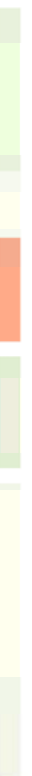


Quarterly observatory of the  
electronic communications market in France

1<sup>st</sup> quarter 2010 – Final results





## Introduction

Electronic communications operators' retail market sales totalled 10.9 billion euros in Q1 2010. Interconnection services and wholesale market sales between operators generated 2.3 billion euros in additional revenue over the course of the quarter.

After a year during which annual retail market revenue for electronic communications services (i.e. excluding income from device sales, directory services, advertising, call centre hosting, etc.) had decreased (-0.1% in Q3 2009 the +0.5% in Q4 2009), revenue in the first quarter of the year was up to 10.2 billion euros, or 1.5% higher than in Q1 2009.

This improvement was also felt in fixed and mobile calling volume, which was up to 56.3 billion minutes in Q1 2010, marking a 3.1% increase over the previous year, on the heels of a decrease at the start of 2009 and an only moderate increase of +1.5% in the second half of 2009.

### Services on fixed networks

The number of fixed lines totalled 35.2 million at the end of Q1 2010, hosting 40.7 million subscriptions to a telephone service. Half of the lines support only a subscription to the PSTN service, but this number is shrinking steadily. While the number of narrowband telephony subscriptions has been on a downwards slide (-9.8% in Q1 2010), more and more fixed lines are now hosting a voice over broadband (IP) service. The number of Voice over IP subscriptions (17.5 million), which now account for 43% of all telephone service subscriptions, is rising swiftly: by 2.4 million in a year, or by +16.7% in Q1 2010.

There are 5.7 million lines on which two phone subscriptions co-exist, i.e. both a VoIP and a classic PSTN service, a number that has changed very little over the past two years (16% at the end of Q1 2010).

There were 20.1 million broadband and ultra-fast broadband Internet access subscriptions in use in France at the end of Q1 2010 (ADSL, cable and fibre) – a number that continues to rise, albeit at a pace that has been slowing steadily for the past two years: +1.7 million in Q1 2010 compared to 2.1 million one year earlier and 2.6 million two years ago.

The vast majority of these – 18.8 million – are broadband connections over ADSL. Close to half of all subscribers, or 9.3 million subscribers at the end of Q1 2010, also had the option of accessing an IPTV solution. Meanwhile, in the wholesale market, full unbundling is continuing to develop quickly, with a base that grew by 1.5 million lines in a year, bringing the base of fully unbundled lines to 6.9 million.

The number of ultra-fast broadband (fibre) connections stood at 337,000 at the end of quarter.

The revenue generated by all fixed services combined came to 4 billion euros in Q1 2010, which marks a 1.4% rise over the previous year that can be attributed to an increase in the income earned by broadband and ultra-fast broadband services (Internet access and VoBB services were up by +17.6% on the year). Generating 2.1 billion euros in Q1 2010, these broadband services now account for more than half of fixed services revenue (52% compared to 45% one year earlier). At the same time, the income generated by narrowband services continues to shrink inexorably: by -11.6% in Q1 2010, down to 1.9 billion euros. Meanwhile, revenue generated by access to a PSTN service decreased at double the rate in Q1 2010, down to -12.4% to 1.1 billion euros, after having been vacillating between 5% and 6% since Q3 2009. On the flipside, the rate of decrease for calling minutes on this network (-10.5% to 747 million euros in Q1 2010) was half what it was in previous quarters.

The volume of calls originating fixed devices, including public payphones and prepaid cards, totalled 30.7 billion minutes in Q1 2010, a level that has not been seen in close to 10 years. Thanks to an increase of 2.8 billion minutes for IP-based calls, combined with a lesser decrease in calling minutes on the PSTN (-1.1 billion minutes in a year in Q1 2010 compared to -2.2 billion minutes in Q1 2009), fixed traffic grew at an annual rate of +5.9% or +1.7 billion minutes in a year. So the momentum is once more a healthy one, after a relatively stagnant period from the end of 2008 to the middle of 2009.

IP-based calling traffic reached 17 billion minutes in Q1 2010, or 55% of all traffic originating on fixed devices. "Unlimited" calling offers are helping drive an increase primarily in calls to international destinations and national fixed lines. In Q1 2010, IP traffic accounted for more than three quarters (77%) of international calling minutes and more than half (57%) of calls to national fixed lines, but only a quarter (25%) of fixed-to-mobile calling minutes were over IP.

### **Services on mobile networks**

There were 61.5 million mobile telephony users (number of SIM cards in service) in France at the end of Q1 2010. This number has been increasing at a steady annual rate of close to 6% for four straight quarters which, in Q1 2010, meant 3.3 million more SIM cards in circulation. Half of this growth comes from the 4 million SIM cards that are used solely for mobile Internet access and cannot be used for making voice calls.

The vast majority of the country's customers subscribe to a post-paid flat rate: 70.4% in Q1 2010, and their numbers are growing steadily.

Mobile networks are being used more and more for exchanging data rather than for voice calls. We are seeing a swift development of this trend, spurred by the rapid take-up of the latest devices and customised offers (touch-screen phones and netbooks, offers of "unlimited" mobile Internet access). As a result, 24 million customers used a multimedia mobile service – i.e. accessed a mobile Internet service, sent a multimedia message, etc. – in March 2010, or four out of ten users. We are also seeing a very swift rise in the use of 3G networks: +4.6 million in a year to reach 17.6 million at the end of Q1 2010.

The revenue generated by mobile services (calling and data transport) totalled 4.8 billion euros in Q1 2010. Growth for this revenue had been slowing since the end of 2008, remaining below 2.5%, but has been slightly more steady for the past two quarters: +3.2% in Q1 2010 on the heels of a +3.7% increase in Q4 2009.

Revenue generated by mobile calling alone (3.7 billion euros) has been tending to decrease since the end of 2008 (-0.7% in Q1 2010), whereas the volume of traffic has been holding steady for several quarters running. On the other hand, the revenue generated by mobile data services (SMS, MMS and multimedia services) has been growing swiftly and steadily at an annual rate of around 20% since the end of 2007. Totalling 1.1 billion euros in Q1 2010, it accounts for close to a quarter (22%) of mobile operators' retail market income. Still booming, the SMS market enjoyed a +66% rise in volume and +9.3% rise in income, and is naturally contributing to this momentum, but it is the increasing use of multimedia web services that is the major source of growth.

Mobile telephony traffic represented 25.5 billion minutes in Q1 2010. After years of steady growth, this volume has been tending to shrink since then end of 2008 (0% growth over the previous year in Q1 2010). The growth in traffic volume nevertheless differs considerably depending on the destination of the calls, with mobile-to-fixed line calls and on-net traffic both decreasing steadily: by -4.3% and -3%, respectively, on the year as of Q1 2010. The volume of off-net mobile calls, on the other hand, continues to increase steadily (+6% over the previous year) as does the volume of mobile calls to international destinations, which increased by +35.7% in the first quarter of 2010, compared to Q1 2009.

The SMS market has been given a tremendous boost by the growing number of offers that have become available since the end of 2008 which include unlimited text messages: 22.5 billion text messages were sent in the first quarter of 2010, or 9 billion more than the year before.

### **Other market components**

Revenue from value-added services came to 493 million euros in Q1 2010, 11% less than the previous year. This market segment has been shrinking in terms of both volume and sales for two years running. Income from voice and telematics services reached 332 million euros in Q1 2010, which marks a 15.5% drop from the year before, but is affecting the revenue generated by calls made by mobile operators' customers (-25.4% in a year) more than those made by landline carriers' subscribers (-8.9% in a year).

Meanwhile, the revenue generated by mobile operators' advanced data services is holding more or less steady, generating 160 million euros in Q1 2010. The percentage of revenue generated by data services has been increasing steadily, and now accounts for a third of operators' sales. 172 million surcharged messages (SMS+, MMS+) were sent in Q1 2010, which marks a +10.9% increase over the previous year.

Income from capacity services (leased line and data transport) totalled 855 million euros in Q1 2010, and remains more or less unchanged compared to Q1 2009.

Terminal sales and rental generated a total 651 million euros in Q1 2010, with three quarters of that sum, or 475 million euros, coming from terminal sales.

*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 off.*

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# 1 The electronic communications market in its entirety

## 1.1 The end customer market

Revenue (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed services (1)	3 979	3 970	3 939	4 004	4 036	1,4%
Mobile telephony (2)	4 611	4 739	4 847	4 852	4 760	3,2%
<b>All telephony and Internet</b>	<b>8 591</b>	<b>8 710</b>	<b>8 786</b>	<b>8 856</b>	<b>8 796</b>	<b>2,4%</b>
Advanced services and directory services	591	564	568	587	527	-10,9%
Leased lines	849	856	859	864	855	0,7%
Data transport (3)	381	384	390	386	389	2,0%
<b>Electronic communications services</b>	<b>10 031</b>	<b>10 129</b>	<b>10 213</b>	<b>10 306</b>	<b>10 178</b>	<b>1,5%</b>
Others revenues (4)	764	899	932	1 079	760	-0,6%
<b>Entire market</b>	<b>10 796</b>	<b>11 028</b>	<b>11 145</b>	<b>11 385</b>	<b>10 938</b>	<b>1,3%</b>

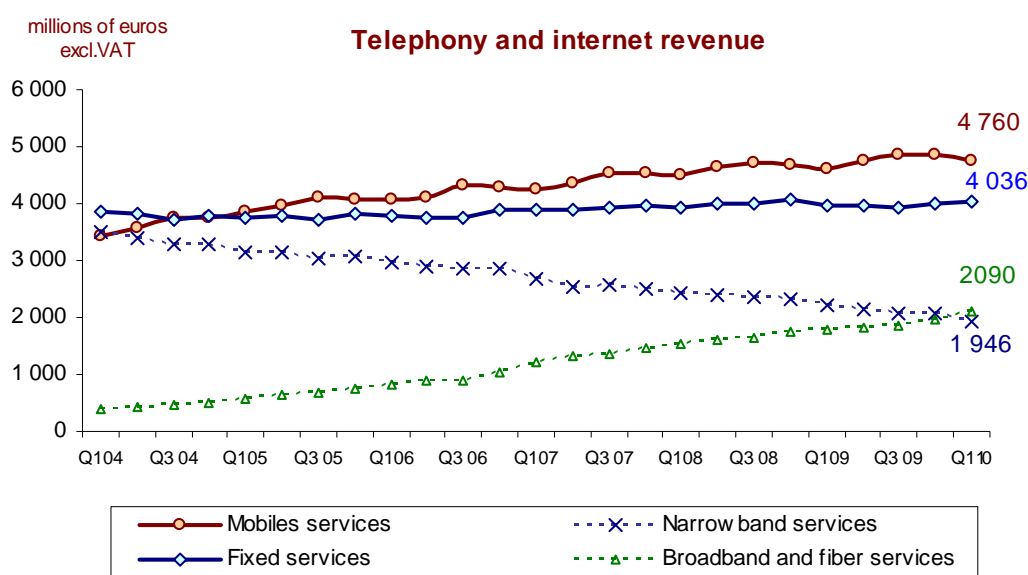
*adjusted figures are in italics*

(1) This indicator covers revenues from access fees and subscriptions, from calls from fixed lines including Internet connection calls, public telephones and cards, internet subscriptions

(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.



The revenue that electronic communications operators earned from selling services in the retail market in Q1 2010, excluding subsidiary income, came to 10.2 billion euros which marks a slight increase of 1.4% compared to the first quarter of 2009.

Income from fixed services (fixed telephony and Internet) totalled 4.0 billion euros in Q1 2010. After three consecutive quarterly decreases, this revenue is back up slightly: +1.5% on the year in Q1 2010.

Mobile services revenue reached 4.8 billion euros. At +3.2% in Q1 2010, the growth rate for mobile services revenue has risen from the just over 2% quarterly increase that the segment had been posting since the beginning of 2009.

Value-added service revenue continues to decline at a steady pace, reaching close to 11% in Q1 2010, while sales of capacity services held relatively steady at 855 million euros (+0.7% in a year).

Calling traffic on fixed and mobile networks combined came to 56.2 billion minutes in Q1 2010, which marks a 3.1% increase over the previous year.

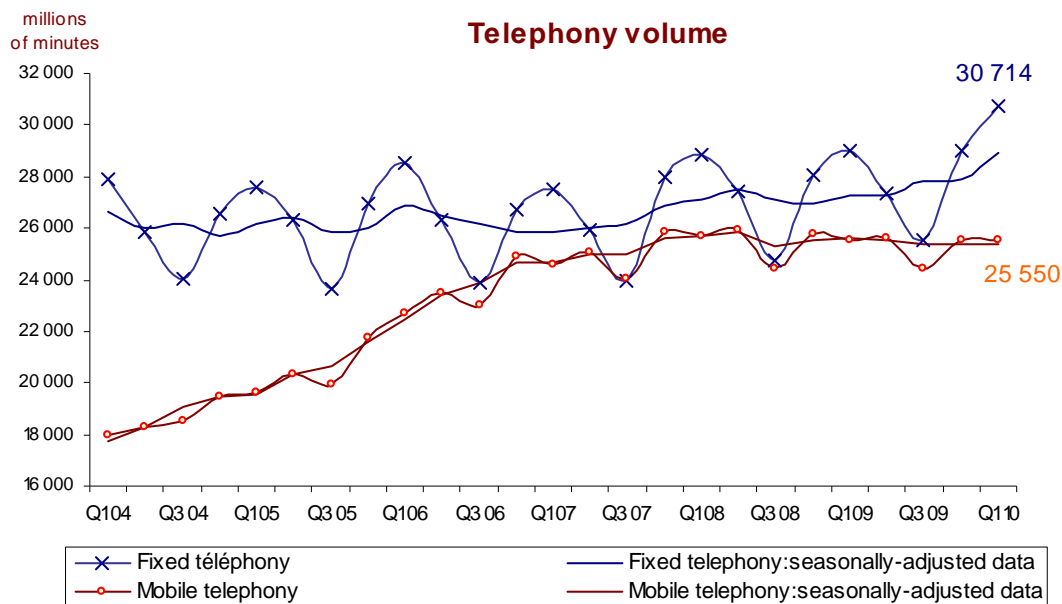
The volume of calls originating fixed devices, including public payphones and prepaid cards, totalled 30.7 billion minutes in Q1 2010, a level that has not been seen in close to 10 years. Thanks to an increase of 2.8 billion minutes for IP-based calls, combined with a lesser decrease in calling minutes on the PSTN (-1.1 billion minutes in a year in Q1 2010 compared to -2.2 billion minutes in Q1 2009), fixed traffic grew at an annual rate of +5.9% or +1.7 billion minutes in a year. So the momentum is once more a healthy one, after a relatively stagnant period from the end of 2008 to the middle of 2009.

