines (66% of all lines) supported a single “traditional” telephone subscription on the PSTN, although this proportion has been declining by three points each quarter. This reduction corresponds primarily to customers substituting their PSTN subscriptions with lines supporting only Voice on IP (VoIP) telephone service (DSL or cable). These numbers have been growing continually for the past two years. Operators (both alternative operators and the incumbent) create these offers using full unbundling or “naked ADSL” offers. The proportion of these lines, which was just 10% a year ago, reached 19% at end March 2008.

Another share of fixed lines (15% of lines at the end of the first quarter 2008) supports two telephone subscriptions (a “traditional” subscription on the PSTN and a subscription to a VoIP service). After 2007, during which their number (and proportion) remained stable, the number of these offers grew 9% during the first quarter of 2008 alone (16.1% throughout 2007).

Thanks to wholesale subscription sales offers, 761 000 subscriptions (or 2.7% of “traditional” telephone subscriptions on the PSTN) were invoiced directly to end customers by alternative operators at the end of the first quarter 2008.

The decline in the number of subscriptions to telephony offers based on carrier selection (call-by-call selection and pre-selection) has been constant for the past two years and is accelerating (-36.2% in the first quarter of 2008). Due to strong competition from the rapid development of VoIP offers (and to a lesser extent by pre-selection customers switching to telephony offers from wholesale subscription sale offers (called VGA in France)), the number of subscriptions to these offers fell by 2.4 million in one year to just 4.1 million at the end of the quarter.

Income directly attributable to fixed telephony (from subscriptions and calls) was €2.6 billion in the first quarter of 2008 and declined by 4.6% over one year. The “subscription” part of this income now represents 58% of the total and grew slightly (+1.4% over one year) propped up by the increase in the cost of telephone subscriptions in July 2007. Conversely, income

from telephone calls (excluding income from public payphones and cards) is tending to decline and was down 10.9% over one year with €1.1 billion in the first quarter of 2008. This trend can be explained by the fact that income from telephone calls made on the PSTN declined at the same rate as the volume of this traffic (by about -15% over one year) whereas most of the time, calls made using IP access, which is growing strongly, were included in an Internet package and therefore were not included in call income.

Traffic originating on fixed phones (excluding public payphones and cards) reached 28.1 billion minutes in the first quarter of 2008 and rose 4.7% with respect to the volume of traffic in the first quarter 2007. The very strong growth in IP traffic (+57.6% over one year) largely offset the decline in traffic on the PSTN (-14.8% over one year). It can be explained by the marketing of new telephony-on-IP offers at the end of 2007 which systematically include unlimited calling to national fixed phones in bundled packages.

At 11.4 billion minutes, IP calls now represent 40.5% of traffic originating on fixed phones (compared with less than 27% a year earlier). IP traffic was particularly high to destinations benefiting from so-called “unlimited calling” offers (offers included in most multiplay packages). For fixed international calls, the share of IP was even significantly higher (59%). It was also high (42%) for national calls, but was just 18% for fixed-mobile traffic (for which there are no “unlimited calling” offers).

Telephone-on-IP services are generally used more intensively than “traditional” telephone service (5 hours and 34 minutes vs. 3 hours and 16 minutes of calls on average per subscriber and per month in the first quarter of 2008).

There were 17.6 million subscriptions to Internet at the end of the first quarter 2008 of which the vast majority (92.4%, or 16.3 million) was for high-speed Internet. The number of high-speed accesses rose by 2.6 million over one year (+18.8%). ADSL technology took the lion's share of high-speed accesses with 15.5 million accesses at the end of the first quarter 2008.

Internet income was €1.2 billion in the first quarter of 2008 of which over 90% (€1.1 billion) came from high-speed accesses. The average invoice of a subscriber to high speed has been stable for the past two years, and was about €23.60 excluding VAT in the first quarter of 2008.

Mobile telephony

There were 55.7 million customers to mobile telephony in France at the end of the first quarter 2008, two-thirds of whom (66.1%) subscribed to a flat-rate package. Annual growth in the number of customers was high and has held steady at 7% since the beginning of 2007 (+7.1% in the first quarter of 2008 or 3.7 million additional customers over one year).

The number of mobile numbers ported from one operator to another during a quarter has risen strongly since a simplified procedure for keeping the phone number was introduced on 21 May 2007: in the first quarter of 2008, 313 000 numbers were ported, about three times more than in the first quarter 2007.

Mobile multimedia services (access to mobile Internet, MMS) were used by close to one in three customers in the first quarter of 2008, or 17.6 million customers. The number of customers using services provided on 3G mobile networks (voice, videophone, mobile television, data transfer, etc.) reached 6.6 million in the first quarter of 2008, or 12% of mobile operators' customers.

Income from mobile services reached €4.5 billion in the first quarter of 2008. The rate of annual growth in mobile service income has held steady at around 5 or 6% since the beginning of 2006 (+5.7% in the first quarter of 2008). The share represented by data transfer services is growing slowly, representing 748 million or 16.5% of all mobile telephony income

in the first quarter of 2008, compared to 14.5% a year earlier. Growth in income from these non-voice uses of mobile telephony also grew much faster than income from mobile calls (+20.6% and +3.1% respectively over one year in the first quarter of 2008).

Mobile telephony traffic represented 25.7 billion minutes in the first quarter of 2008. After seeing high growth rates in 2006 (of around +15% over one year) this traffic began to slow continuously and regularly at the beginning of 2007, falling from 8.6% in the first quarter to 3.9% in the fourth quarter. In the first quarter of 2008, growth in the volume of traffic was a bit stronger (+4.3% over one year) and marked a break in this downward trend.

Most of the slowdown was caused by weaker growth in the traffic exchanged between mobiles on the same network (“on-net” traffic) where the annual growth rate slowed progressively in 2006 and 2007, falling from 30.8% at the beginning of 2006 to a mere 2.8% over one year at the end of 2007. In the first quarter of 2008, the volume of “on-net” traffic revived slightly with 4.4% growth over one year.

The growth in traffic to third-party mobile networks, which was strong a year ago (+22.6% over one year at the first quarter 2007), also slowed progressively throughout 2007. This slowdown continued in the first quarter of 2008 with a rate of just 7.2%.

The drop in the volume of mobile calls to fixed phones (seen for the past three years) slowed and has been weak for the past two quarters (-0.7% over one year in the first quarter of 2008).

The number of interpersonal messages continued to rise very quickly, with 6.8 billion messages sent during the first quarter of 2008—2.3 billion more than a year ago. Customers sent 40 SMS per month on average in the first quarter of 2008 (12 more messages than a year earlier).

Other market components

Income from value-added services reached €10 million in the first quarter of 2008 and rose 1.5% over one year. The “data” component of these services grew more quickly than the “voice and telematic” component (+5.9% and +0.7%, respectively, over one year).

Income from directory services (€38 million) shrank 1.8% over one year in the first quarter of 2008. The number of calls to directory services has fallen continuously for the past two years. In the first quarter of 2008, 31 million calls were made, or 5 million fewer than a year ago (-13.9%).

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 in its entirety

1.1 The end customer market

Revenue (millions of euros)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed services	3 868	3 860	3 902	3 945	3 891	0,6%
Fixed telephony (1)	2 780	2 704	2 766	2 753	2 652	-4,6%
Internet	1 088	1 156	1 136	1 193	1 238	13,9%
Mobile telephony (2)	4 294	4 400	4 552	4 573	4 537	5,7%
All telephony and Internet	8 161	8 259	8 454	8 518	8 427	3,3%
Advanced services	602	583	602	628	610	1,5%
Directory services, directories and advertising	38	42	41	41	38	-1,8%
Leased lines	342	357	349	369	365	6,9%
Data transport (3)	452	443	456	466	450	-0,4%
Electronic communications services	9 595	9 685	9 901	10 023	9 891	3,1%
Others revenues (4)	657	837	770	1 012	761	15,7%
Entire market	10 252	10 523	10 671	11 035	10 651	3,9%

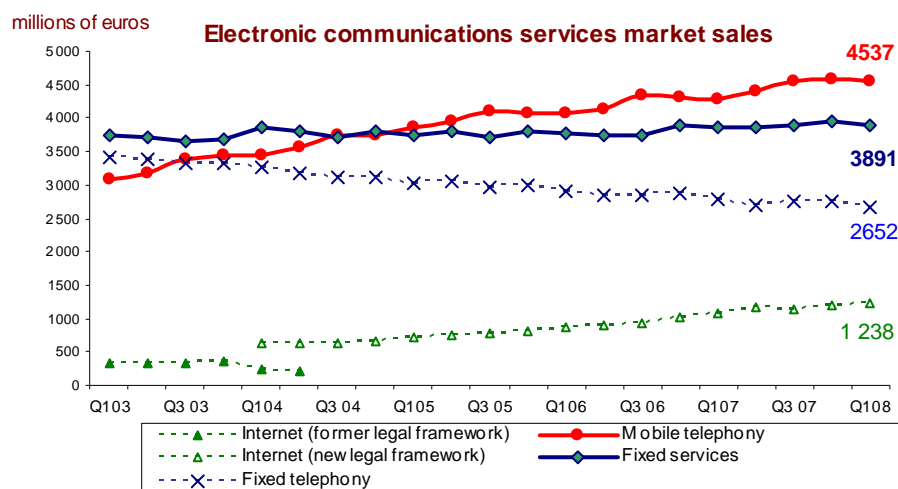
adjusted figures are in italics

(1) This indicator covers revenues from access fees and subscriptions, from calls from fixed lines excluding Internet connection calls, public telephones and cards. Communications from fixed lines included in multiplay flat-rate (VoIP) are not valued.

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

(3) The indicator includes only revenue from data transport originating on 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.



Operators earned €9 billion in the first quarter of 2008 from sales of electronic communications services on the end market, a 3.1% increase over one year.

Income from mobile services has been growing by 5 to 6% for the past two years (+5.7% over one year in the first quarter of 2008), and was €4.5 billion (or 45.9% of all income from electronic communications services).