Traffic on mobile networks has been holding steady since the end of 2008, totalling 25.6 billion minutes in Q1 2010.

The number of person-to-person text messages being sent continues to increase at a tremendous rate, however: more than 22 billion SMS were sent during the first quarter of 2010, or 9 billion more than in Q1 2009.

Volumes (millions of minutes)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed telephony	28 997	27 322	25 535	28 991	30 714	5,9%
Mobile telephony	25 554	25 637	24 431	25 571	25 550	0,0%
<i>Total voice services</i>	<i>54 550</i>	<i>52 959</i>	<i>49 966</i>	<i>54 562</i>	<i>56 264</i>	<i>3,1%</i>
Internet (dial-up)	1 722	1 524	1 370	1 300	1 163	-32,5%
Number of SMS sent (millions of units)	13 493	14 548	15 498	19 366	22 408	66,1%

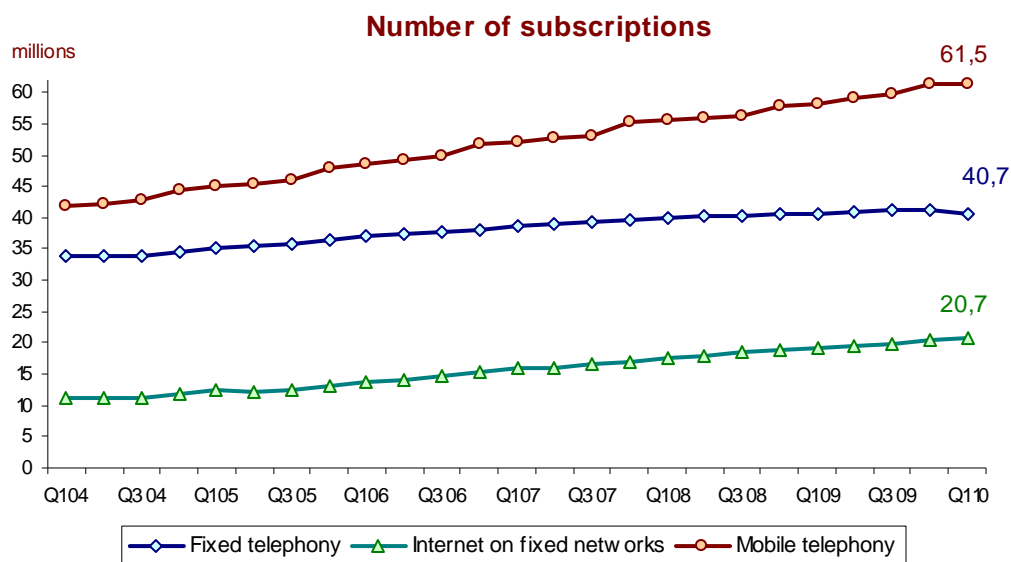
*adjusted figures are in italics*





**Number of subscriptions***(millions of units)*

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of subscription to telephone service	40,681	40,937	41,096	41,179	40,719	0,1%
Internet subscriptions	19,186	19,375	19,883	20,338	20,673	7,8%
Number of mobile customers	58,214	59,182	59,655	61,462	61,473	5,6%

*adjusted figures are in italics*

## 1.2 The intermediate market

### 1.2.1 The market as a whole

Revenue generated by interconnection services between operators in the intermediate market came to 2.3 billion euros in Q1 2010.

The revenue earned on services supplied by fixed network operators reached 1.2 billion euros in Q1 2010, which is up by 1.6% on the previous year. Its two main components are income from services tied to the telephone service, which totalled 694 million euros, which is relatively unchanged since the previous year, and wholesale access services revenue (unbundling, bitstream, etc.) which reached 458 million euros in Q1 2010, a 3.6% increase over Q1 2009.

The total volume of traffic involved in interconnection services between operators accounts for three quarters of the intermediate market, or 33.6 billion minutes in Q1 2010. After a clear drop in Q1 2009 due to a consolidation of the fixed market that was instigated chiefly by carriers that own and operate their own network, which decreased the amount of traffic being exchanged, this volume was up once again (+2.8%), thanks in particular to growth in the fixed retail market (+5.9%).

The revenue generated by mobile operators' interconnection services amounted to 1.1 billion euros in Q1 2010, which is down 2.1% on the year. The volume of traffic is increasing, however, both for voice (+4.8% for the quarter) and SMS (+66.5%). The decrease in mobile call termination prices on 1 July 2009, which translated into a roughly 30% drop in the maximum mobile call termination price for three mobile network operators, has been almost fully offset by the increase in text messaging revenue.

<b>Interconnection services</b> <i>(millions of euros)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed operators	1 135	1 121	1 129	1 117	1 154	1,6%
<i>of which telephony services</i>	690	694	696	689	694	0,6%
<i>of which dial-up Internet</i>	3	3	3	2	2	-42,0%
<i>of which broadband services</i>	442	424	429	427	458	3,6%
Mobile operators	1 127	1 196	995	1 034	1 104	-2,1%
<b>Revenue</b>	<b>2 263</b>	<b>2 317</b>	<b>2 123</b>	<b>2 152</b>	<b>2 258</b>	<b>-0,2%</b>

*adjusted figures are in italics*

<b>Interconnection services</b> <i>(millions of minutes)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed operators	32 688	31 224	30 080	32 669	33 609	2,8%
Internet (dial-up)	715	604	553	329	430	-39,8%
Mobile operators	11 203	11 534	11 409	11 642	11 743	4,8%
<b>Volume</b>	<b>44 605</b>	<b>43 362</b>	<b>42 043</b>	<b>44 640</b>	<b>45 783</b>	<b>2,6%</b>
Fixed operators	<b>6 900</b>	<b>7 480</b>	<b>8 077</b>	<b>10 180</b>	<b>11 492</b>	<b>66,5%</b>

*adjusted figures are in italics*

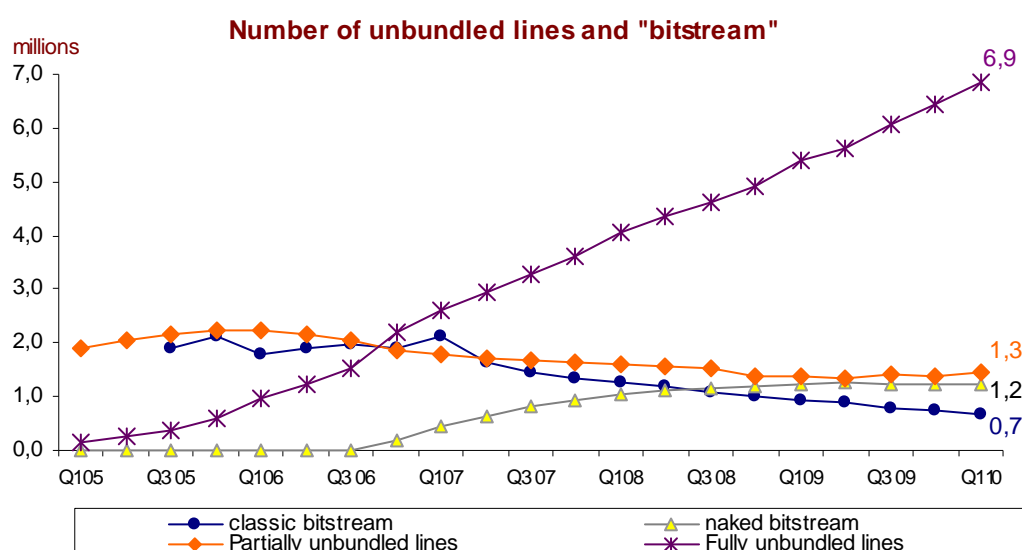
#### Notes :

- *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 revenue streams between the telcos disappear, which might account for decreases in revenue 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 includes fixed income such as charges for connection links and intercarrier services).*
- *Note that the interconnection figures shown above might be counted twice, particularly in the case of fixed operators.*

There were 8.2 million unbundled lines in France at the end of Q1 2010, representing 23% of all fixed lines. The number of fully unbundled lines (6.9 million) continues to rise rapidly, increasing by 1.5 million, or 27%, in the year. On the flipside, shared access has been on the decline since mid-2006, with the number of shared access lines standing at 1.3 million at the end of the quarter.

<b>Unbundling</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Partially unbundled lines	1,378	1,353	1,323	1,309	1,292	-6,3%
Fully unbundled lines	5,408	5,611	6,077	6,428	6,868	27,0%
<b>Number of unbundled lines</b>	<b>6,786</b>	<b>6,964</b>	<b>7,400</b>	<b>7,737</b>	<b>8,160</b>	<b>20,3%</b>

*adjusted figures are in italics*



<b>"Bitstream" lines</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
"naked bitstream"	1,232	1,250	1,232	1,245	1,244	0,9%
"classic bitstream"	0,942	0,888	0,798	0,732	0,685	-27,3%
<b>Number of "bitstream" lines</b>	<b>2,174</b>	<b>2,138</b>	<b>2,030</b>	<b>1,977</b>	<b>2,017</b>	<b>-7,2%</b>

Bitstream is a wholesale solution marketed by the incumbent carrier that allows alternative operators to provide broadband access services to their customers who are located in areas where unbundling is not available.

Alternative carriers bought 1.2 million naked DSL/bitstream connections from the France Telecom in Q1 2010, a number that has been holding steady for the past year. Meanwhile, there were a total 685,000 "classic" bitstream connections in use at the end of the first quarter of the year – a number which is decreasing steadily, having dropped by -27.3% over the previous year as of Q1 2010.

### 1.2.2 Incoming international interconnection<sup>1</sup>

Operators' income from incoming international interconnection services totalled 107 million euros in Q1 2009, which corresponded to 2.5 billion calling minutes. This traffic has been on a downwards trajectory for the past year, for both calls terminating on fixed networks in France, which accounts for more than three-quarters of traffic for these calls, and those terminating on French mobile networks.

Revenue of incoming international interconnection services	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed operators	92	96	87	73	76	-17,2%
Mobile operators	43	43	31	31	31	-28,0%
<b>Revenue</b>	<b>134</b>	<b>139</b>	<b>118</b>	<b>104</b>	<b>107</b>	<b>-20,6%</b>

Volume of incoming international interconnection services	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed operators	2 138	2 200	2 103	1 988	1 979	-7,4%
Mobile operators	614	609	603	586	562	-8,5%
<b>Volume</b>	<b>2 752</b>	<b>2 809</b>	<b>2 707</b>	<b>2 575</b>	<b>2 541</b>	<b>-7,6%</b>

### 1.2.3 Mobile operators roaming-in revenue<sup>2</sup>

The revenue generated by inbound calls from foreign mobile customers decreased by 20% in Q1 2010, compared to the year before, whereas the volume of calls shrank by only 4.2% during the quarter. Since June 2007, European regulation has imposed a price cap on international roaming calls inside the European Union on mobile operators, along with a multi-year tariff decrease. The price of roaming calls, referred to as the Eurotariff, has therefore decreased from €0.46 to €0.43 excluding VAT, as of 1 July 2009 for calls made to another EU country (roaming-out), and from €0.22 to €0.19 excluding VAT for calls received from another EU country (roaming-in).

Roaming in	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Revenue (millions of euros)	127	147	168	112	102	-20,0%
Volume (millions of minutes)	385	454	606	386	401	4,2%

*Note: roaming-in refers to French mobile operators' handling of the incoming and outgoing calls made in France by customers of a foreign mobile operator. The revenue corresponds to the remuneration between the two operators. The relationship between call revenue/volume does not correspond to any set price, nor to any price that is billed to customers.*

<sup>1</sup> This market segment is a subset of the total market (cf. 1.2.1)

<sup>2</sup> This market segment is a subset of the total market (cf. 1.2.1)

## 2 Fixed network services

### 2.1 The fixed network market as a whole

#### 2.1.1 Revenue and fixed telephony traffic

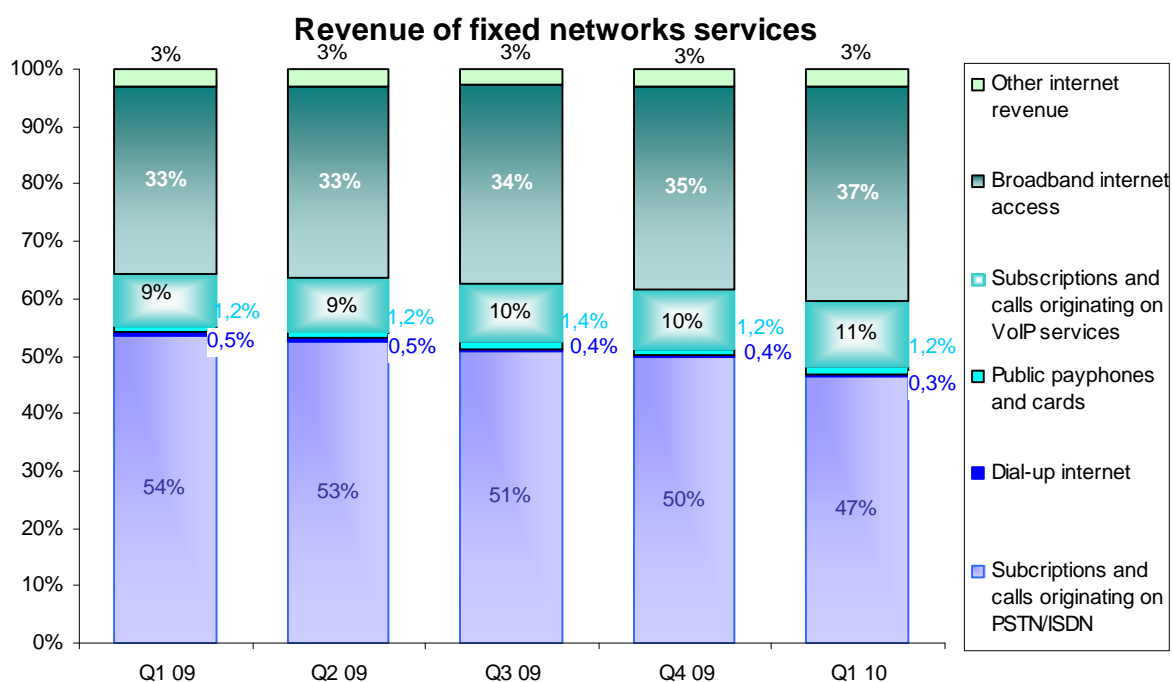
Broadband and ultra-fast broadband services (fixed telephony over broadband and Internet access) continues to grow – +17.6% in a year as of Q1 2010 – and, at 2.1 billion euros, now accounts for more than half of all fixed network revenue: 52% compared to 45% one year earlier.

At the same time, income from narrowband services on fixed networks (telephony over the PSTN and dial-up Internet access, public payphones and calling cards) is shrinking steadily: -11.6% over the previous year as of Q1 2010.

Revenue of fixed networks services <i>(millions of euros)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
<b>Narrowband Revenue</b>	<b>2 202</b>	<b>2 153</b>	<b>2 074</b>	<b>2 054</b>	<b>1 946</b>	<b>-11,6%</b>
Subscriptions and calls originating on PSTN/ISDN	2 131	2 088	2 002	1 991	1 882	-11,7%
Dial-up Internet	21	18	17	16	13	-36,6%
Public payphones and cards	49	47	55	47	50	1,7%
<b>Broadband Revenue</b>	<b>1 777</b>	<b>1 818</b>	<b>1 865</b>	<b>1 950</b>	<b>2 090</b>	<b>17,6%</b>
Subscriptions and calls originating on VoIP services	359	376	397	415	458	27,6%
Broadband Internet	1 301	1 326	1 356	1 408	1 510	16,1%
Other Internet revenue	118	116	112	127	123	3,8%
<b>Revenue of fixed lines services</b>	<b>3 979</b>	<b>3 970</b>	<b>3 939</b>	<b>4 004</b>	<b>4 036</b>	<b>1,4%</b>

*adjusted figures are in italics*

*Broadband revenue: revenue from subscriptions and IP calls cover access services and calls billed explicitly to customers. When VoIP access and IP calls are included in the customer's broadband flat rate, the corresponding revenue is deducted in the "broadband Internet access" rubric. "Other services" refers to related income earned by ISPs on services such as hosting and online advertising revenue.*



Traffic on fixed telephony networks totalled 30.7 billion minutes in Q1 2010, with voice over broadband calls accounting for the bulk of this traffic since mid-2009 (55.3% in Q1 2010).

<b>Volumes</b> <i>(millions of minutes)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Calls originating on PSTN/ISDN	14 467	13 641	12 325	13 013	13 353	-7,7%
Public payphones and cards	341	333	348	341	367	7,8%
Calls originating on VoIP services	14 189	13 348	12 862	15 637	16 994	19,8%
<b>Volumes from fixed telephony</b>	<b>28 997</b>	<b>27 322</b>	<b>25 535</b>	<b>28 991</b>	<b>30 714</b>	<b>5,9%</b>

*adjusted figures are in italics*

### “Fixed services” revenue

The fixed services segment is composed of fixed telephony services (over the PSTN or VoBB from a fixed terminal, calls originating on public payphones, prepaid cards or calling credits) and Internet access (dial-up, broadband and ultra-fast broadband). As is customary, the revenue earned by bundled solutions is attributed to the Internet and not to fixed telephony revenue.

Revenue attributed directly to fixed telephony includes access fees and subscription income (PSTN and VoIP when invoiced independently from an Internet access service), landline calling revenue when billed explicitly (PSTN and VoIP calls invoiced over and above service bundle flat fees) and income from public payphones and calling cards.

When they are included in an Internet access flat rate, access to a VoIP services and IP calls are not factored into the revenue directly attributable to fixed telephony, but rather included in the “broadband Internet access revenue” indicator.

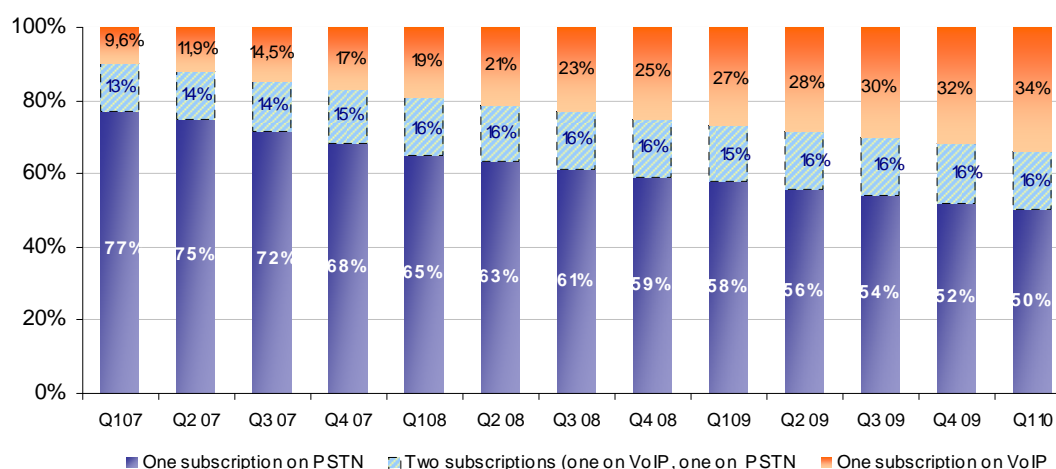
The increase in the number of bundled offers and their growing share of the fixed services segment makes it necessary to publish a breakdown of revenue by type of access (narrowband, broadband and ultra-fast broadband) which is better suited to tracking these offers, rather than by type of service.

#### 2.1.2 Number of fixed lines

<b>Number of fixed lines</b> <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of fixed lines	35,269	35,293	35,392	35,498	35,158	-0,3%

*adjusted figures are in italics*

#### Breakdown of fixed lines by subscriptions to telephony services



The number of fixed lines totalled 35.2 million at the end of Q1 2010. Half of the lines (50%) support only a subscription to the PSTN service, but this number is shrinking steadily, as the number of lines that support a VoIP service is rising. When these offers are built on fully unbundled lines or via naked DSL/bitstream solutions, customers only have a subscription to a voice over broadband service and no longer to a “classic” PSTN account. A steadily increasing proportion of lines is being used like this, accounting for 34% of all fixed lines in France at the end of Q1 2010.

Customers can also keep their regular PSTN line when subscribing to a voice over IP service, her line is either a shared access lines or supplied through a classic bitstream offer. The proportion of lines used in this way has changed very little over the past two years, and stood at 16% in Q1 2010.

### 2.1.3 Portability

Fixed number portability was applied to 680,000 numbers in Q1 2010., i.e. customers who switched operators during the quarter and kept their original phone number.

<b>Portability</b> <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of fixed numbers ported during the quarter <i>adjusted figures are in italics</i>	0,724	0,688	0,781	<i>0,736</i>	0,680	-6,1%

## 2.2 Narrowband services

### 2.2.1 Fixed telephony

#### a) Subscription on the PSTN

The number of narrowband accounts on PSTN lines has been decreasing by 7% to 10% a year since the start of 2007. They totalled 23.3 million at the end of Q1 2010, or 2.5 million fewer than one year earlier (-9.8%).

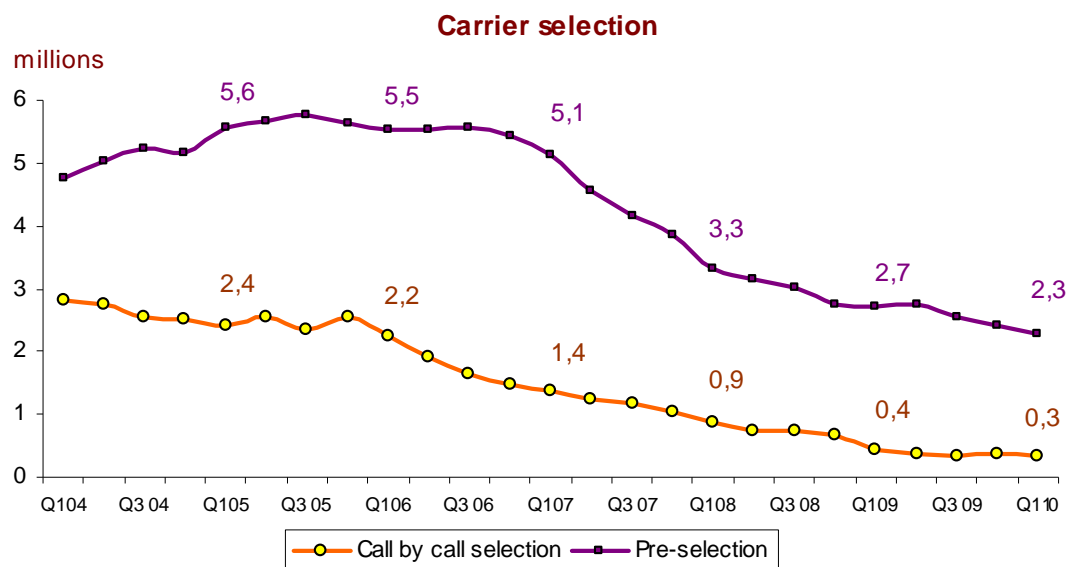
Since the introduction of a wholesale line rental offer, called VGAST, alternative operators have been able to invoice their customers directly for subscriptions to a phone service on the PSTN. There were 1.1 million subscriptions to this type of offer at the end of Q1 2010, which represent 4.6% of all PSTN subscriptions.

<b>Number of subscriptions to telephone service</b> <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Subscription on narrow band access (analogue or digital lines, cable)	25,806	25,320	24,844	24,198	23,266	-9,8%
Access resales	0,862	0,901	0,972	1,015	1,064	23,4%

The number of subscriptions based on carrier selection has been declining inexorably since the start of 2006, chiefly because of increased competition from IP telephony offers. These number of preselection subscriptions stood at 2.3 million at the end of Q1 2010, or 457,000 less than the year before. The number of subscriptions to a call-by-call selection offers in use is also shrinking steadily, and stood at a mere 341,000 at the end of the quarter.

Carrier selection (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Call by call selection	0,439	0,375	0,350	0,379	0,341	-22,4%
Pre-selection	2,721	2,743	2,534	2,405	2,264	-16,8%
<b>Number of indirect connections</b>	<b>3,161</b>	<b>3,118</b>	<b>2,884</b>	<b>2,785</b>	<b>2,605</b>	<b>-17,6%</b>

Note: the call-by-call selection base includes only active subscriptions; the preselection base includes only subscriptions that are in service, minus cancellations. The call-by-call and preselection customer bases do not include wholesale line rental (VGAST) subscriptions.



#### b) Access revenue, calling revenue and traffic on the PSTN

The revenue generated by access, PSTN subscriptions and additional services stood at 1.1 billion euros in Q1 2010. It has been tending to decline for the past three years due to the swift decrease in the number of PSTN-based phone subscriptions.

Access revenue (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Access fees, subscriptions and additional services	1 296	1 284	1 267	1 250	1 135	-12,4%

Note: In addition to income earned from providing access to a telephone service, access revenue includes income from IP telephony subscriptions and from additional services (caller ID, etc.).

Revenue of calls originating on PSTN/ISDN (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
National calls	470	436	400	411	427	-9,2%
International calls	82	86	74	72	72	-12,9%
Calls to mobiles	283	281	262	258	249	-12,1%
<b>All calls originating on PSTN/ISDN</b>	<b>835</b>	<b>803</b>	<b>736</b>	<b>741</b>	<b>747</b>	<b>-10,5%</b>

Volumes of calls originating on PSTN/ISDN (millions of minutes)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
National calls	11 561	10 667	9 614	10 310	10 672	-7,7%
International calls	670	737	616	572	575	-14,3%
Calls to mobiles	2 236	2 237	2 096	2 132	2 106	-5,8%
<b>All calls originating on PSTN/ISDN</b>	<b>14 467</b>	<b>13 641</b>	<b>12 325</b>	<b>13 013</b>	<b>13 353</b>	<b>-7,7%</b>

The volume of calls being made over the classic switched telephone network (PSTN) has been decreasing for several years due to the swift development of competitive voice over broadband services. Landline calling generated 747 million euros in Q1 2010, which marks a 10.5% decrease over the year before. Total calling minutes originating on the PSTN, which still accounted for the majority of traffic in 2009, now only represent 44% of calling minutes



originating on fixed terminals. The volume of PSTN calls (13.4 billion minutes in Q1 2010) is down by 1.1 billion minutes compared to the first quarter of 2009 (-7.7%). The biggest drop is in calls to international destinations (-14.3%), which is due to much more competitive rates being offered by VoIP solutions.

## 2.2.2 Fixed telephony cards and public payphones

Charge and prepaid cards	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Revenue (millions of euros)	30	25	34	36	36	23,2%
Volume (millions of minutes)	282	265	282	290	326	15,7%

Public telephony	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of public payphones at end of quarter (units)	150 545	147 433	147 275	142 648	142 011	-5,7%
Revenue (millions of euros)	20	22	21	11	14	-30,5%
Volumes (millions of minutes)	59	67	66	51	41	-30,0%

The use of public payphones has been declining steadily for several years. There were 142,011 public payphones in service at the end of Q1 2010, or 8,500 fewer than the year before. Corresponding revenue and calling traffic are also dropping in kind.

## 2.2.3 Dial-up Internet

Internet Dial-up	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Revenue (millions of euros)	21	18	17	16	13	-36,6%
Subscriptions (millions of units)	0,820	0,677	0,733	0,652	0,598	-27,1%
Volumes of dial-up Internet (millions of minutes)	1 722	1 524	1 370	1 300	1 163	-32,5%

The use of dial-up Internet access services has been decreasing swiftly for the past several years, and involved only 600,000 subscribers at the end of Q1 2010.