Income from services sold on fixed networks (fixed telephony and Internet) reached €3.9 billion in the first quarter of 2008. It grew slightly (+0.5%) over one year despite a decline in income from fixed telephony (-4.6% over one year in the first quarter of 2008), which has been continuous for several years. Strong growth in income from Internet services (+13.9% over one year) contributed at least a third of income from fixed services, helping to

maintain a degree of dynamic growth in services on fixed networks.

Volumes <i>(millions of minutes)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed telephony	27 523	25 935	23 916	27 898	28 552	3,7%
Mobile telephony	24 621	25 082	24 064	25 866	25 671	4,3%
<i>Total voice services</i>	<i>52 144</i>	<i>51 018</i>	<i>47 980</i>	<i>53 764</i>	<i>54 223</i>	<i>4,0%</i>
Internet (dial-up)	5 079	4 269	3 354	3 037	2 798	-44,9%
Number of SMS sent <i>(millions of units)</i>	4 406	4 367	4 762	5 712	6 731	52,8%

adjusted figures are in italics

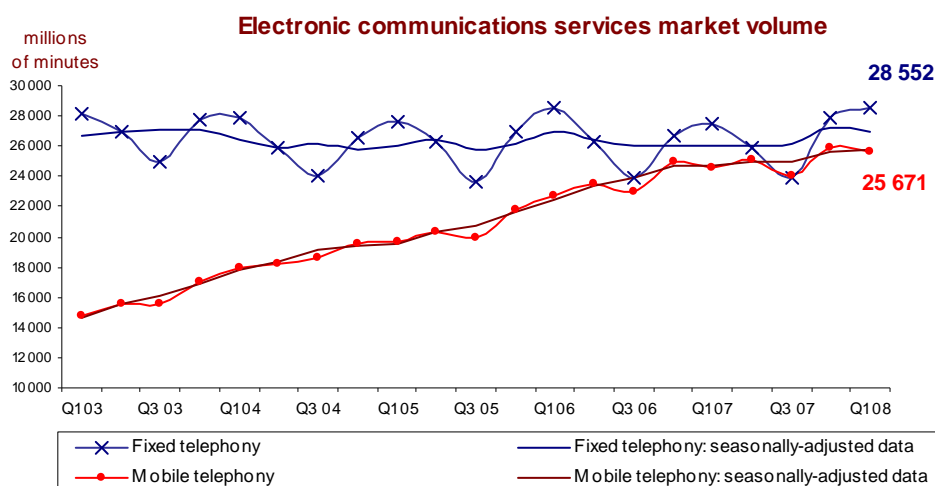
The volume of “voice” services (on fixed and mobile networks) was 54.2 billion minutes in the first quarter of 2008, up 4.0% over one year.

The volume of calls made from fixed phones (28.6 billion minutes in the first quarter of 2008) inched up 3.7% over one year thanks to the strong growth of telephony on IP which now represents over 40% of the volume of minutes originating on fixed phones.

The volume of calls made on mobile networks (25.7 billion minutes in the first quarter of 2008) also turned upward. The first quarter 2008 marks a break in the slowdown in the annual growth rate of the volume of calls originating on mobiles observed since the beginning of 2007. After continuously and regularly dropping throughout 2007 (falling from 8.6% in the first quarter to 3.9% in the fourth quarter) growth in these volumes held at a stable level in the first quarter of 2008 with growth of 4.3% over one year.

The downward trend in dial-up Internet volumes has been accelerating since mid 2007 and has now reached a negative rate of more than 40%. The decline reached 44.9% over one year in the first quarter of 2008.

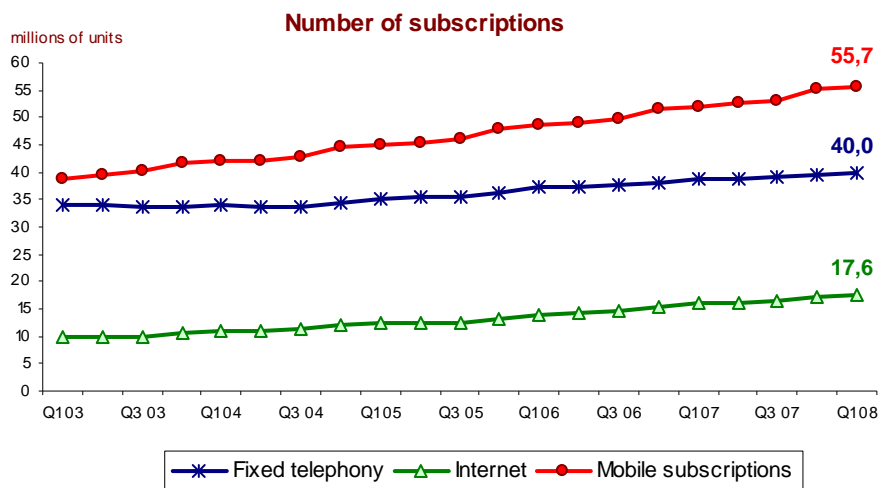
There were 6.7 billion SMS sent during the first quarter 2008, 2.3 billion more than a year earlier (+52.8%).



Number of subscriptions

<i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of subscription to telephone service	38,699	38,857	39,188	39,589	39,966	3,3%
Internet subscriptions	15,945	16,062	16,511	17,059	17,588	10,3%
Number of mobile customers	52,048	52,585	53,179	55,349	55,743	7,1%

adjusted figures are in italics



1.2 The intermediate market (interconnection and wholesale markets)

1.2.1 The total market

Fixed network operators on the intermediate market reported income of €1.1 billion, up 6.2% over one year due to the growth in income from wholesale high-speed access services (unbundling, wholesale bitstream offers, etc.). This income reached €20 million in the first quarter of 2008, up 23.2% over one year.

Income from services related to telephone service (€706 million in the first quarter of 2008) stabilised, in part due to the contribution of sales of the wholesale subscription sale offer (VGA).

The volume of interconnection minutes of mobile operators rose 10.7% over one year in the first quarter of 2008: the main reason was growth in traffic to national third-party mobile networks and in incoming international traffic. Income generated by voice and data mobile interconnection services (€900 million in the first quarter of 2008) slumped 5.7% over one year due mainly to the cut in the wholesale price of mobile call termination on 1st January 2008 (13% for Orange France and SFR, and 8% for Bouygues).

Income and volumes of dial-up Internet interconnection services fell by about 40% over one year.

Interconnection services <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed operators	1 067	1 096	1 125	1 139	1 133	6,2%
<i>of which telephony services</i>	715	718	733	721	706	-1,2%
<i>of which dial-up Internet</i>	11	10	8	7	7	-41,3%
<i>of which broadband services</i>	340	368	385	412	420	23,2%
Mobile operators	954	1 035	1 077	1 040	900	-5,7%
Revenue	2 021	2 131	2 202	2 179	2 032	0,6%

adjusted figures are in italics

Interconnection services <i>(millions of minutes)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed operators	39 020	37 192	33 088	35 891	34 606	-11,3%
Internet (dial-up)	2 724	2 261	1 813	1 724	1 650	-39,4%
Mobile operators	9 951	10 614	10 631	10 954	11 014	10,7%
Volume	51 695	50 067	45 532	48 569	47 270	-8,6%

adjusted figures are in italics

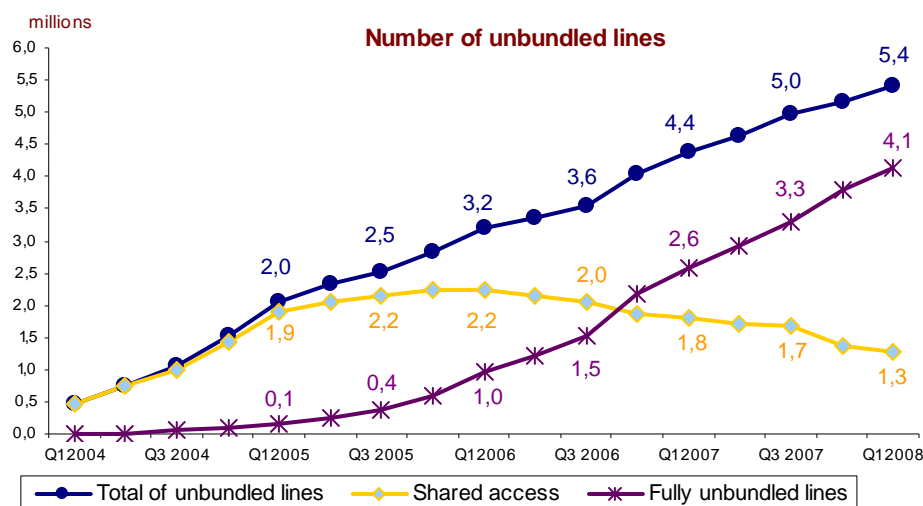
Notes:

- 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 income streams between the telcos disappear, which might account for decreases in income from one quarter to the next.
- Interconnection income and traffic volumes are not calculated on the basis of the same criteria, making a comparison between the two indicators unsuitable for estimating average prices (interconnection income include fixed income such as charges for connection links and intercarrier services).
- Please note that the interconnection figures shown above might be accounted for twice, particularly in the case of fixed operators.
- Wholesale broadband services include income from both LLU and bitstream or equivalent services

There were 5.4 million unbundled lines at the end of the first quarter 2008, representing 15.6% of all fixed lines.

At 4.1 million lines, more than three out of every four unbundled lines are fully unbundled. In one year, the number of fully unbundled lines jumped by 1.5 million while the number of partially unbundled lines fell by 0.5 million. Some of the partially unbundled lines that disappeared were converted into fully unbundled lines.

Unbundling (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Partially unbundled lines	1,795	1,715	1,676	1,369	1,277	-28,9%
Fully unbundled lines	2,595	2,926	3,293	3,787	4,128	59,1%
Number of unbundled lines	4,389	4,640	4,969	5,157	5,405	23,1%



"Naked ADSL" (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of lines	0,442	0,643	0,808	0,942	1,052	138,1%

There were one million naked ADSL lines at the end of the first quarter 2008. Their number increased by 600 000 in one year.