## 2.3 Broadband services

### 2.3.1 Broadband and ultra-fast broadband

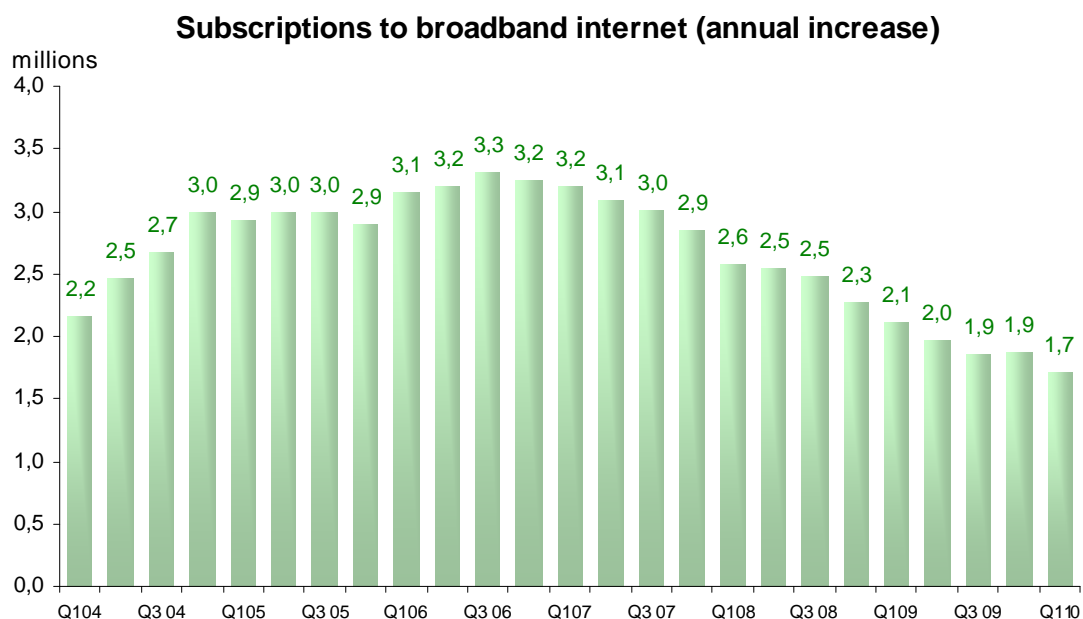
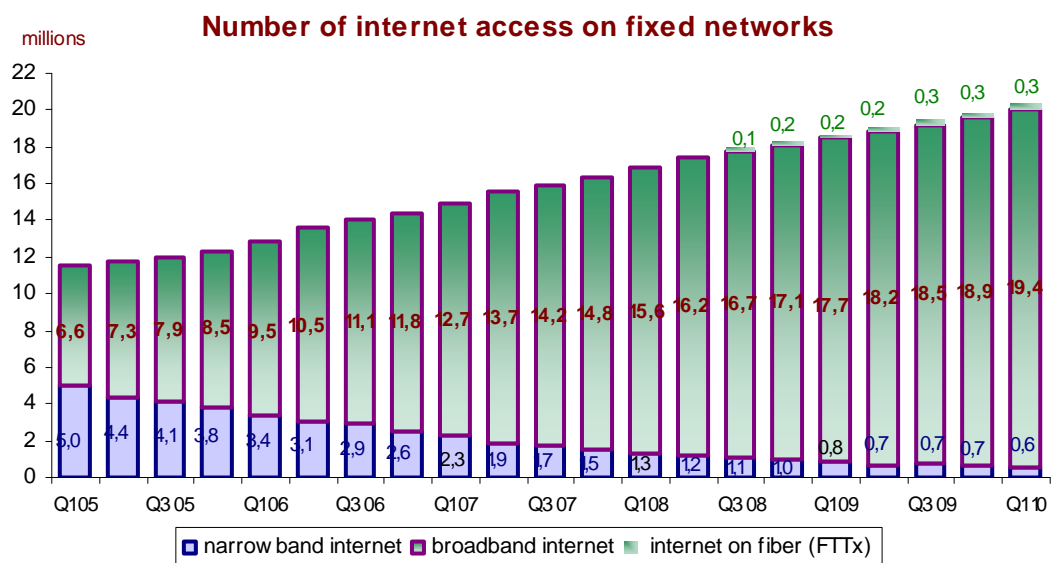
There were 20.1 million broadband and ultra-fast broadband Internet access subscriptions in use in France at the end of Q1 2010 (ADSL, cable and fibre) – a number that continues to rise (+9.3% in Q1 2010), albeit at a pace that has been slowing steadily for the past two years: +1.7 million in the first quarter of 2010 compared to 2.1 million one year earlier and 2.6 million two years ago.

The vast majority of these connections (18.8 million) are over ADSL, while the number of ultra-fast broadband (fibre) connections stood at 337,000 at the end of quarter.

<b>Internet subscriptions</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Broadband	18,164	18,472	18,898	19,398	19,738	8,7%
of wich ADSL	17,309	17,614	18,034	18,493	18,814	8,7%
of wich ADSL	0,854	0,857	0,864	0,905	0,924	8,2%
Fiber (FTTx)	0,202	0,227	0,252	0,288	0,337	67,1%
of wich ADSL	0,153	0,172	0,193	0,219	0,256	67,2%
of wich ADSL	0,048	0,055	0,059	0,069	0,080	66,7%
<b>Internet subscriptions</b>	<b>18,365</b>	<b>18,699</b>	<b>19,150</b>	<b>19,686</b>	<b>20,075</b>	<b>9,3%</b>

Note: there can be a delay between the delivery of an offer in the wholesale market (LLU or bitstream) and its inclusion in retail market figures. Data comparisons for these different markets may reflect this delay.

<b>Overseas subscriptions to internet</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Broadband and fiber			0,359	0,377	0,381	



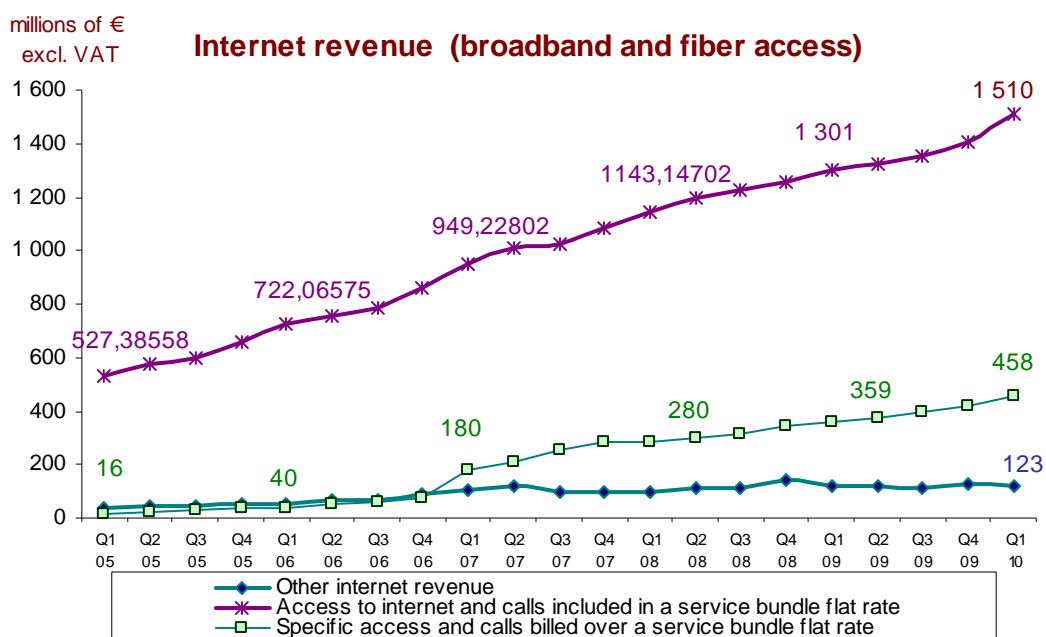
Revenue generated by all Internet access services totalled 1.5 billion euros in Q1 2010, which marks a strong 16.1% increase over the previous year. ISPs' subsidiary income,

earned on services such as website hosting and online advertising, totalled 123 million euros.

Total Internet broadband revenue <i>(millions of euros)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Broadband and FTTx	1 301	1 326	1 356	1 408	1 510	16,1%
Other revenue	118	116	112	127	123	3,8%
<b>Total Internet revenue</b>	<b>1 419</b>	<b>1 442</b>	<b>1 468</b>	<b>1 535</b>	<b>1 633</b>	<b>15,1%</b>

*adjusted figures are in italics*

Note: "Other services" refers to related income earned by ISPs on services such as hosting and online advertising revenue. Revenue generated by terminal sales and rental is included under "fixed operator and ISP terminal sales and rental".



## 2.3.2 Fixed telephony

### a) Subscriptions

Number of subscriptions to IP telephone service <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Subscription on broadband access (IP DSL, cable)	14,875	15,617	16,252	16,980	17,452	17,3%
DSL lines without narrowband access	8,795	9,242	9,787	10,482	11,021	25,3%

*adjusted figures are in italics*

Note:

-Subscription to an IP telephony service over xDSL lines without a PSTN subscription: telephone subscription on lines whose low frequencies are not used to support a voice service (neither by the incumbent carrier or alternative operators). Such is the case with voice over broadband services enabled by full unbundling and naked ADSL offers.

- Subscription to an IP telephony service over xDSL lines with a PSTN subscription: telephone subscription on lines whose low frequencies are used to support a voice service over the PSTN. Such is the case with services enabled by shared access and bitstream offers, not including naked ADSL.

There were 17.5 million subscriptions to a voice over broadband service in use at the end of Q1 2010, or 2.6 million more than the year before. Most of this increase can be attributed to subscriptions to a VoIP service over a "naked" DSL, in other words with no subscription to a classic PSTN voice service, whose numbers totalled 11 million at the end of the quarter.

## b) Revenue

<b>Revenue from IP subscriptions</b> <i>(millions of euros)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Access fees, subscriptions and additional services	193	210	217	223	262	35,9%
Calls originating on VoIP services	166	166	180	192	196	18,0%
<b>Revenue from IP subscriptions</b>	<b>359</b>	<b>376</b>	<b>397</b>	<b>415</b>	<b>458</b>	<b>27,6%</b>

Some operators charge extra for a VoIP subscription, i.e. over and above Internet access. The revenue generated by these services has increased by 35.9% in a year. Income from calls that are billed on top of the flat rate has risen by 18% thanks to a steady rise in consumption (+19.8% increase in volume in a year).

#### Details on the indicators for IP telephony services

##### *Regarding the terminology used:*

IP telephony service indicators in this publication cover voice over broadband regardless of medium (chiefly DSL IP, but also cable IP) and voice over Internet for operators that have declared their activity to ARCEP.

ARCEP defines “voice over broadband” as fixed telephony service using Voice over IP technology on an Internet access network at speeds in excess of 128 kbps where quality is controlled by the operator providing the service. It defines “voice over Internet” as voice communications using the public Internet network where service quality is not controlled by the operator providing the service.

The outgoing Voice over IP calls counted by the Observatory correspond to access services. The indicators do not refer to IP traffic that traverses the IP backbone only.

Moreover, the Observatory does not survey operators which have not declared their activity and which support PC-to-PC voice over Internet. These operators are outside the scope of the survey.

##### *Revenue taken into consideration*

The Observatory distinguishes calls originating with IP telephony services from other voice calls. However, while VoIP calling volume includes all traffic observed in the end market, revenue includes only billed VoIP traffic (for example, over and above a service bundle flat rate).

## c) Calls over IP originating on fixed networks

<b>Volumes (IP traffic)</b> <i>(millions of minutes)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
National calls	12 109	11 231	10 683	13 218	14 363	18,6%
International calls	1 484	1 494	1 516	1 685	1 921	29,5%
Calls to mobiles	597	623	663	734	710	19,0%
<b>All IP calls</b>	<b>14 189</b>	<b>13 348</b>	<b>12 862</b>	<b>15 637</b>	<b>16 994</b>	<b>19,8%</b>

*adjusted figures are in italics*

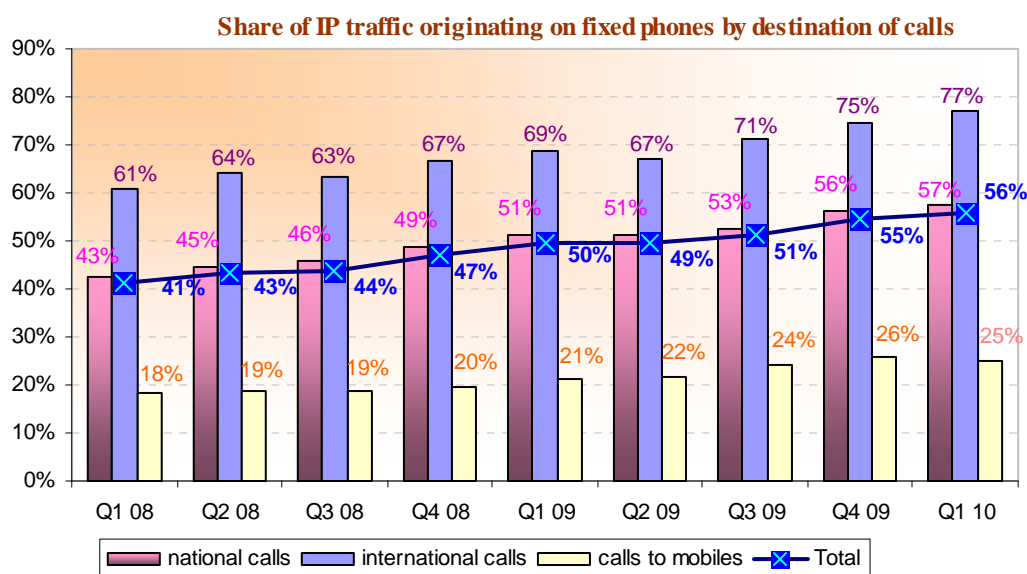
*Note: The Observatory has increased IP traffic figures retroactively for each quarter in 2009 by around 1.6 billion minutes. The figures in the above table take this adjustment into account.*

IP-based calling traffic reached 17 billion minutes in Q1 2010, or 55% of all traffic originating on fixed devices.

“Unlimited” IP telephony offers that are part of operators’ flat-rate bundled solutions are the main driving force behind this swift increase in IP calling traffic. They are spurring a rise in

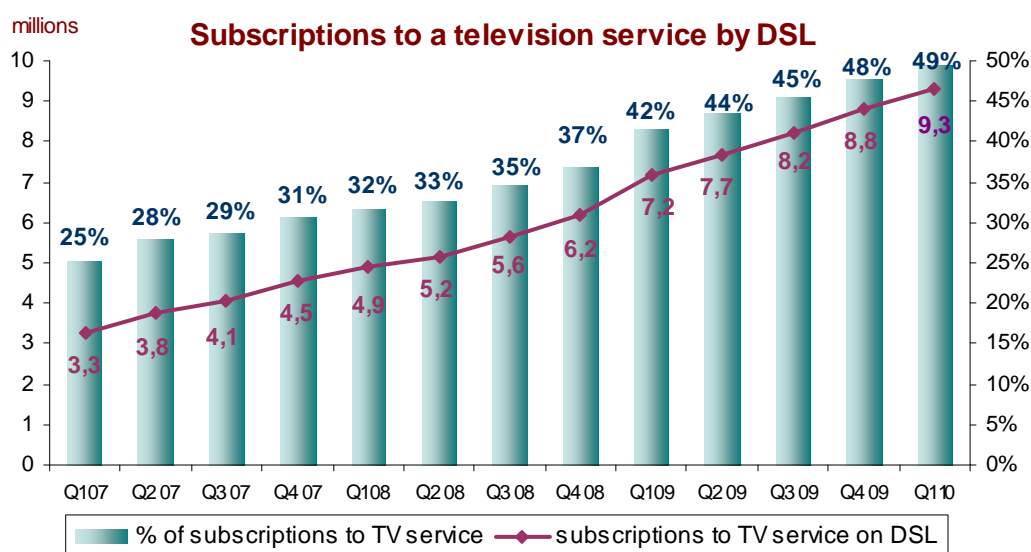
calling traffic to fixed national lines and international calls in particular. As a result, in the first quarter of 2010 IP traffic accounted for more than three quarters (77%) of international calling minutes and more than half (57%) of calls to national fixed lines. On the other hand, only a quarter (25%) of fixed-to-mobile calling minutes were over IP. The fact that these flat rates are including a growing number of overseas calling destinations is also helping to spur an increase in consumption.

After a slump that ran from early 2008 to mid-2009, the increasing rate of growth for IP traffic appears to be holding strong: reaching an additional 2.8 billion minutes in Q1 2010 after having risen by 1.7 billion and 2.4 billion minutes during the more sluggish period, compared to previous annual growth rates of around 4 billion minutes.



### 2.3.3 Internet and TV over ADSL

There were 18.8 million ADSL-based Internet access subscriptions in France at the end of Q1 2010, 1.5 million more than a year before. Close to half of these accounts – or 9.3 million at the end of Q1 2010 – also have the option of accessing a TV service over their DSL connection.



<b>Subscriptions</b> <i>(millions)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Subscriptions to Internet on DSL	17,309	17,614	18,034	18,493	18,814	8,7%
Subscriptions to television services on DSL	7,194	7,673	8,196	8,829	9,300	29,3%
% of subscriptions to television services	41,6%	43,6%	45,4%	47,7%	49,4%	

*adjusted figures are in italics*

*Note: This indicator covers subscriptions that include TV over xDSL services that customers have the technical capacity to activate ("eligible" subscriptions) irrespective of the number of accessible channels or the tariff. Taken into account are those subscriptions that were subscribed to separately or as part of a bundled offer that includes access to one or several other services aside from TV (Internet, telephony).*

## 2.4 Access, subscriptions and calls on fixed lines

### 2.4.1 Number of subscriptions to a telephone service

There were 40.7 million subscriptions to a telephone service at the end of Q1 2010, a number is holding steady (+0.1% in a year) despite a swift rise in the adoption voice over broadband (VoBB) solutions. VoBB subscriptions increased to 17.5 million by the end of the quarter, accounting for 43% of all subscriptions to a fixed telephone service in France. These subscriptions grew by 2.6 during the year, chiefly at the expense of narrowband accounts which stood at 23.3 million at the end of Q1 2010.

<b>Number of subscriptions to telephone service</b> <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Subscription on narrow band access (analogue or digital lines, cable)	25,806	25,320	24,844	24,198	23,266	-9,8%
Subscription on broadband access (IP DSL, cable)	14,875	15,617	16,252	16,980	17,452	17,3%
<b>Number of subscriptions to telephone service</b>	<b>40,680</b>	<b>40,937</b>	<b>41,095</b>	<b>41,178</b>	<b>40,718</b>	0,1%

*adjusted figures are in italics*

## 2.4.2 Calls from fixed lines (excluding public payphones and cards)

Landline calling generated 943 million euros in direct revenue in Q1 2010, a figure that has been declining steadily for several years now (-5.8% on the year in Q1 2010) as traditional telephony is generating less and less income. The parallel increase in revenue from VoIP calling has nevertheless helped offset these losses to some degree. But income from invoiced IP calls totalled, which stood at 196 million euros in Q1, accounts for only 20.8% of total income from fixed line calling (VoIP calls included in vendors' broadband flat rates are not factored into this calculation).

<b>Revenue</b> <i>(millions of euros)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
National calls	484	450	418	431	447	-7,7%
International calls	128	133	127	124	125	-2,9%
Calls to mobiles	388	386	371	378	371	-4,4%
<b>All calls from fixed lines</b>	<b>1 001</b>	<b>969</b>	<b>916</b>	<b>933</b>	<b>943</b>	<b>-5,8%</b>
<i>Of which calls originating on PSTN/ISDN</i>	835	803	736	741	747	-10,5%
<i>Of which calls originating on VoIP services</i>	166	166	180	192	196	18,0%

*Note: revenue generated by calls originating on an IP connection includes only the amounts that operators might bill for IP calls, over and above bundled service flat rates. This figure does therefore not include the price of the bundled subscription, or access to the voice over broadband service.*

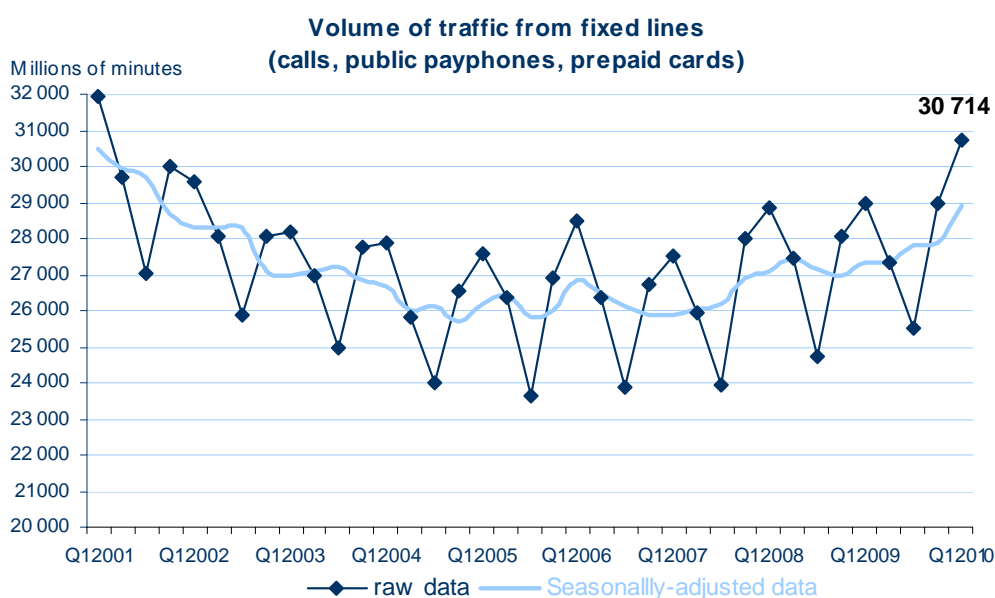
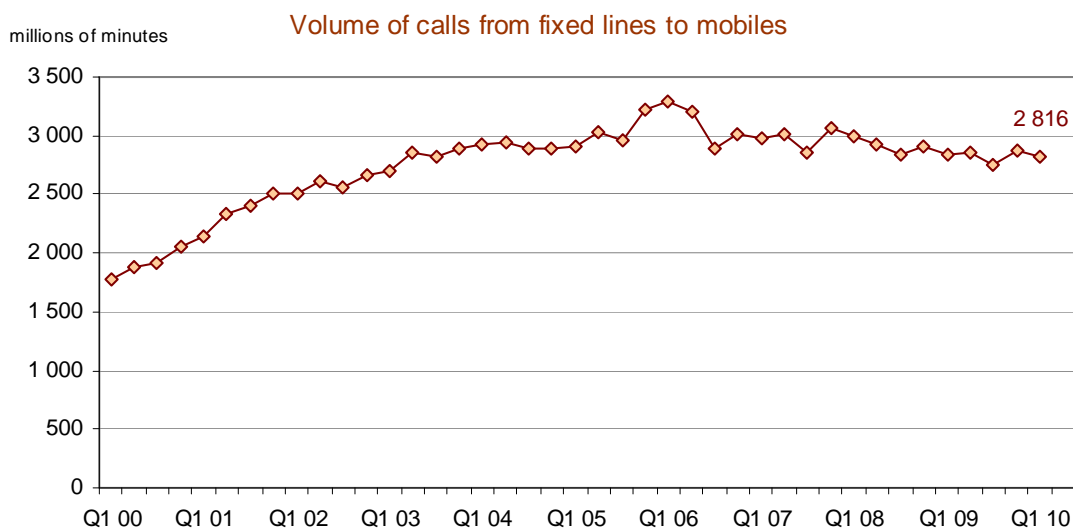
A total 30.3 billion minutes in calling traffic originated on fixed lines (PSTN and IP) in Q1 2010. This traffic has been back on an upwards trajectory since mid-2009 (+5.9% in a year in Q1 2010) after a slump that lasted four straight quarters (zero growth in Q2 2009), thanks to a strong rise in IP-based calling traffic, combined with a lesser decrease in calling traffic originating on the PSTN. While IP traffic has been once again progressing at an annual rate of over 2 billion minutes for the past three quarters, the parallel rate of decrease of PSTN calls has been much more moderate than before: -1.1 billion minutes in Q1 2010 compared to -2.2 billion minutes in Q1 2009.

"Unlimited" IP telephony offers based on IP boxes are spurring a rise in calling traffic to fixed national lines in particular, which was up by 5.8% in a year, and international calls which are up by 15.9% compared to Q1 2009. On the other hand, the volume of IP calls to mobiles, which are not covered by these unlimited formulas, has been stagnant for several years now.

<b>Volumes</b> <i>(millions of minutes)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
National calls	23 670	21 898	20 296	23 527	25 035	5,8%
International calls	2 154	2 232	2 132	2 257	2 496	15,9%
Calls to mobiles	2 832	2 859	2 759	2 866	2 816	-0,6%
<b>All calls from fixed lines</b>	<b>28 656</b>	<b>26 990</b>	<b>25 187</b>	<b>28 650</b>	<b>30 347</b>	<b>5,9%</b>
<i>Of which calls originating on PSTN/ISDN</i>	14 467	13 641	12 325	13 013	13 353	-7,7%
<i>Of which calls originating on VoIP services</i>	14 189	13 348	12 862	15 637	16 994	19,8%

*adjusted figures are in italics*

*Note: Although the volume of VoIP calls refers to all end-market traffic, the revenue covers only invoiced VoIP traffic (e.g. over and above bundled service flat rates).*



**Notes :**

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

Making adjustments for seasonal variations, traffic originating on fixed lines stood at close to 29 billion minutes in Q1 2010, which marks a solid increase over previous quarters (between 27 and 28 billion minutes since the end of 2007).



## 3 Services on mobile networks

### 3.1 Subscriptions

#### 3.1.1 Subscriptions to mobile services

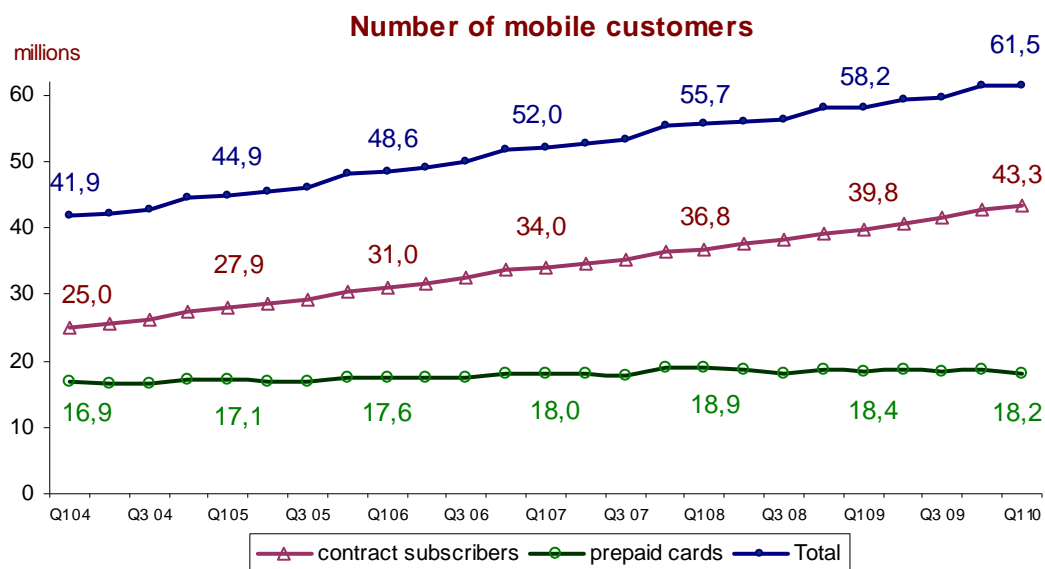
Number of mobile customers (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Contract subscribers	39,790	40,530	41,437	42,685	43,294	8,8%
Prepaid cards	18,424	18,651	18,218	18,777	18,179	-1,3%
of which active prepaid cards *	16,922	16,582	16,592	16,877	16,477	-2,6%
<b>Mobile Telephonie</b>	<b>58,214</b>	<b>59,182</b>	<b>59,655</b>	<b>61,462</b>	<b>61,473</b>	<b>5,6%</b>

\*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.

ARCEP also publishes a geographic segmentation of these subscriptions and a breakdown by type of customer in its advanced mobile market observatory (Mobile Indicator Monitor). [[http://www.arcep.fr/index.php?id=9728&L=1tx\\_gspublication\\_pi1%5Btypo](http://www.arcep.fr/index.php?id=9728&L=1tx_gspublication_pi1%5Btypo)]

There were 61.5 million mobile telephony customers (number of SIM cards in service) in France at the end of Q1 2010, with SIM card sales having risen steadily at an annual rate of around 6% for the past four quarters (3.3 million more cards in Q1 2010). Close to half of this growth can, however, be attributed to sales of non-voice SIM cards, i.e. Internet-only cards and cards used solely by Internet-ready devices. Discounting these cards, whose sales have almost doubled during the year, to total 4 million at the end of Q1 2010.