1.2.2 Incoming international interconnection

Traffic from other countries terminating on French fixed networks held stable (+0.9% over one year in the first quarter of 2008) while traffic terminating on French mobile networks rose strongly (+48.3% over one year).

Revenue of incoming international interconnection services <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed operators	99	99	115	96	91	-7,7%
Mobile operators	39	42	49	47	44	11,8%
Revenue	138	141	164	143	135	-2,2%

Volume of incoming international interconnection services <i>(millions of minutes)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed operators	1 970	2 190	2 227	2 137	1 988	0,9%
Mobile operators	496	554	610	593	735	48,3%
Volume	2 465	2 744	2 836	2 730	2 723	10,5%

1.2.3 Mobile operators roaming-in¹

Roaming in	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Revenue <i>(millions of euros)</i>	151	180	227	144	136	-9,4%
Volume <i>(millions of minutes)</i>	334	413	543	366	402	20,5%

Note: Roaming-in is a service whereby a French mobile operator carries calls made and received in France by customers of foreign mobile operators. Income corresponds to the out-payments made between operators. The ratio of income 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)

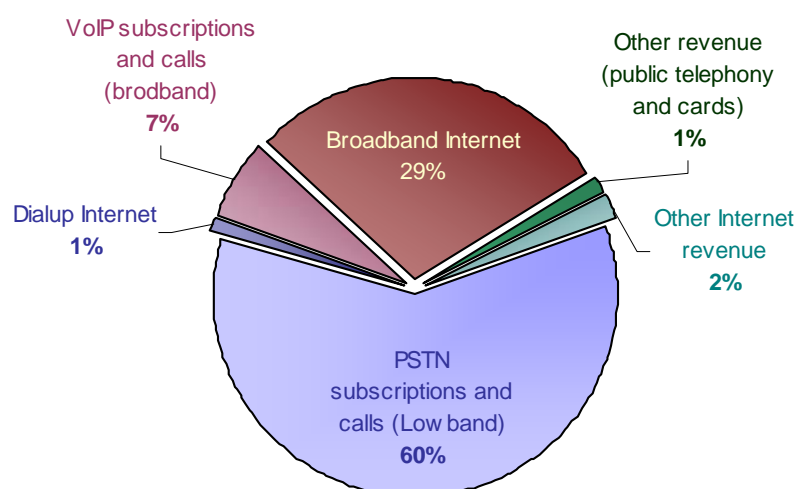
2 Market segments

2.1 Fixed networks services

More than one-third (35.6%) of income from services offered on fixed networks is now generated by high-speed services (fixed broadband telephony and high-speed Internet) compared with less than 30% a year ago. Growth in this income reached 22.5% over one year in the first quarter of 2008 whereas income from dial-up services on fixed networks (PSTN telephony, dial-up Internet) shrank 8.3% over the same period.

Revenue of fixed networks services (millions of euros)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Narrowband Revenue	2 587	2 474	2 480	2 445	2 373	-8,3%
Subscriptions and calls originating on PSTN/ISDN	2 524	2 420	2 434	2 408	2 338	-7,4%
Dial-up Internet	63	54	45	37	35	-44,0%
Broadband Revenue	1 130	1 219	1 270	1 369	1 384	22,5%
Subscriptions and calls originating on VoIP services	180	207	249	282	256	42,1%
Broadband Internet	949	1 012	1 021	1 086	1 128	18,8%
Other revenue	151	167	153	131	134	-11,7%
Public payphones and cards	76	77	83	62	58	-23,0%
Other Internet revenue	75	90	70	69	75	-0,3%
Revenue of fixed lines services	3 868	3 860	3 902	3 945	3 891	0,6%

Revenue of fixed networks services (T1 2008)



2.2 Fixed telephony

2.2.1 Access, subscriptions and fixed lines

Number of subscriptions to telephone service (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Subscription on narrow band access (analogue or digital lines, cable)	30,831	30,162	29,461	28,750	28,066	-9,0%
Access resales	0,076	0,447	0,594	0,703	0,761	900,1%
Subscription on broadband access (IP DSL, cable)	7,868	8,695	9,727	10,839	11,899	51,2%
DSL lines without narrowband access	3,103	3,869	4,760	5,691	6,298	102,9%
Number of subscriptions to telephone service	38,699	38,857	39,188	39,589	39,966	3,3%

adjusted figures are in italics

The number of subscriptions to a telephone service continued to grow, approaching 40 million at the end of the first quarter 2008. Over one year, the number of telephone subscriptions increased 3.3%, growth that was borne up entirely by the success of broadband telephony offers, where the number of subscriptions doubled in one year.

There were 11.9 million subscriptions to a voice on broadband service (IP DSL or cable subscription) at the end of the first quarter 2008, representing close to 30% of all telephone subscriptions. This number has grown by about one million each quarter since the end of 2006.

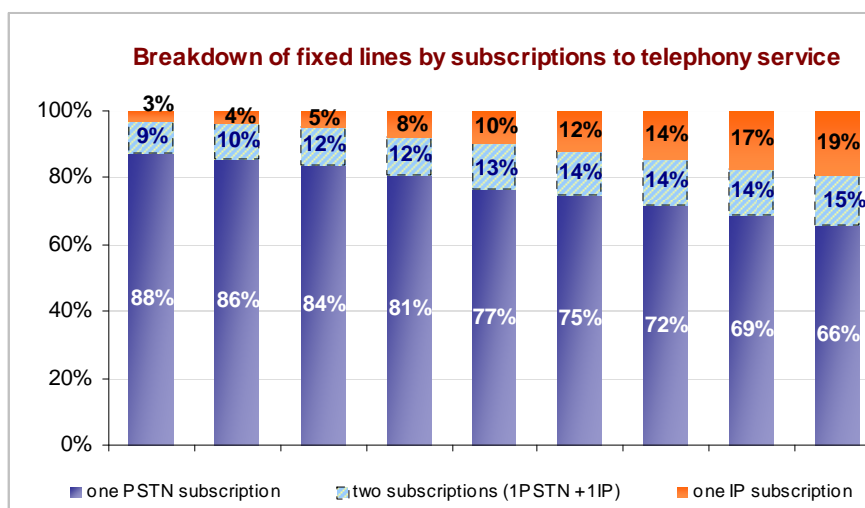
There were 28.1 million subscriptions to narrowband access (on analogue or digital lines and on cable) at the end of the first quarter 2008. This number has been declining regularly by 700 000 subscriptions each quarter (or -2.8 million over one year) since the beginning of 2007.

Resulting from wholesale telephone subscription sale offers (VGA), 761 000 subscriptions to telephone service on the PSTN are now invoiced by an alternative operator.

Note:

- *Subscription to telephone on IP service on xDSL lines without PSTN subscription: a subscription to telephone service on lines where low frequencies are not used to support voice service (by the incumbent or by an alternative operator). This is the case of offers to broadband voice services resulting from full unbundling and “naked ADSL” offers.*

- *Subscription to telephone on IP service on xDSL lines with PSTN subscription: a subscription to telephone service on lines where low frequencies are also used to support voice service, on the PSTN. This is the case of telephone offers resulting from partial unbundling and “bitstream” outside naked ADSL“.*



Operators can create VoIP offers:

- on fully unbundled lines or on “naked ADSL”. The customer has only a subscription to a VoIP service and no longer has a “traditional” telephone subscription on the PSTN. At the end of the first quarter 2008, this case represented 19% of all fixed lines. This proportion was just 10% a year earlier.

- on lines where it is added to a PSTN telephone subscription which was kept by the user. So, 5.3 million lines supported two telephone service subscriptions at the end of the first quarter 2008 (or 15% of lines in service).

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 carrier (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 bandwidth of more than 128 kbit/s and whose quality is controlled by the operator providing the service. It uses “Internet voice services” to refer to voice call services on the public Internet network where the quality is not controlled by the operator providing the service.

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

Furthermore, the Observatory does not take into account unregistered operators offering PC-to-PC Internet voice services. These operators are not covered by this survey.

Income 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 income recorded covers only billed VoIP traffic (e.g. calls made on top of those included in a multiplay package).

There were 667 000 numbers kept through “porting” between fixed telephony operators during the first quarter 2008.

Portability <i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of fixed numbers ported during the quarter	<i>0,748</i>	<i>0,563</i>	<i>0,545</i>	<i>0,665</i>	0,667	-10,8%

adjusted figures are in italics

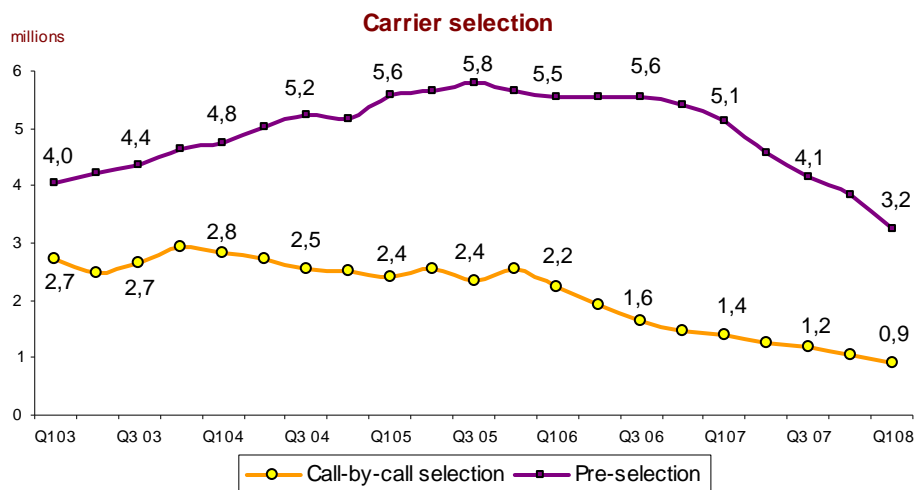
By the end of the first quarter 2008, a total of 4.1 million customers had used telephony offers based on carrier selection, or 2.4 million less in one year. The decline in these offers, which has been continuous for the past two years, accelerated (-36.2% in the first quarter of 2008) because many customers tend to replace these offers with telephony on IP or an offer including a telephone subscription (wholesale subscription sale offers (VGA)).

The slump in the rate of the number of subscriptions to pre-selection (3.2 million at the end of the first quarter 2008) has been progressively accelerating since the beginning of 2007 and reached -36.5% over one year in the first quarter of 2008 or 1.9 million fewer subscriptions for the period.

Call-by-call selection offers have been falling for several quarters at an annual rate of about 30 to 35% with just 0.9 million subscriptions at the end of the first quarter 2008.

Carrier selection <i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Call by call selection	1,381	1,249	1,169	<i>1,040</i>	0,898	-35,0%
Pre-selection	5,111	4,559	4,147	<i>3,845</i>	3,244	-36,5%
Number of indirect connections	6,493	5,808	5,316	4,884	4,142	-36,2%

adjusted figures are in italics



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

The decline in income caused by the drop in the number of “traditional” telephone subscriptions on the PSTN (down 9.0% over one year in the first quarter of 2008) was offset by the increase in the France Telecom’s monthly telephone subscription fee (+6.7% on 1st July 2007). Thanks to this increase and to more income from subscriptions to a telephony-on-IP service (€125 million in the first quarter of 2008), global income for access (€1.5 billion in the first quarter of 2008) edged up 1.4% over one year and now represents 58% of all income from fixed telephony services.

Access revenue <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Access fees, subscriptions and additional services	1 496	1 490	1 563	1 545	1 517	1,4%
<i>of which from IP subscriptions</i>	99	112	145	152	125	26,4%

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

2.2.2 Calls from fixed lines (excluding public payphones and cards)

Operators reported €1.1 billion in income directly attributable to telephone calls on fixed lines in the first quarter of 2008. This income declined 10.9% over one year; the contribution of income from calls originating on IP access (€131 million in the first quarter of 2008) could not offset the decline in income from calls made on the PSTN (-16.1% over one year in the first quarter of 2008). Although the volume of calls on the PSTN was down, most IP calls were included in a high-speed Internet package haut and therefore were not counted as call income.

Revenue <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
National calls	682	591	553	558	529	-22,4%
International calls	136	128	140	147	136	-0,4%
Calls to mobiles	390	418	427	441	412	5,5%
All calls from fixed lines	1 208	1 137	1 120	1 145	1 077	-10,9%
<i>Of which calls originating on PSTN/ISDN</i>	1 127	1 042	1 016	1 015	946	-16,1%
<i>Of which calls originating on VoIP services</i>	81	95	105	130	131	61,2%

adjusted figures are in italics

Note: Income from VoIP calls only includes 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.

Traffic originating on fixed lines (PSTN and IP traffic) represented 28.1 billion minutes in the first quarter of 2008 and was up 4.7% over one year.

The volume of fixed national calls represented 82.6% of the total volume of calls on fixed lines and rose 3.6% over one year in the first quarter of 2008. The declining volume of national calls made on the PSTN (-14.8% over one year in the first quarter of 2008) was actively relayed by the very strong expansion in the volume of national calls made on IP (53.5% over one year). At 11.4 billion minutes, IP telephony now represents a full 40.5% of all minutes originating on fixed phones compared with less than 27% a year earlier.

Traffic to international numbers rose 28.9% over one year in the first quarter of 2008. It was fed by the increase (continuous for the past two years) in international calls made on IP (+89.4% over one year), while calls to international numbers on the PSTN fell 11.9% over the same period.

The volume in calls to mobiles edged up slightly (+0.7% over one year in the first quarter of 2008).

Volumes <i>(millions of minutes)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
National calls	22 421	20 791	18 968	22 526	23 228	3,6%
International calls	1 481	1 574	1 576	1 856	1 910	28,9%
Calls to mobiles	2 979	3 009	2 859	3 054	2 998	0,7%
All calls from fixed lines	26 881	25 374	23 403	27 437	28 136	4,7%
<i>Of which calls originating on PSTN/ISDN</i>	19 650	17 680	15 631	17 047	16 743	-14,8%
<i>Of which calls originating on VoIP services</i>	7 231	7 694	7 772	10 389	11 394	57,6%

adjusted figures are in italics

Note:

- *The Observatory distinguishes between calls originating on IP telephony services and other voice calls. Still, while the volume of VoIP calls covers all of this traffic observed on the end market, income covers only invoiced VoIP traffic (for example in addition to a multiplay package).*

- *Volumes and income from calls originating on VoIP services are counted in each of the market segments (long distance, international and to mobiles).*

a) Calls on the PSTN

Revenue of calls originating on PSTN/ISDN (millions of euros)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
National calls	679	588	550	553	526	-22,5%
International calls	115	103	112	106	97	-15,2%
Calls to mobiles	334	351	354	355	324	-2,9%
All calls originating on PSTN/ISDN	1 127	1 042	1 016	1 014	947	-16,0%

Volumes of calls originating on PSTN/ISDN (millions of minutes)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
National calls	16 082	14 161	12 340	13 651	13 500	-16,1%
International calls	884	850	801	810	779	-11,9%
Calls to mobiles	2 684	2 670	2 490	2 586	2 464	-8,2%
All calls originating on PSTN/ISDN	19 650	17 680	15 631	17 047	16 743	-14,8%

Traffic in calls originating on the PSTN was down 14.8% over one year in the first quarter of 2008. The decline in traffic was observed most where competition from IP telephony was the strongest: on national calls (-16.1%) and on the international calls (-11.9%).

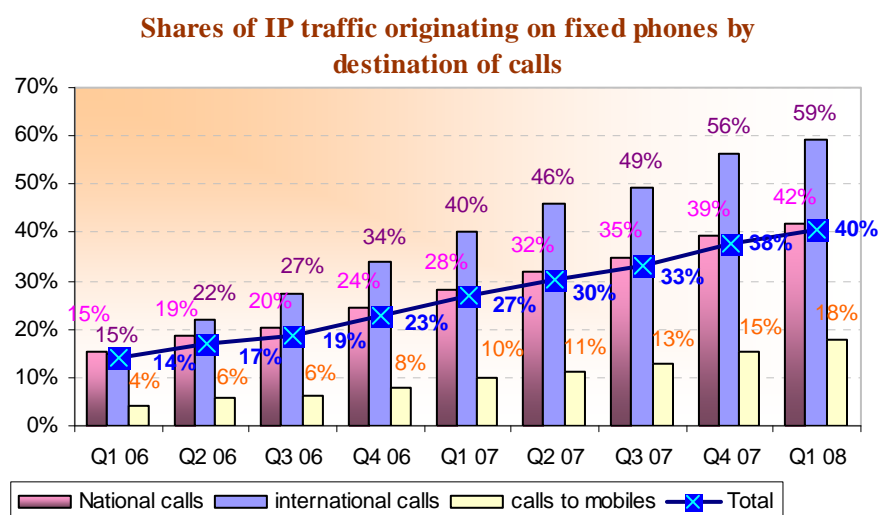
b) Communications on IP originating on fixed networks

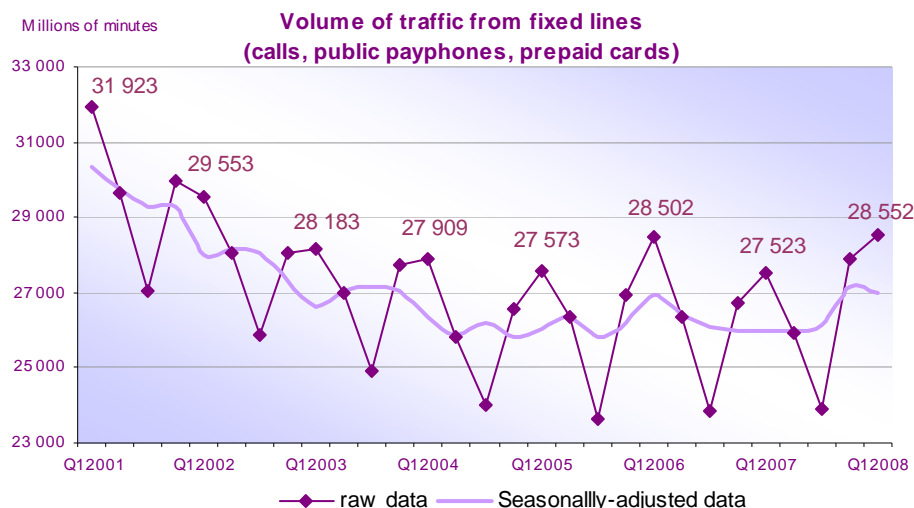
Volumes (IP traffic) (millions of minutes)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
National calls	6 339	6 630	6 628	8 875	9 728	53,5%
International calls	597	724	776	1 046	1 131	89,4%
Calls to mobiles	295	339	368	468	535	81,3%
All IP calls	7 231	7 694	7 772	10 389	11 394	57,6%

adjusted figures are in italics

The volume of calls made originating on IP access jumped 57.6% over one year in the first quarter of 2008.

The proportion of IP traffic in calls originating on fixed networks varied depending on the destination of the calls. It was definitely highest for international calls (59% of IP minutes in the first quarter of 2008). It was strong (42% of IP minutes) for national calls to fixed phones, but represented just 18% of minutes for fixed-to-mobile calls.





Notes:

- The volume of traffic originating on a fixed line includes calls from fixed telephones, public payphones and prepaid phone cards.
- Seasonally adjusted values for this data can be found in the “Séries chronologiques” spreadsheets available on ARCEP’s website

Following a three-year period during which the total volume of traffic originating on fixed phones (including public payphones and cards) held steady at around 26 billion minutes in seasonally adjusted values, traffic during the past two quarters settled at a higher level (27 billion minutes in seasonally adjusted values).