The vast majority of customers subscribe to a post-paid flat rate: 70.4% at the end of Q1 2010, and their numbers are growing steadily.



### 3.1.2 Multimedia services

Active multimédia/3G users, internet SIM cards (en millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Active multimedia subscribers	19,505	20,177	20,762	23,312	24,013	23,1%
Active 3G users	13,023	14,199	15,416	16,966	17,617	35,3%
Number of exclusive Internet SIM cards	1,201	1,467	1,756	2,090	2,229	85,6%

*adjusted figures are in italics*

#### Notes :

The active multimedia subscriber base is defined as the group of prepaid and post-paid customers who used a WAP, i-mode, MMS or email multimedia service at least once during the previous month (text messages excluded from calculations), and regardless of the supporting access technology (CSD, GPRS, UMTS...). Scope: Metropolitan France and the overseas départements.

- The active 3G base is defined as the number of customers who have accessed a mobile service (voice, videophony, mobile TV, data transfer, etc.) that uses 3G radio access technology, some time in the past three months (either transmission or reception).

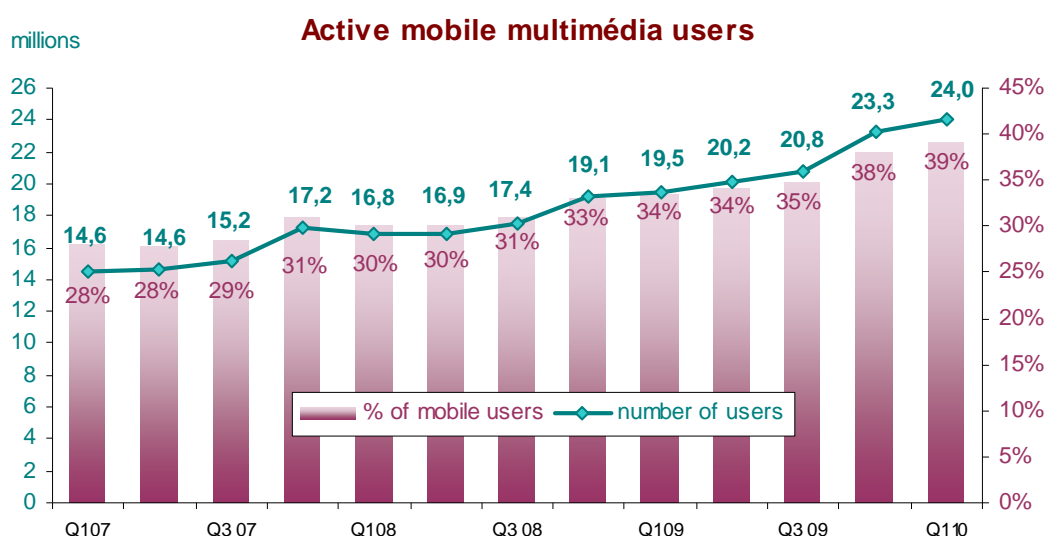
- The number of exclusive Internet SIM cards is defined as the number of SIM cards sold by mobile operators (in the form of subscriptions, flat rates or prepaid cards), to be used solely for accessing the Internet (PCMCIA cards, 3G/3G+ USB keys). These cards cannot be used to make voice calls.

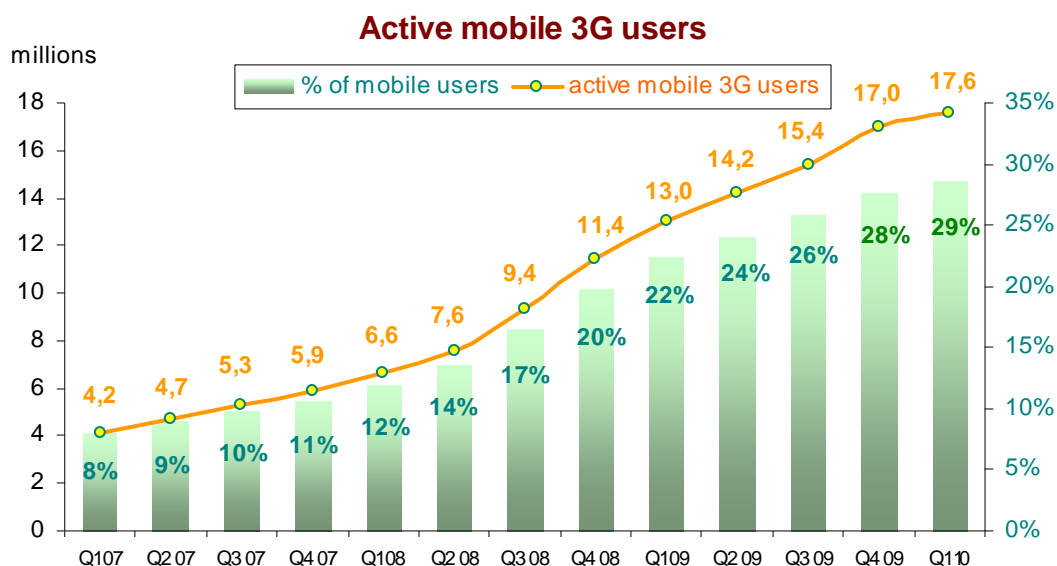
Mobile networks are being used more and more for exchanging data rather than for voice calls, thanks to the growing availability of data-centric offers ("unlimited" access to the mobile Internet), along with the sale of new devices designed to accommodate these new applications (touch-screen phones and netbooks).

We are seeing a swift development of this trend, spurred by sales sale of new devices designed to accommodate these new applications and customised offers (touch-screen phones and netbooks, offers of "unlimited" mobile Internet access). As a result, 24 million customers used a multimedia mobile service – i.e. accessed a mobile Internet service, sent a multimedia message, etc. – in March 2010, or four out of ten users.

The number of people in France that made use of the services available on third generation (3G) mobile networks reached 17.6 million in Q1 2010, or +4.6 million more than in the first quarter of 2009, and is growing rapidly.

A portion of the SIM cards sold by mobile operators are used only to access the Internet when on the move, using PCMCIA cards, a 3G or 3G+ USB key, etc., and cannot be employed to make voice calls. Close to 2.2 million of these cards were being used at the end of Q1 2010, which is practically double the number reported at the end of last year.



**MtoM communications***(en millions)*

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of SIM cards used for MtoM communications	0,967	1,130	1,360	1,548	1,768	82,8%

The number of SIM cards used for MtoM communications is defined as the number of SIM cards employed solely for remote machine-to-machine communications for uses other than person-to-person messaging or accessing the Internet.

Other SIM cards are not used directly by people but rather installed in devices for the purpose of M2M (machine-to-machine) communications. There were 1.8 million of these cards in use at the end of the first quarter of 2010, and their numbers are increasing very quickly.

**3.1.3 Portability****Portability***(millions of units)*

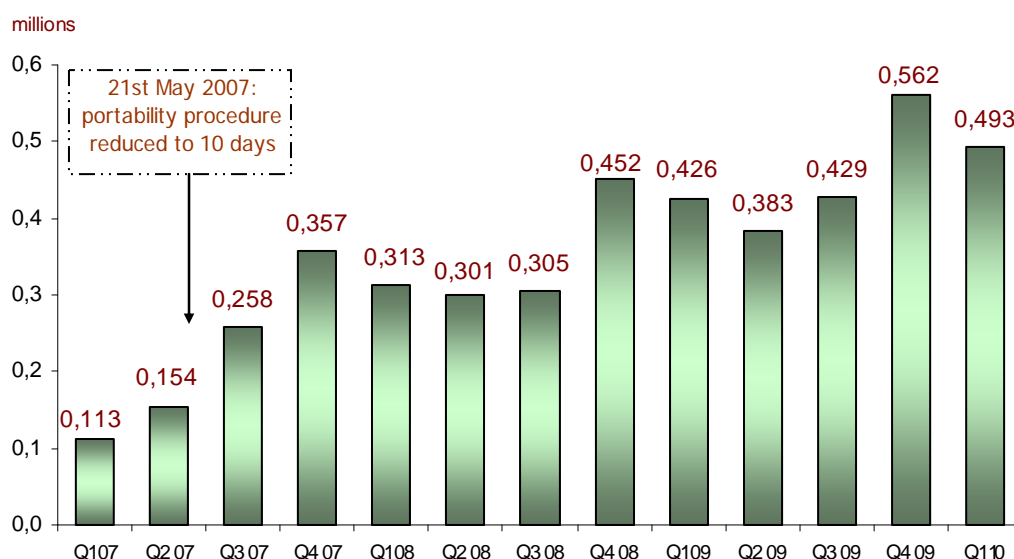
	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of mobile numbers ported during the quarter	0,426	0,383	0,429	0,562	0,493	15,8%

*adjusted figures are in italics*

Note: figures for ported numbers refer to the number of finalised porting procedures (ported numbers activated by the recipient operator) during the year in question. Scope: Metropolitan France and the overseas départements.

Close to 500,000 mobile numbers were ported from one operator to another in the first quarter of 2010.

### Mobiles numbers ported during the quarter



### 3.2 Retail market income and volume indicators

The revenue generated by mobile services (calling and data transport) totalled 4.8 billion euros in Q1 2010. After having slowed since late 2008, staying below 2.5%, growth has been more robust for the past two quarters, rising to +3.2% in Q1 2010 on the heels of +3.7% increase in Q4 2009).

Mobile calling revenue has been shrinking since the fourth quarter of 2008, dropping by -0.7% in Q1 2010 to 3.7 billion euros, while traffic has remained more or less unchanged for several quarters. The revenue generated by mobile data services (person-to-person messages and multimedia services), on the other hand, has been growing at a healthy annual rate of over 20% since then end of 2007. Totalling 1.1 billion euros in Q1 2010, data transport on mobile networks currently accounts for 22% of mobile operators' total retail market income.

Still booming, the SMS market enjoyed a +66% rise in volume and +9.3% rise in income, and is naturally contributing to this momentum, but it is the increasing use of multimedia web services that is the major source of growth.

Revenue (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
<b>Mobile telephony</b>	3 724	3 823	3 868	3 850	3 699	-0,7%
of which outgoing international calls	186	200	208	202	213	14,8%
<b>Data transport on mobile networks</b>	888	917	979	1 002	1 060	19,4%
of which interpersonal messaging (SMS, MMS)	540	546	556	573	590	9,3%
of access to mobile Internet & to multimedia services	348	371	423	429	470	35,1%
<b>Total mobile telephony and data transport</b>	<b>4 611</b>	<b>4 739</b>	<b>4 847</b>	<b>4 852</b>	<b>4 760</b>	<b>3,2%</b>

*adjusted figures are in italics*

#### Notes :

- This retail market revenue. Revenue from the market between operators (interconnection, wholesale) are not included. Also excluded is revenue from value-added retail services.

Mobile telephony traffic represented 25.6 billion minutes in raw data Q1 2010. After years of steady increase, this traffic has been stagnant since the end of 2008 (0% growth on the year in Q1 2010). Making adjustments for seasonal variations, the volume of mobile traffic has levelled off at around 25.5 billion minutes for the past two years.

At 4.5 billion minutes, mobile calls to national fixed lines have been decreasing for several years, and dropped by a further -4.3% in a year in Q1. On-net traffic, which accounts for half

of all traffic originating on mobiles (12.7 billion minutes), has been down since the second half of 2008, shrinking by a further 3% in Q1 2010, compared to the first quarter of 2009.

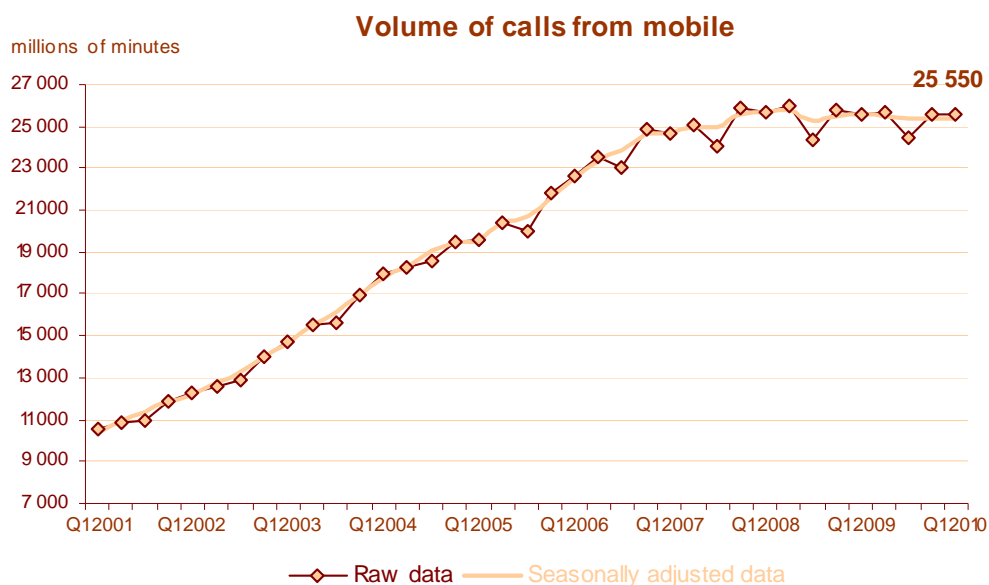
On the other hand, the volume of off-net mobile calls, which totalled 7.6 billion minutes in Q1 2010, has been increasing steadily for several years, and rose by a further +6% by the end of the quarter.

over the previous year by the end of the first quarter, these calls account for 29% of traffic originating on mobile networks.