2.2.3 Fixed telephony cards and public payphones

Charge and prepaid cards	2007					Change 1Q08/1Q07
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	
Revenue (millions of euros)	42	41	41	31	32	-22,9%
Volume (millions of minutes)	520	434	380	337	329	-36,8%

Public telephony	2007					Change 1Q08/1Q07
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	
Number of public payphones at end of quarter (units)	167 026	164 375	162 267	159 799	157 656	-5,6%
Revenue (millions of euros)	34	36	41	31	26	-23,2%
Volumes (millions of minutes)	122	128	133	125	87	-28,9%

The number of public payphones in service has been declining regularly for the past three years by 10 000 per year (or a 5.6% decline over one year in the first quarter of 2008). The income and volume of calls from public payphones declined even more strongly than the number of phones in service (-23.2% and -28.9%, respectively, over the same period).

2.3 Internet on fixed networks

There were 17.6 million Internet accesses at the end of the first quarter 2008, with high-speed Internet representing the vast majority of these (16.3 million subscriptions or 92.4% of the total). Accesses based on DSL technology represented almost all high-speed connections (over 95%). In one year, 2.6 million additional subscriptions to high speed were taken out, representing an 18.8% increase over one year in the first quarter of 2008. Though still high, this rate of growth has slowed significantly over the past several quarters. Since most dial-up subscriptions have already been converted to subscriptions to high speed, this substitution no longer contributes to high speed's growth.

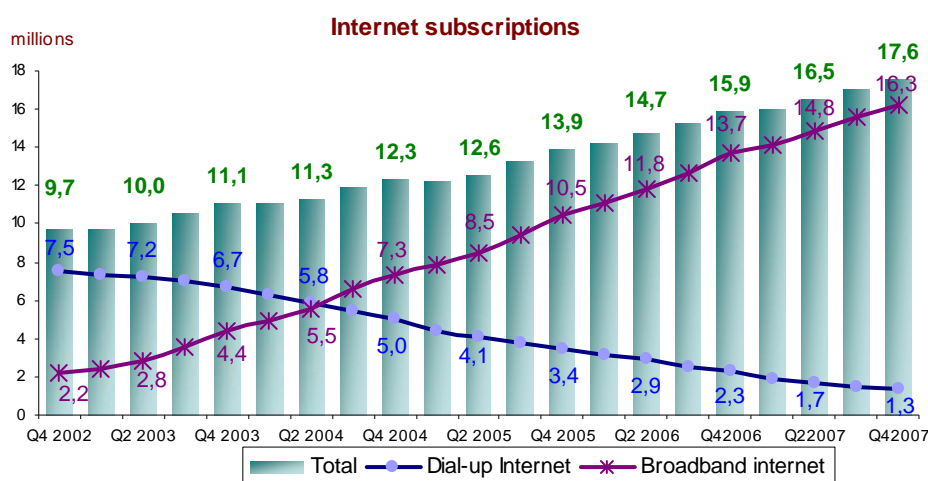
Income from all Internet accesses reached €1.2 billion in the first quarter of 2008 (of which €1.1 billion can be attributed to high speed) and was up 13.9% over one year. The average invoice for a high-speed Internet subscription has held at around €23.00 or €24.00 excluding VAT per month (€23.60 excluding VAT in the first quarter of 2008) for the past two years.

The number of dial-up Internet accesses (1.3 million at the end of the first quarter 2008) shrank 41.1% over one year. The income and volume of connection minutes generated by dial-up plummeted by almost 45%. The average invoice of a dial-up subscriber was €8.20 excluding VAT per month in the first quarter of 2008.

Internet subscriptions (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Dial-up	2,270	1,892	1,699	1,508	1,337	-41,1%
Broadband	13,676	14,170	14,812	15,551	16,252	18,8%
of which xDSL	12,989	13,455	14,090	14,805	15,479	19,2%
Internet subscriptions	15,945	16,062	16,511	17,059	17,588	10,3%

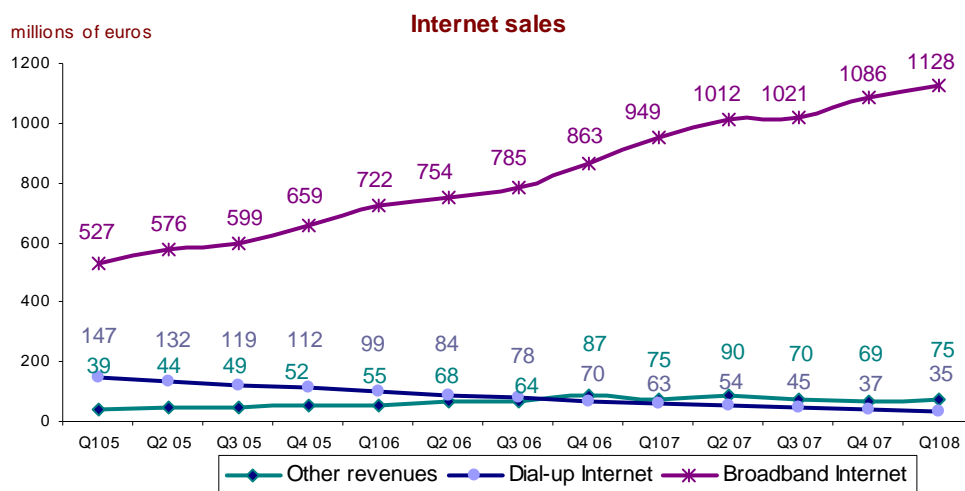
adjusted figures are in italics

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 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Dial-up	63	54	45	37	35	-44,0%
Broadband	949	1 012	1 021	1 086	1 128	18,8%
Other revenue	75	90	70	69	75	-0,3%
Total Internet revenue	1 088	1 156	1 136	1 193	1 238	13,9%

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

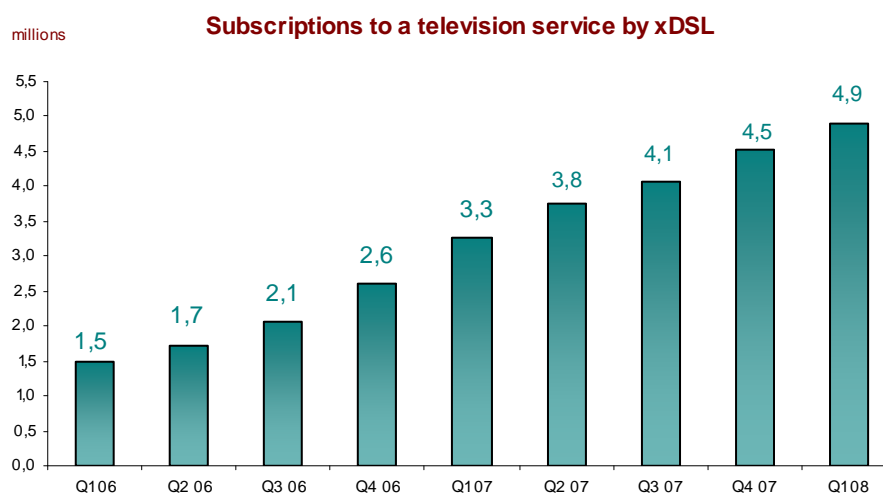


Volumes of dial-up Internet (millions of minutes)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Volumes of dial-up Internet	5 079	4 269	3 354	3 037	2 798	-44,9%

2.4 Television on xDSL

There were 4.9 million subscriptions to a television service via xDSL at the end of the first quarter 2008, or 1.6 million subscriptions more than a year earlier.

Subscriptions (millions)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Subscriptions to television services on DSL	3,272	3,753	4,059	4,534	4,889	49,4%



Note: This indicator covers subscriptions that 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 that are part of a “multiplay” service package including access to one or more other services besides television (Internet, telephone service).

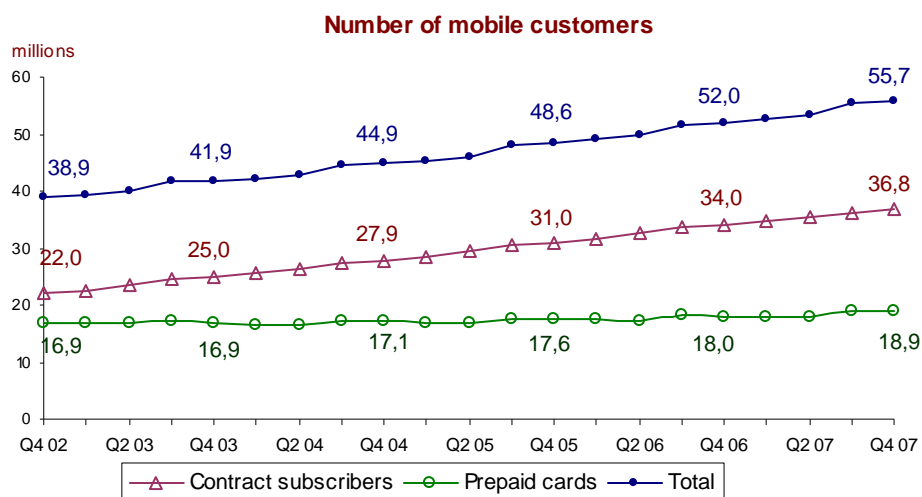
2.5 Mobile telephony

2.5.1 Subscriptions

Number of mobile customers (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Contract subscribers	34,027	34,572	35,302	36,298	36,842	8,3%
Prepaid cards	18,021	18,012	17,878	19,051	18,901	4,9%
<i>of which active prepaid cards *</i>	16,937	17,026	16,835	17,776	17,556	3,7%
Mobile Telephony	52,048	52,585	53,179	55,349	55,743	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 considered, whether free or payable. SMS are not included in the calculation.

The number of customers to a mobile telephony service reached 55.7 million at the end of the first quarter 2008. Two-thirds of customers (66.1%) purchased a package subscription. The number of mobile telephony customers rose 7.1% over one year in the first quarter of 2008, with 3.7 million additional customers. This strong growth is in line with that observed since the beginning of 2007.



During the first quarter 2008, close to one in three customers (17.6 million) used the multimedia services offered by mobile operators (access to “mobile Internet” services, MMS, etc.).

The number of customers having used at least one of the high-speed services offered on 3G mobile networks reached 6.6 million in the first quarter of 2008, representing 12% of mobile operators’ customers. Over one year, the number of 3G users shot up 59.1%.

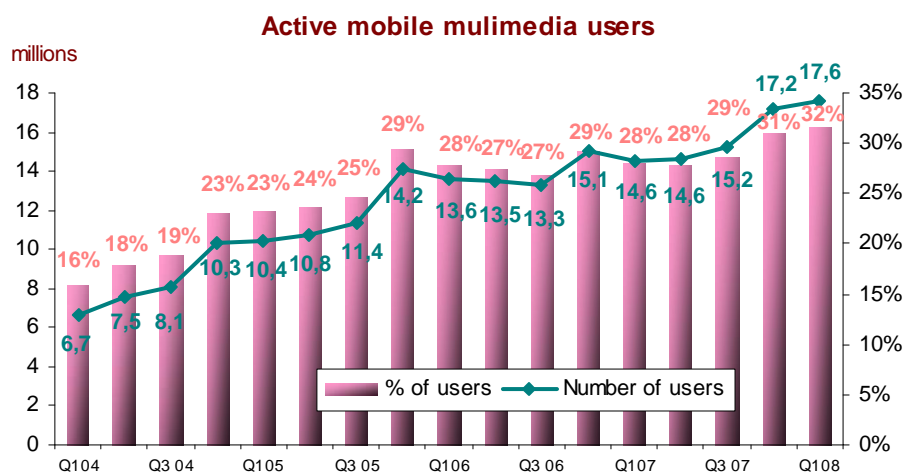
Multimedia users and 3G users
(millions of units)

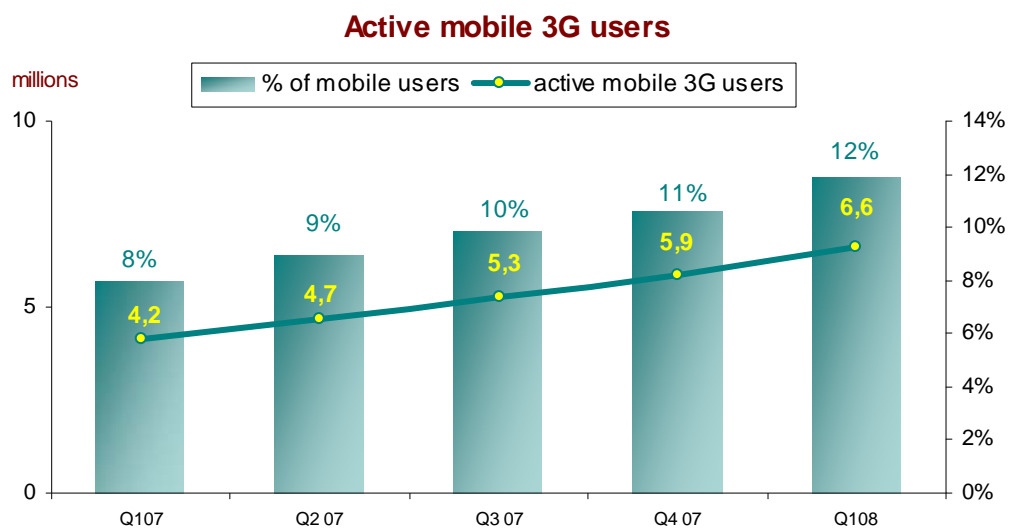
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Active mobile multimedia users	14,550	14,590	15,189	17,190	17,627	21,2%
Active mobile 3G users	4,155	4,702	5,260	5,879	6,611	59,1%

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 are not covered by this definition) at least once in the past month, regardless of the type of carrier technology used (CSD, GPRS, UMTS, etc.). Scope: Mainland France and overseas dependencies.

- The number of active 3G users is defined as the number of customers having used (sent or received) a high-speed mobile service (voice, videophone, mobile TV, data transfer, etc.) using 3G wireless technology during the past three months.





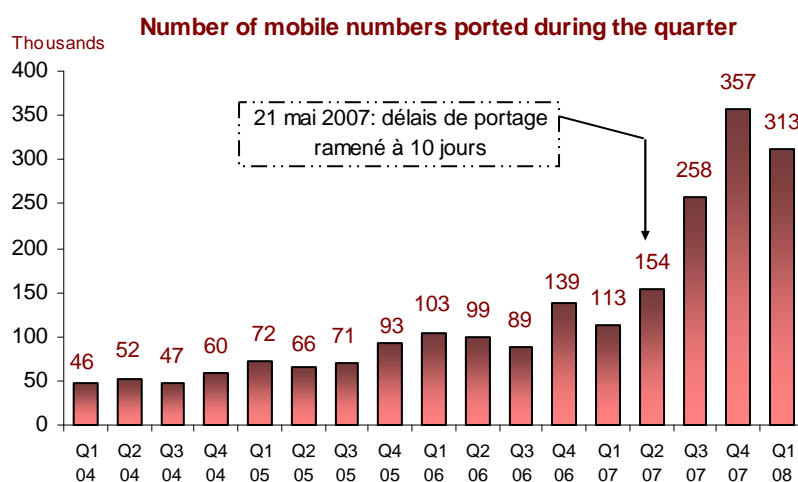
Portability*(millions of units)*

Number of mobile numbers ported during the quarter

adjusted figures are in italics

Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
0,113	0,154	0,258	0,357	0,313	177,8%

The number of mobile numbers ported from one operator to another during a quarter has skyrocketed since the implementation of a simplified mobile number portability procedure on 21st May 2007 which reduces the amount of time required for the operation (less than 10 days compared to two months previously). In the first quarter of 2008, the number of ported numbers (313 000 numbers) was almost triple that of the first quarter 2007 (113 000 numbers).

**Note:**

- 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

2.5.2 Income and volume indicators

Income from mobile services (telephony and data transfer) reached €4.5 billion and rose 5.7% over one year in the first quarter of 2008. Since the beginning of 2006, although lower than previous years, growth in income from mobile services continued at a relatively strong rate of 5% to 6% over one year.

Income from data transfer services on mobile networks (interpersonal messaging services, mobile Internet access services and multimedia services) represented €748 million in the first quarter of 2008. The share of this income in all income from mobile services grew (16.5% in the first quarter of 2008 compared to 14.5% a year earlier). Growth in income from these “non-voice” uses of mobile telephones (+20.6% over one year) was much faster than that of mobile voice calls (+3.1% over the same period).

Revenue (millions of euros)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Mobile telephony	3 673	3 773	3 884	3 863	3 789	3,1%
of which outgoing internationals calls	150	159	175	173	166	10,4%
Data transport on mobile networks	621	627	668	710	748	20,6%
of which interpersonal messaging (SMS, MMS)	401	398	415	435	459	14,6%
of access to mobile Internet & to multimedia services (1)	220	229	252	275	289	31,5%
Total mobile telephony and data transport	4 294	4 400	4 552	4 573	4 537	5,7%

Volumes (millions of minutes)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Calls to national fixed lines	4 741	4 749	4 525	4 803	4 707	-0,7%
Calls to mobiles on the same network (1)	13 243	13 291	12 494	13 812	13 821	4,4%
Calls to other networks	6 048	6 402	6 250	6 578	6 483	7,2%
Outgoing internationals calls	312	327	361	369	363	16,2%
Roaming out (2)	277	313	435	303	298	7,6%
Total mobile telephony	24 621	25 082	24 064	25 866	25 671	4,3%

(1) onnet calls on the same network (MNO or MVNO)

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

Note: Calls to voice messaging were included in on-net traffic. They represented 8.6% of on-net traffic at the end of the first quarter 2008.

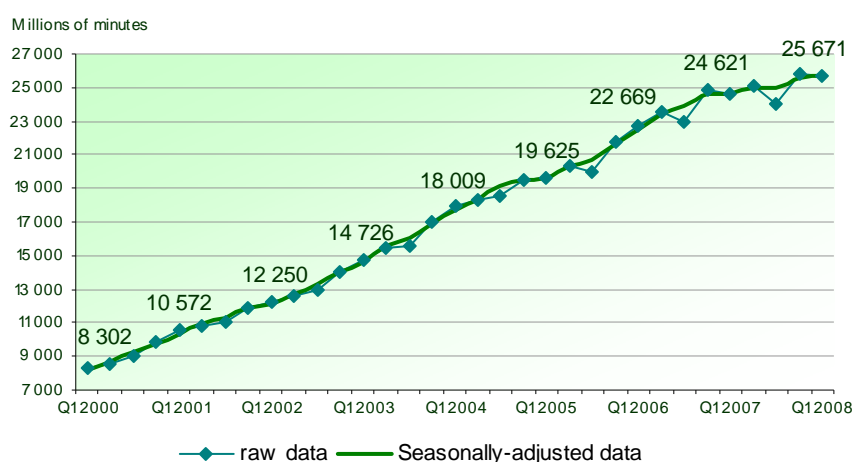
The volume of traffic originating on mobiles represented 25.7 billion minutes in the first quarter of 2008, following strong growth (of around 15%) throughout 2006, the rate of annual growth in traffic originating on mobiles was down sharply in 2007, declining progressively from 8.6% at the beginning of the year to 3.9% at the end. The first quarter 2008 marked a break in this slowdown with growth of just over 4.3% over one year.

The slowdown in the volume of traffic observed in 2007 was caused primarily by the slump in the growth of the volume of calls exchanged between mobiles on the same network (this volume represented over half of the volume of traffic sent originating on mobiles). After progressively slowing over the past two years, the growth of this “on-net” traffic saw a slight upturn in the first quarter of 2008 with +4.4% over one year compared to 2.8% in the fourth quarter 2007.

Growth in the volume of mobile calls to third-party mobile networks continued at a slightly stronger rate (+7.2% over one year in the first quarter of 2008) although it was down sharply from the beginning of 2007 when it reached 22.6%.