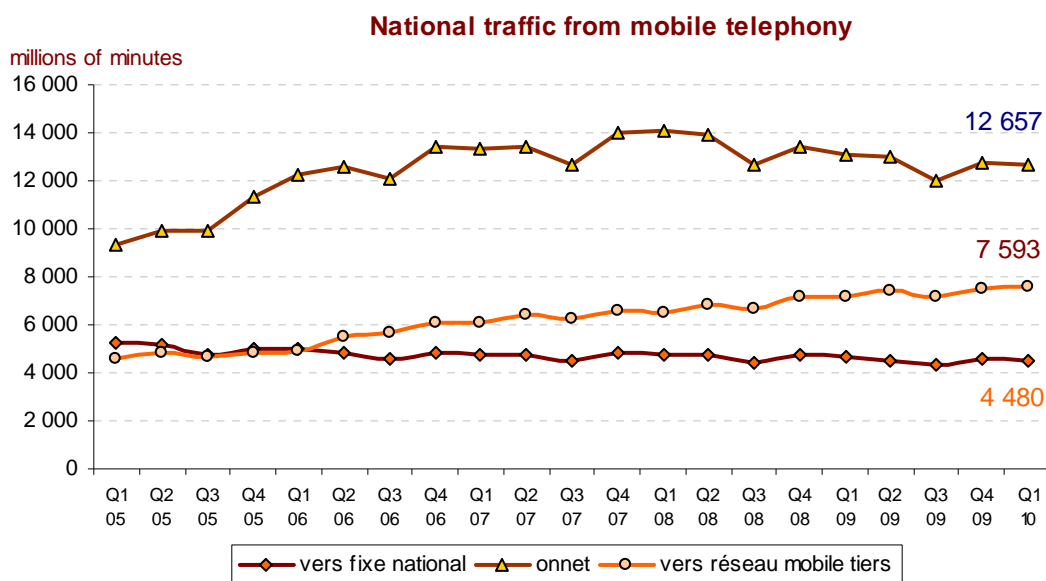
The volume of mobile calls to international destinations and French operators' roaming-out traffic (i.e. calls abroad) also continue their upwards trajectory: +35.7% and +9.4% on the year in Q1 2010.

<b>Volumes</b> <i>(millions of minutes)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Calls to national fixed lines	4 683	4 532	4 340	4 548	4 480	-4,3%
Calls to mobiles on the same network (1)	13 054	12 989	12 019	12 775	12 657	-3,0%
Calls to other networks	7 161	7 386	7 130	7 487	7 593	6,0%
Outgoing international calls	394	415	498	467	534	35,7%
Roaming out (2)	262	315	444	294	287	9,4%
<b>Total mobile telephony</b>	<b>25 554</b>	<b>25 637</b>	<b>24 431</b>	<b>25 571</b>	<b>25 550</b>	<b>0,0%</b>

*adjusted figures are in italics*



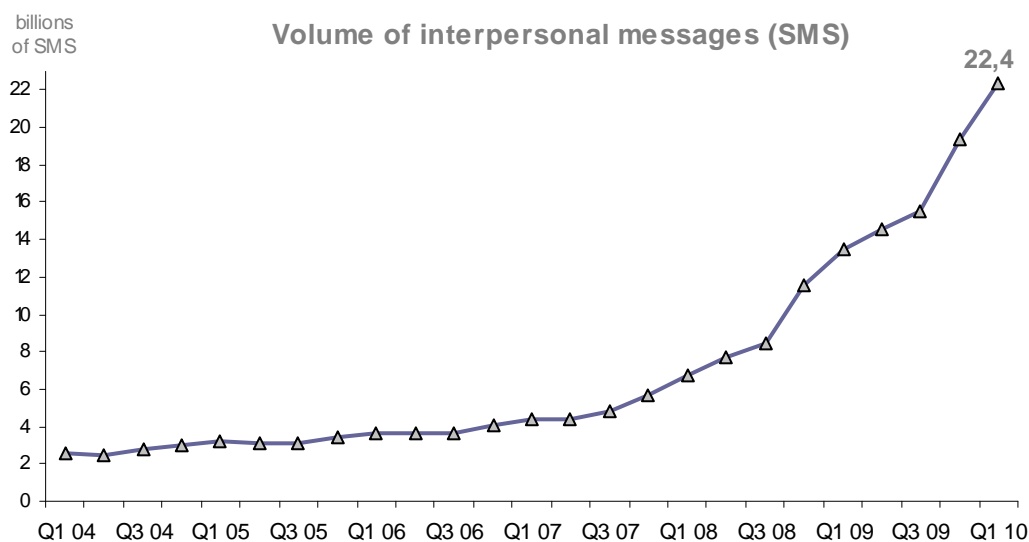
- The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website.



The number of person-to-person messages, either SMS or MMS, being sent each quarter has been increasing sharply since late 2007, which is when mobile operators introduced their high volume and “unlimited SMS” offers. 22.5 billion person-to-person messages – the vast majority of which were text messages – were sent in the first quarter of 2010, or 9 billion more than in Q1 2009. This means that customers sent an average 122 SMS a month during the quarter, compared to 77 one year earlier.

<b>Volumes of interpersonal messages</b> <i>(millions of units)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of interpersonal SMS	13 493	14 548	15 498	19 366	22 408	66,1%
of which from contract subscribers	10 854	11 886	12 810	16 267	19 264	77,5%
of which from prepaid cards	2 640	2 662	2 688	3 099	3 145	19,1%
Number of interpersonal MMS	113	111	118	128	137	21,5%
<b>Number of messages sent</b>	<b>13 607</b>	<b>14 659</b>	<b>15 616</b>	<b>19 494</b>	<b>22 546</b>	<b>65,7%</b>

*adjusted figures are in italics*



### 3.3 Revenue and voice traffic of metropolitan mobile operators

#### 3.3.1 Residential mobile retail market in mainland France (mobile and VAS)

Total revenue of the residential retail market <i>in millions of euros</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
<b>Voice and data revenue (including value added services)</b>	<b>3 858</b>	<b>3 931</b>	<b>4 063</b>	<b>4 036</b>	<b>3 919</b>	<b>1,6%</b>
- o/w per post-paid customer	3 303	3 380	3 504	3 511	3 443	4,3%

*adjusted figures are in italics*

Notes: for the residential market only, this indicator includes:

- Revenue from mobile services (telephony and data). This is the “residential” part of the retail market revenue appearing in item 3.2.
- Revenue from value-added services (including directory services). This is the “residential” part of the retail market revenue appearing in items 4.1 and 4.2.

Total recurring voice traffic <i>in millions of minutes</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
<b>Recurring voice traffic</b>	<b>20 719</b>	<b>20 528</b>	<b>19 657</b>	<b>20 350</b>	<b>20 196</b>	<b>-2,5%</b>

Notes: for the residential market only, this indicator includes:

- Mobile telephony services traffic. This is the “residential” part of the retail market revenue appearing in item 3.2.
- Value-added services traffic (including directory services). This is the “residential” part of the retail market revenue appearing in items 4.1 and 4.2.

#### 3.3.2 Recurring revenue of mobile networks operators

Total recurring sales of mobile networks operators <i>en millions of euros</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
<b>Recurring sales</b>	<b>5 494</b>	<b>5 627</b>	<b>5 525</b>	<b>5 625</b>	<b>5 477</b>	<b>-0,3%</b>
- o/w per post-paid customer	4 780	4 915	4 832	4 948	4 875	2,0%

Note: Recurring revenue for a mobile network operator covers all revenue generated by the operator's customers on the retail and wholesale markets, which will not be repaid to third parties. It includes revenue:

- for customer access to mobile services on the retail or wholesale market
- outgoing traffic on the retail market (including roaming out) and on the access and mobile call origination wholesale market by hosted MVNOs
- incoming traffic for call termination (including for calls to the MVNO hosted by the network operator)

Any promotions and discounts granted to customers are deducted from recurring revenue. On the other hand, unpaid invoices are not deducted (in accordance with the IFRS standard).

Connection fees, terminal sales and roaming-in are not included. Recurring revenue excludes repayments to third parties for the quarter and geographic area in question, linked in particular to value-added services (special numbers, SMS+, etc.) or directory services.

**Total recurring revenue** is the total recurring revenue of the various network operators. It is the total of all revenue received from end customers (residential and business) and the total of intermediate revenue exchanged between operators on the wholesale market for call termination.

Total recurring revenue of network operators does not include revenue received by MVNOs from their customers.

## 4 Other market components

### 4.1 Value-added services (excluding directory services)

Revenue from value-added (voice and data) services came to 493 million euros in Q1 2010, 11% less than the previous year. This market segment has been shrinking for two years in terms of both volume and sales, feeling the effects of the decline in telematics and the introduction of legislative measures in favour of consumers, which no doubt led some businesses to switch from special numbers to non-surcharged numbers. In addition, the fact that 080 "green" numbers have been included in the price of a regular mobile call since 1 April 2009, and 081 "azure" numbers since 1 January 2010, has contributed to the decline of mobile operators value-added service revenue.

Income from voice and telematics services reached 332 million euros in Q1 2010, which marks a 15.5% drop from the year before, but is affecting the revenue generated by calls made by mobile operators' customers (-25.4% in a year) more than those made by landline carriers' subscribers (-8.9% in a year).

Meanwhile, the revenue generated by mobile operators' advanced data services is holding more or less steady, generating 160 million euros in Q1 2010. The percentage of revenue generated by data services has been increasing steadily, and now accounts for a third of operators' sales.

Voice and telematics services generated close to 2.5 billion minutes in Q1 2010, which corresponds to 1.1 billion calls, or 15.3% less than the year before. Nine out of ten calls to these services are over a fixed line. 172 million surcharged messages (SMS+, MMS+) were sent in Q1 2010, which marks a 10.9% increase over the previous year.

<b>Value-added services revenue*</b> (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Value-added "voice" services	393	372	368	376	332	-15,5%
From fixed telephony network	235	228	219	228	214	-8,9%
From mobile telephony network	158	144	149	148	118	-25,4%
Value-added "data" services	160	152	161	172	160	0,0%
<b>Value-added services</b>	<b>554</b>	<b>523</b>	<b>529</b>	<b>548</b>	<b>493</b>	<b>-11,0%</b>

\* 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, ringtone downloads, etc.

<b>Value-added "voice" and "télématic" services volumes</b> (millions of minutes)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
From fixed telephony network	2 502	2 350	2 345	2 436	2 096	-16,2%
From mobile telephony network	392	341	415	396	356	-9,1%
<b>Number of calls</b>	<b>2 894</b>	<b>2 690</b>	<b>2 759</b>	<b>2 832</b>	<b>2 452</b>	<b>-15,3%</b>

<b>Number of calls to value-added "voice" and "télématic" services</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
From fixed telephony network	1 041	993	985	1 054	985	-5,4%
From mobile telephony network	165	149	149	141	135	-18,1%
<b>Volumes</b>	<b>1 205</b>	<b>1 142</b>	<b>1 134</b>	<b>1 195</b>	<b>1 120</b>	<b>-7,1%</b>

<b>Value-added "data" service volumes</b> (millions of units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of messages (SMS+, MMS+)	155	143	151	185	172	10,9%



## 4.2 Directory services

Revenue from directory services reached 34 million euros in Q1 2010, which marks a 9.5% decrease compared to the first quarter of 2009.

The number of calls to directory services has also been declining steadily, and was down to 22 million calls and 52 million minutes in Q1. Three quarters of the calling minutes to directory services are from mobile phones.

Revenue from directory services (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Directory services operators	38	40	40	39	34	-9,5%

Directory services	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of calls (millions of units)	26	27	25	24	22	-17,7%
Volume of calls (millions of minutes)	58	58	58	56	52	-10,7%

*Note: Included in directory assistance services are 118xyz format numbers, in service since November 2005, and short numbers that provide access to services such as reverse directories (3288, 3217, 3200) and international directories (3212).*

## 4.3 Leased lines and data transport (fixed operators)

The revenue generated by capacity services, i.e. leased lines and data transport, is holding steady overall, totalling 855 million euros in Q1 2010. Sales between operators stood at 175 million euros at the end of the quarter.

Revenue (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Leased lines	381	384	390	386	389	2,0%
Data transport	468	471	469	478	467	-0,4%

*Note: Revenues from leased lines may be accounted for twice since the figures include operator-to-operator sales. These sales may represent up to 29% of total leased-line revenues.*

## 4.4 Hosting and calls centres management services

Revenue (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Hosting and call centre management	4	5	4	4	31	n.s

*Note: growth in the first quarter of 2010 results from more accurate accounts of the revenue generated by this activity.*

## 4.5 Terminals and equipment

The revenue earned on terminal sales and rental totalled 651 million euros in Q1 2010 – of which three quarters, or 475 million euros, comes from terminal sales.

Revenue from terminals and equipment (millions of euros)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed & Internet operators	201	182	180	179	176	-12,4%
Mobile operators	449	531	582	743	475	5,8%
<b>Terminals and equipment</b>	<b>650</b>	<b>713</b>	<b>762</b>	<b>921</b>	<b>651</b>	<b>0,2%</b>

*Note: Revenues from terminals and equipment include commissions to distributors.*

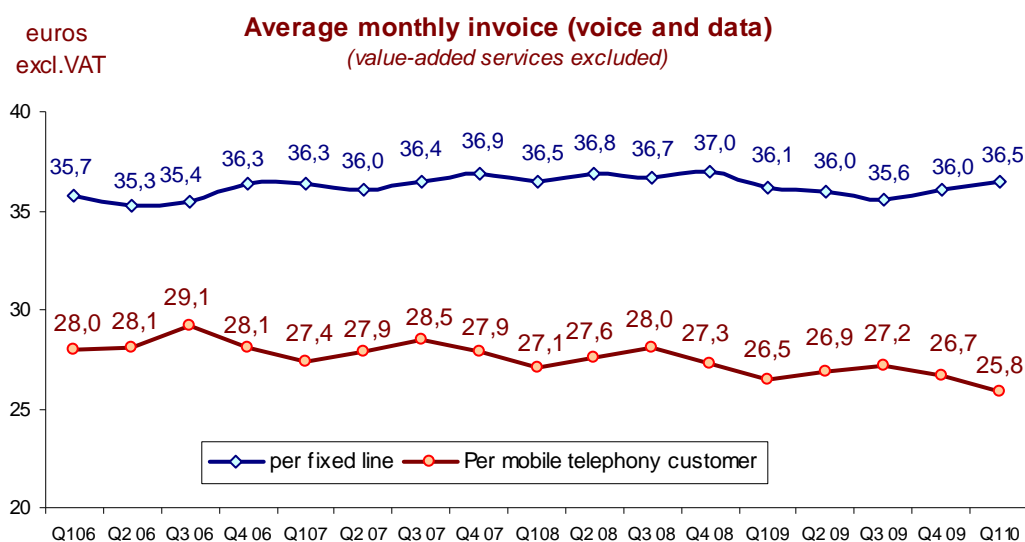
## 5 Per-customer indicators

<b>Average monthly revenue</b> (value added services exclude) (in euros -VAT excluded)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Per fixed line : access, communications and Internet	36,1	36,0	35,6	36,0	36,5	0,9%
Mobile telephony user	26,5	26,9	27,2	26,7	25,8	-2,4%