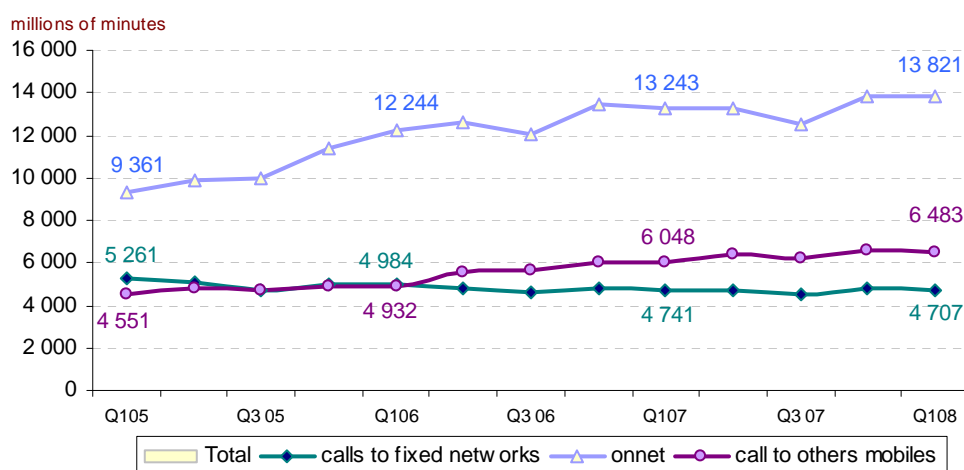
The volume of mobile-to-fixed calls has been declining for three years. After reaching 4.9% at the beginning of 2007, it began to slow and has been weak for the past two quarters (-0.1% over one year in the fourth quarter 2007 and -0.7% in the first quarter of 2008).

Volume of calls from mobile



(Seasonally adjusted values for this data can be found in the “Séries chronologiques” spreadsheets available on ARCEP’s website)

National traffic from mobile telephony

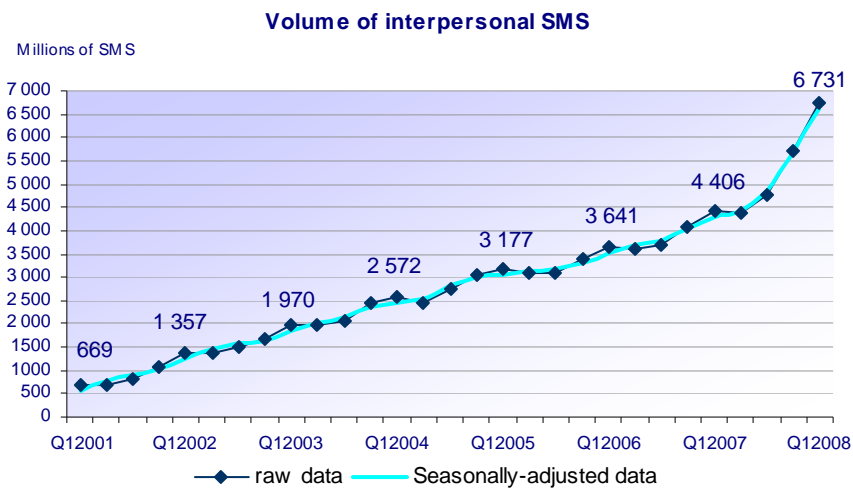


The number of interpersonal messages (SMS and MMS) sent by mobile operators’ customers during the first quarter of 2008 reached 6.8 billion, with 2.3 billion more messages than during the first quarter 2007. Operators’ offers, like “unlimited text messaging”, encourage this strong expansion in interpersonal messaging.

Customers send an average of 40 SMS per month, 12 more than a year ago. Customers having a flat-rate subscription use this communication mode twice as much as customers using pre-paid cards (49 SMS and 23 SMS sent per month, respectively).

Volumes of interpersonnal messages (millions of units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of interpersonnal SMS	4 406	4 367	4 762	5 712	6 731	52,8%
of witch from contract subscribers	3 427	3 428	3 789	4 586	5 418	58,1%
of witch from prepaid cards	978	938	971	1 125	1 313	34,3%
Number of interpersonnal MMS	73	66	67	76	86	17,8%
Number of messages sent	4 479	4 434	4 829	5 790	6 815	52,2%

adjusted figures are in italics



(Seasonally adjusted values for this data can be found in the “Séries chronologiques” spreadsheets available on ARCEP’s website)

2.6 Other market components

2.6.1 Value added services (excluding directory services)

Income from value-added services (€10 million in the first quarter of 2008) was up 1.5% with respect to the first quarter 2007. Income from data services grew more quickly (+5.9% over one year) than income from voice and telematic services (+0.7% over one year).

During the quarter, 1.2 billion calls (for traffic volume of 3.3 billion minutes) were made to “voice and telematic” services. Calls made on fixed phones represented over 86% of calls and of the volume of minutes to these services.

Value added services revenue* <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Value added "voice" services	511	496	498	519	515	0,7%
From fixed telephony network	321	299	301	317	308	-4,1%
From mobile telephony network	190	198	197	202	207	8,8%
Value added "data" services	90	87	104	109	96	5,9%
Value added services	602	583	602	628	610	1,5%

* This corresponds to all amounts billed to customers by operators, including out payments 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, ring-tone downloads, etc.

Value added "voice" and "télématique" services volumes <i>(millions of minutes)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
From fixed telephony network	2 938	2 866	2 921	2 945	2 820	-4,0%
From mobile telephony network	406	412	441	453	430	5,8%
Number of calls	3 344	3 278	3 362	3 399	3 250	-2,8%

adjusted figures are in italics

Number of calls to value added "voice" and "télématique" services <i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
From fixed telephony network	1 075	980	1 040	1 084	1 039	-3,3%
From mobile telephony network	162	169	176	177	168	3,8%
Volumes	1 237	1 149	1 216	1 260	1 207	-2,4%

adjusted figures are in italics

Value added "data" service volumes <i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of messages (SMS+, MMS+)	152	153	162	198	154	1,3%

2.6.2 Directory services

Income from telephone directory services (€38 million) was down 1.8% over one year in the first quarter of 2008.

The number of calls to directory services numbers has been declining continuously (by around 5 to 6 million calls over one year) since the definitive elimination of the old directory service numbers on 3rd April 2006. In the first quarter of 2008, with 31 million calls made, this decline was 13.9% over one year, or 5 million fewer calls during the period.

The volume of calls to directory services was 68 million minutes in the first quarter of 2008. Two-thirds of these minutes were for calls made on mobile networks.

Revenue from directory services <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Directory services operators	38	42	41	41	38	-1,8%

Directory services	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of calls <i>(millions of units)</i>	36	35	34	33	31	-13,9%
Volume of calls <i>(millions of minutes)</i>	65	72	69	72	68	4,5%

Note: Directory services include the 118xyz numbers in use since November 2005 and the short numbers used to access reverse directory services (3288, 3217, 3200) or international directory services (3212).

2.6.3 Leased lines and data transport (fixed operators)

Sales of leased lines between operators represented €192 million in the first quarter of 2008 (or 52.6% of income from leased lines).

Revenue <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Leased lines	342	357	349	369	365	6,9%
Data transport	452	443	456	466	450	-0,4%

Income 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 income.

2.6.4 Hosting and call centre management services

Revenue <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Hosting and call centre management	11	9	7	11	11	4,4%

2.6.5 Terminals and equipment

Income from terminal sales and rentals reached €637 million in the first quarter of 2008, rising 19.4% over one year. Sales by mobile operators (€439 million in the first quarter of 2008) represented over two-thirds of this income.

Revenue from terminals and equipment <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed & Internet operators	198	202	201	214	198	-0,2%
Mobile operators	335	434	447	603	439	31,0%
Terminals and equipment	533	636	648	817	637	19,4%

Note: income from mobile packs and telephones given here include the commission paid to distributors.

2.7 Indicators per customer

Average monthly revenue (value added services exclude) (in euros -VAT excluded)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Per fixed line : access, communications and Internet	36,3	36,0	36,4	36,8	36,1	-0,6%
Mobile telephony user	27,6	28,0	28,7	28,1	27,2	-1,4%

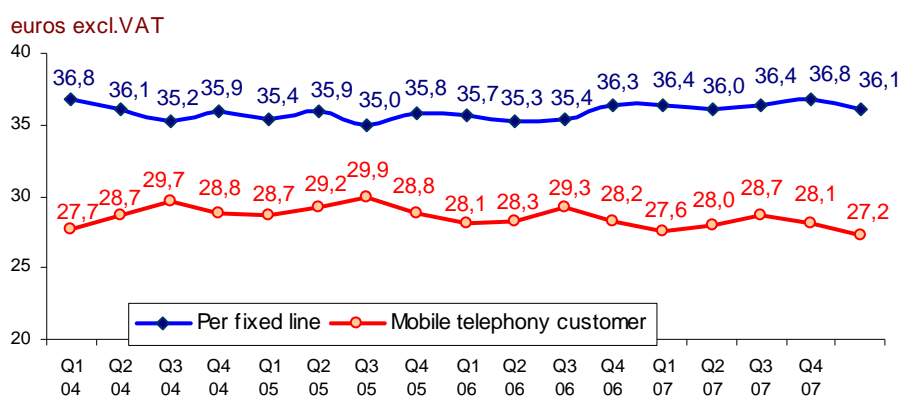
adjusted figures are in italics

The average monthly bill per fixed line is calculated by dividing the income from calls originating on 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 income, including roaming-out, excluding income 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 income, or those from value-added services, does not equate to the traditional Average Income Per User (ARPU) indicator.