*adjusted figures are in italics*

*The average monthly invoice 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 38 for an explanation of the concept of a "line")*

*The average monthly invoice 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, is not the same as the traditional Average Revenue Per User (ARPU) indicator.*



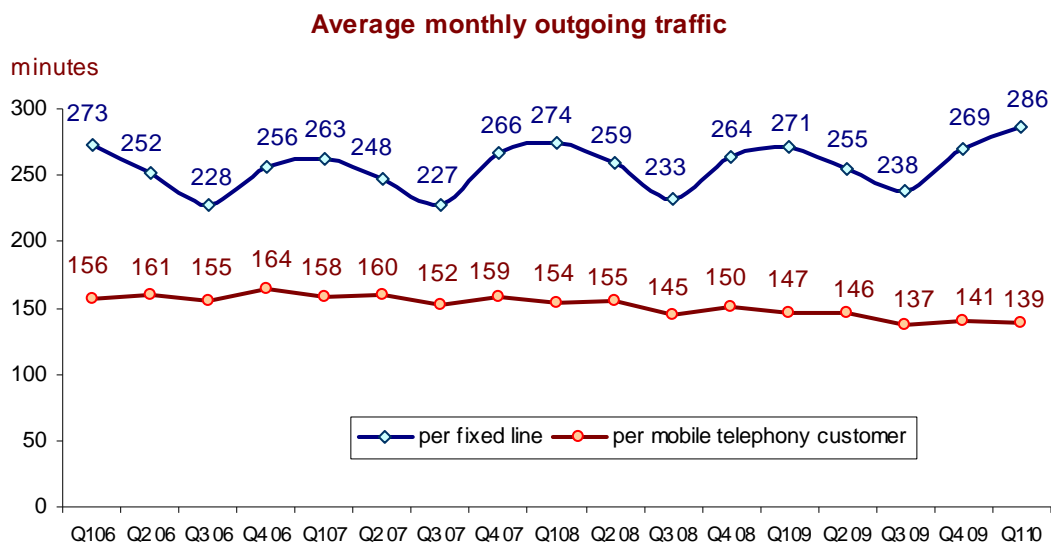
<b>Average monthly outgoing traffic</b> (in hours)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Per fixed lines	4h32	4h15	3h58	4h29	4h46	5,5%
Mobile telephony user	2h27	2h26	2h17	2h21	2h19	-5,5%

*adjusted figures are in italics*

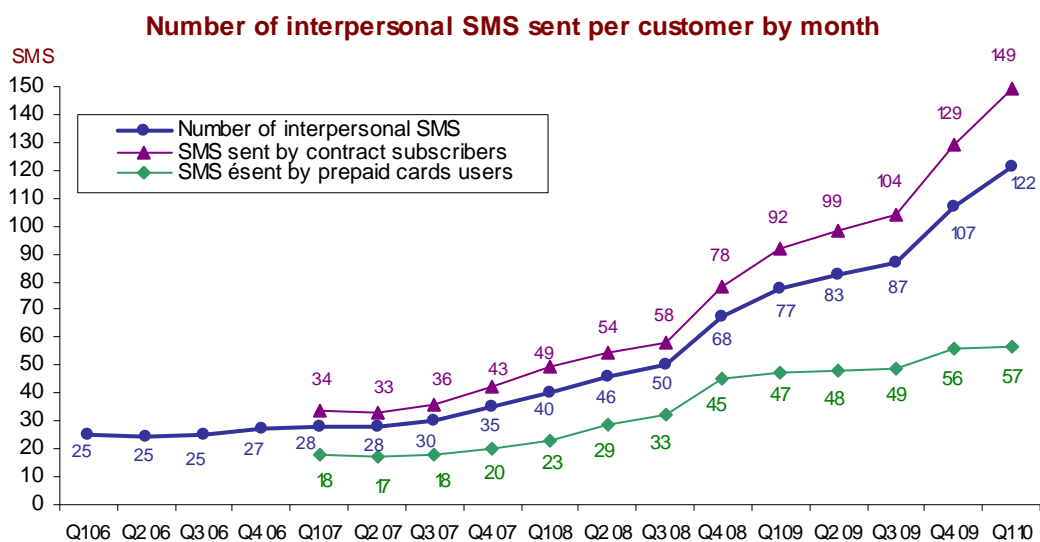
*The average monthly volume of traffic per fixed line is calculated by dividing the volume of traffic (PSTN and IP) for quarter N by the estimated average number of fixed lines in existence for quarter N, and then by the number of months.*

*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.*

<b>Number of interpersonnal SMS sent per user</b> (units)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Number of SMS sent per user during the quarter	77	83	87	107	122	57,0%
of witch for contract subscribers	92	99	104	129	149	63,2%
of witch for prepaid cards	47	48	49	56	57	19,8%



*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.*



Note: Up until Q4 2009, the Observatory published an average monthly bill for a broadband customer, and an average monthly bill for IP calls invoiced on top of the Internet flat rate. As offers that combine broadband access and VoIP are becoming increasingly popular (87% of broadband customers also subscribe to a VoIP service), these two indicators are losing their meaning, which is why the Observatory is now publishing an average monthly bill for a broadband or ultra-fast broadband access subscription that aggregates the revenue earned by these services.

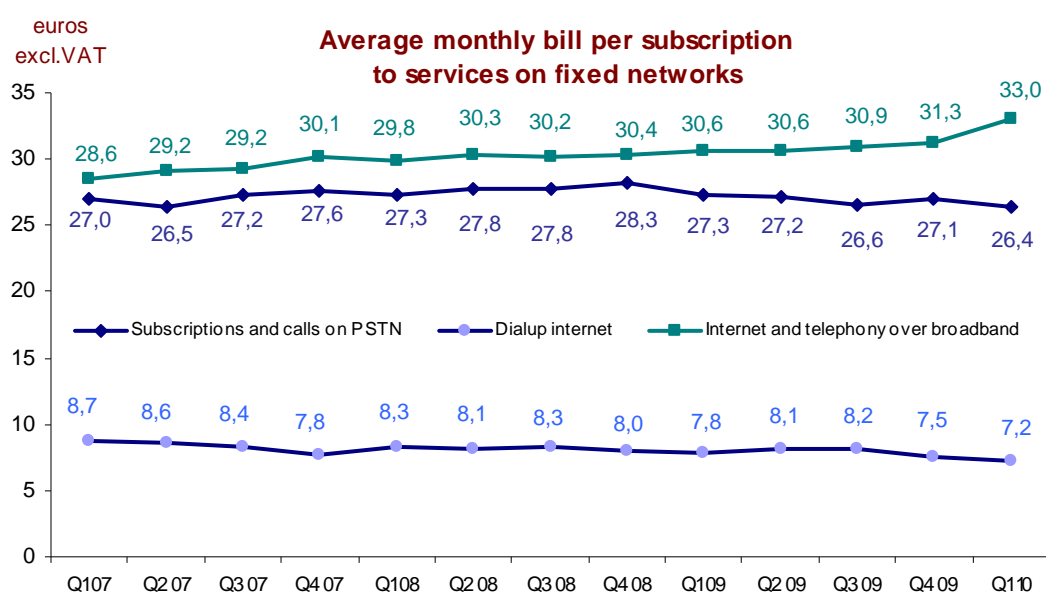
Average monthly revenue per customer (in euros -VAT excluded)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed PSTN/ISDN telephony user	27,3	27,2	26,6	27,1	26,4	-3,0%
Dial-up Internet user	7,8	8,1	8,2	7,5	7,2	-8,5%
Internet & telephony over broadband	30,6	30,6	30,9	31,3	33,0	7,9%

*adjusted figures are in italics*

The average monthly bill for a PSTN line is calculated by dividing the revenue earned on a PSTN-based fixed line subscription and calls (i.e. excluding IP CALLS) for Quarter Q by the estimated average customer base for Quarter Q, then dividing the result by three.

The average bill for a narrowband subscription is calculated by dividing the revenue earned on narrowband subscription in year N by the estimated customer base for Quarter Q, then dividing the result by 3.

The average monthly bill for a broadband or ultra-fast broadband access (name Internet and telephony over broadband) is calculated by dividing the revenue earned on calls made over IP on a fixed line (billed over and above a service bundle flat rate) and the revenue earned on broadband subscription for Quarter Q by the estimated average customer base for Quarter Q, then dividing the result by 3.

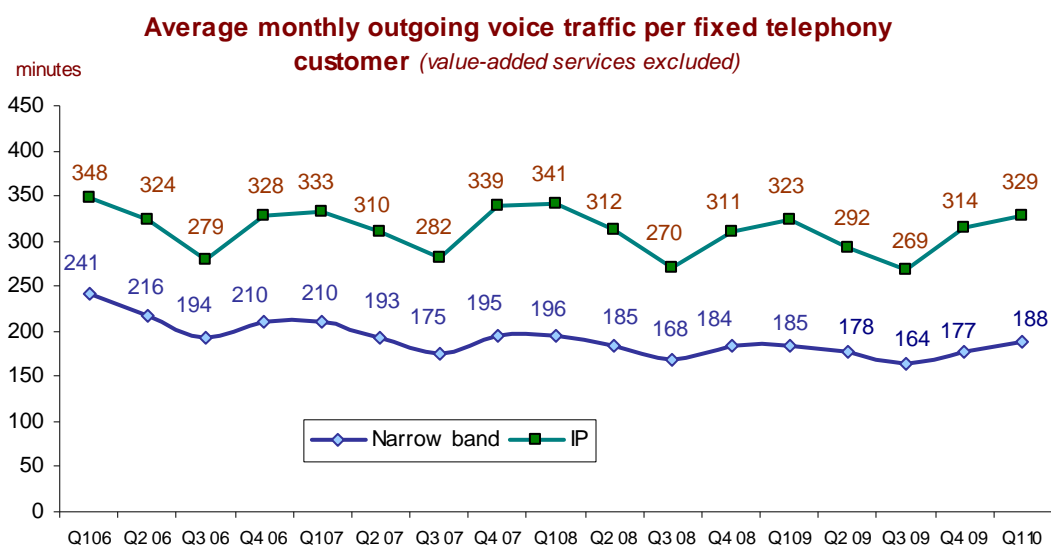


Average monthly traffic per customer (in hours)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Fixed PSTN/ISDN telephony user	3h05	2h58	2h44	2h57	3h08	1,3%
Fixed IP telephony user	5h23	4h52	4h29	5h14	5h29	1,9%
From dial-up Internet	10h37	11h18	10h48	10h26	10h20	-2,5%

*adjusted figures are in italics*

Average monthly volume per fixed line is calculated by dividing the traffic volume (PSTN and IP) for Quarter Q by the estimated average customer base for Quarter Q, then dividing the result by 3.

Average monthly volume per narrowband subscription is calculated by dividing narrowband volume for Quarter Q by the estimated narrowband customer base for Quarter Q, then dividing the result by 3.



Average number of customers for quarter N:  $\frac{(\text{total number of customers at the end of quarter N} + \text{total number of customers at the end of quarter N-1})}{2}$

### **Fixed networks: further information about per-customer indicators**

With the development of voice over broadband as a second phone line, the notion of average revenue per subscription loses its meaning. A great many households now have a second telephone subscription, generally ToIP, as a result of which average traffic and average revenue per subscription are dropping automatically. To be able to track consumption and average customer spending indicators in a more meaningful way, the notion of “line” needs to be introduced.

Up until 2004, the terms “line” and “subscription” were interchangeable when referring to the number of subscriptions to a telephone service.

For analogue line telephony, a subscription meant a fixed line. Similarly, for digital lines, there were as many fixed lines as there were subscriptions to the phone service, in other words two for basic connections and up to 30 for primary connections. In practice, the client enterprise paid their monthly phone subscription fee for as many subscriptions as it had, i.e. two for basic connections and up to 30 for primary connections. This principle remains unchanged.

With the introduction of voice over broadband, operators can market an IP telephony service over an analogue connection that already delivers a phone service over the PSTN. To facilitate comparisons over time, we have thus defined an indicator for the number of “lines” as follows:

- for digital connections: the number of subscriptions to the phone service, i.e. two for basic connections and up to 30 for primary connections;
- for analogue connections:
  - ✓ PSTN subscriptions;
  - ✓ xDSL- based subscriptions with no PSTN subscription
- for telephony over cable subscriptions, the subscription.

As concerns revenue, the number of flat rate service bundles continues to rise, offering customers the ability to make unmetered fixed national calls and calls to a number of international destinations at no extra charge. Customer invoices cover more and more services for a single price, regardless of the volume of calls made (as it is on mobile), and Internet access and telephony are increasingly indissociable.

The average invoice per line now refers to what customers pay each month for their telephony and Internet services.

The revenue included is therefore:

- revenue generated by access to subscriptions and additional services;
- revenue from calls originating on fixed lines, including IP traffic revenue billed over and above the bundled service flat rate;
- narrowband and broadband Internet access revenue.

Excluded are:

- public payphone and prepaid card revenue;
- revenue generated by other services tied to Internet access, e.g. ISPs' online ad revenue and commissions earned on e-commerce sales;
- VAS and directory assistance services revenue.

### Mobile networks: average monthly invoice per subscription and ARPU

The market Observatory publishes indicators for the average monthly invoice 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.

Revenue from interconnection (incoming calls) is not taken into account. These indicators are not the same as the ARPU (Average Revenue Per User) figures which generally correspond to the operators' revenue from all income related to the use of the network. For instance, in the case of mobile operators, ARPU includes revenue from outgoing calls, data services and value-added services as well as 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 telephones.

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 the one used for ARPU. It does not represent the average usage per customer but is considered, rather, as an indicator of the operator's volume of business per customer.

Average monthly recurring sales per active customer in euros per month	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change 1Q10/1Q09
Average monthly recurring sales per customer	33,6	34,2	33,2	33,1	32,9	-2,2%
- o/w per post-paid customer	41,5	42,0	40,5	40,4	40,5	-2,4%

Note: Average recurring monthly revenue per active customer equals recurring revenue for the quarter divided by 3, divided by the average number of active customers ((Number of active customers at the end of the previous quarter + Number of active customers at the end of the quarter)/2).