Average monthly revenue voice and data

(value-added services excluded)



Average monthly outgoing traffic (in hours)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Per fixed lines	4h23	4h08	3h47	4h25	4h31	2,9%
Mobile telephony user	2h38	2h40	2h32	2h39	2h34	-2,7%

Number of interpersonnal SMS sent per user (units)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of SMS sent per user during the quarter	28,3	27,8	30,0	35,1	40,4	42,6%
of witch for contract subscribers	33,8	33,3	36,2	42,7	49,4	46,1%
of witch for prepaid cards	18,1	17,4	18,0	20,3	23,1	27,7%

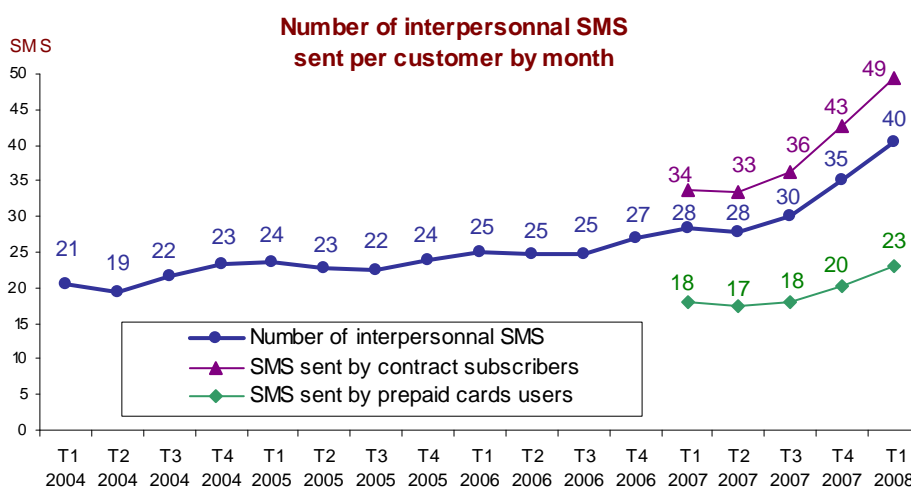
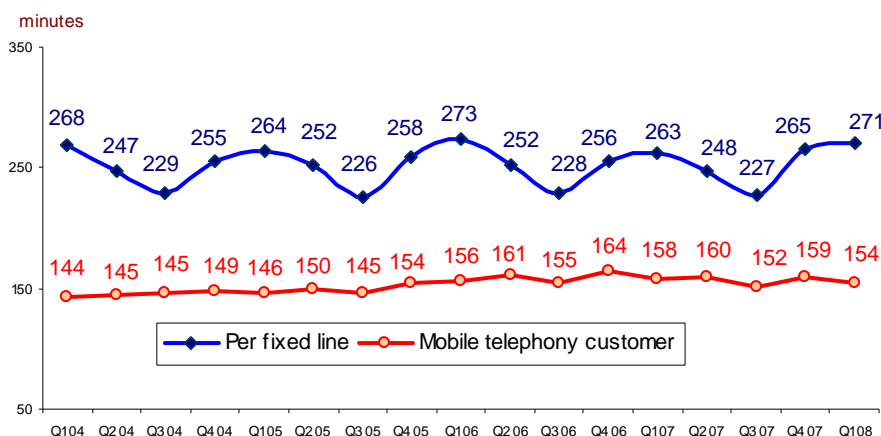
adjusted figures are in italics

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 outgoing traffic



Average monthly revenue per customer

(in euros -VAT excluded)

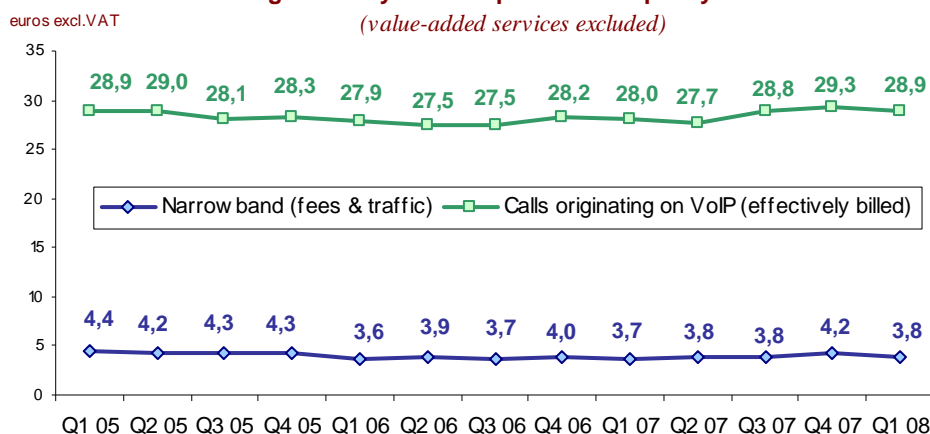
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed PSTN/ISDN telephony user	28,0	27,7	28,8	29,3	28,9	3,1%
Fixed IP telephony user	3,7	3,8	3,8	4,2	3,8	2,7%
Dial-up Internet user	8,7	8,6	8,4	7,8	8,2	-5,0%
Broadband Internet user	24,0	24,2	23,5	23,9	23,6	-1,5%

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 income) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number of months.

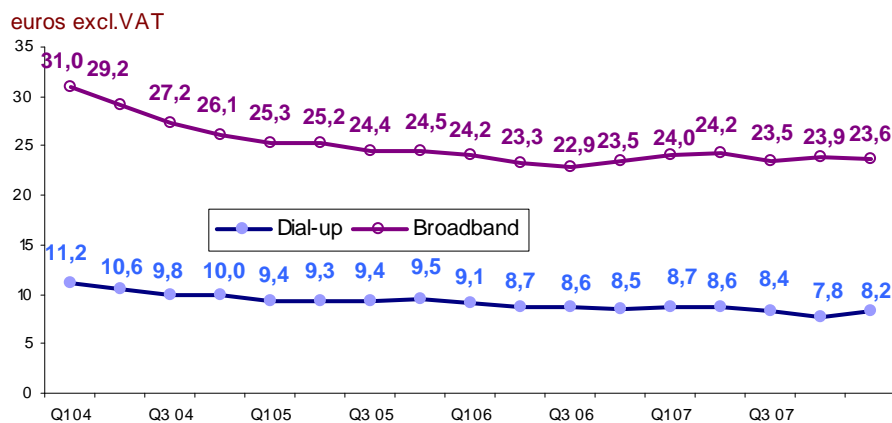
The average monthly bill per subscription to an IP telephony service is calculated by dividing the income solely from IP calls billed (i.e. those made on top of those included in a multiplay package) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number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



Average monthly revenue per internet customer



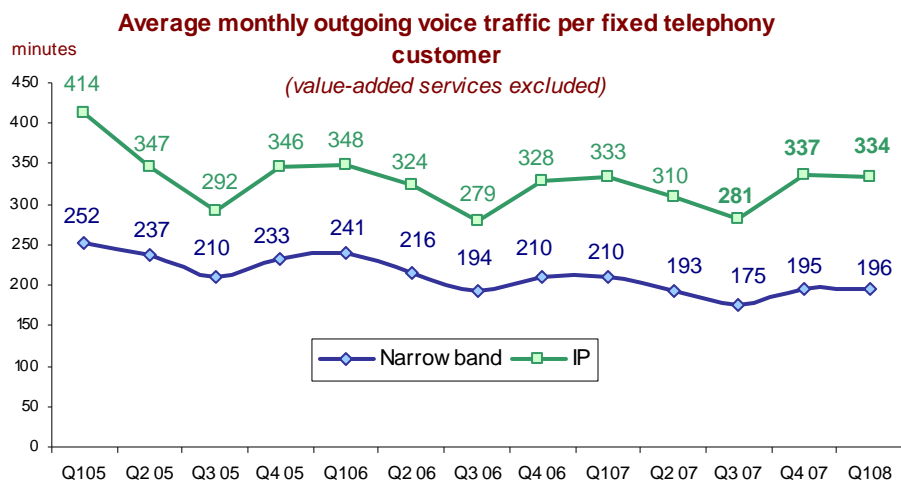
Average monthly traffic per customer

(in hours)

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Fixed PSTN/ISDN telephony user	3h30	3h13	2h55	3h15	3h16	-6,4%
Fixed IP telephony user	5h33	5h10	4h41	5h37	5h34	0,3%
From dial-up Internet	11h41	11h24	10h23	10h31	10h56	-6,5%

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 about indicators per customer

With the growing use of broadband voice services as a second line, the average income per subscription is no longer of much use as an indicator. In fact, a large number of households 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' use 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. In the case of digital lines, it was accepted practice to take the number of channels subscribed for as the number of fixed lines, i.e. two 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. two 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 that 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. two for BRI lines and up to 30 for PRI lines;
- for analogue lines:
 - PSTN subscriptions
 - xDSL line subscriptions without a PSTN subscription;
- for cable telephone service subscriptions: the subscription

As far as income is 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 with no additional charges. Consequently, the overall bill covers an increasing range of services, regardless of the number of calls made (as is also the case 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 income taken into account is:

- income from service subscription charges and additional services
- income from calls made from fixed-line telephones, including IP calls made on top of the multiplay inclusive package
- income from dial-up Internet access and broadband Internet access

The following are not taken into account:

- income from payphones and phone cards
- income from other services related to Internet access, which corresponds to ISPs' income from online advertising and commissions paid to ISPs in relation to online trading
- income from value-added services and information services

Number of fixed lines <i>(millions of units)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Number of fixed lines	34,110	34,228	34,418	34,698	34,636	1,5%

Fixed lines revenues <i>(millions of euros)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Change 1Q08/1Q07
Accès fees, internet, communications	3 717	3 693	3 749	3 814	3 757	1,1%

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.

Income from interconnection (incoming calls) is not taken into account. These indicators are not the same as the **ARPU** (Average Income Per User) figures, which generally correspond to operators' income from all income related to network use. For instance, in the case of mobile operators, the ARPU includes income from outgoing calls, data services and value-added services AS WELL AS income from incoming calls (interconnection). Depending on the operator, it may or may not include income from roaming.

The Observatory also publishes indicators for **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 operators. It covers some or all of the incoming calls in order to create a volume figure which is comparable to that used for the ARPU. It does not represent the average usage per customer but is considered to be an indicator of the operator's volume of business per customer.