

L'OBSERVATOIRE

**The electronic communications services market
in France in the 2nd quarter 2007**

Introduction

During the second quarter 2007, electronic communications operator revenue on the end customer market was €10.5 billion. The intermediate market (interconnection services and sales on the wholesale market between operators) represented an additional €2.1 billion.

Excluding related services (terminal sales and rentals, directories, advertising, hosting and call centre management, etc.), revenue from electronic communications services on the end customer market was €9.7 billion during the second quarter 2007, growing 3.2% in one year.

The volume of telephony (fixed and mobile) services traffic reached 51.1 billion minutes during the second quarter 2007, for 2.4% growth in one year.

Fixed telephony and Internet

The number of subscriptions to telephone service reached 38.9 million at the end of the second quarter 2007. Over 20% of telephone subscriptions, or 8.7 million subscriptions, are now to voice on broadband service, almost doubling in one year (+3.8 million additional subscriptions), while the number of “traditional” subscriptions to dial-up access declined slightly to just over 30 million.

The growth of voice on broadband results primarily from the substitution for telephone subscriptions to dial-up access. Now, 12% of fixed lines, or 3.9 million lines in all, no longer have a dial-up subscription but only an IP subscription, compared with 4% in June 2006. These lines are either fully unbundled (2.9 million lines had been unbundled at the end of the second quarter 2007, with +1.7 million in one year) or have wholesale offers like “naked ADSL”.

The rest of the subscriptions to a voice on broadband service (through partial unbundling or “bitstream” wholesale offers) are added to an existing telephone subscription which the customer chooses to keep. So, at the second quarter 2007, 14% of telephone lines support two subscriptions to a telephony service (a “traditional” subscription to the PSTN and a subscription to a voice on IP service).

A fraction of the “traditional” telephone subscriptions are now billed to the end customer by an operator other than France Telecom. Resulting from wholesale subscription sale offers, they represented 447 000 subscriptions at the end of the second quarter 2007, compared with 76 000 three months earlier. Carrier selection, chosen by 5.8 million customers, was down 22.1% over one year, declining by 1.7 million subscriptions.

Revenue directly attributable to fixed telephony declined 4.9% in one year. Subscription revenue grew 3.6%, due to the price increase on 1st July 2006, which more than compensated for the decline in the number of PSTN subscriptions. On the other hand, telephone call revenue fell 13.2% because of the sharp decline in the volume of calls made on the PSTN.

Traffic originating on fixed lines remained practically stable. Volumes of calls originating on IP access continued to rise sharply (+75.4% over one year during the second quarter 2007) whereas calls made on the PSTN continued to decline. Voice on broadband represented 30.3% of the traffic originating on fixed lines during the second quarter 2007. On average, each customer of VoIP calls 5 hours and 10 minutes per month, 2 hours more than on a

“traditional” phone.

Multiplay packages often include unlimited calling to long-distance fixed lines and to many destinations around the world, which brings new life to these two market segments. Close to half of the minutes (46.0%) of calls made to international destinations are now made from phones with IP access. The substitution effect is also strong for long-distance calls for which 31.9% of minutes are made from IP. On the other hand, calls to mobile phones from IP access phones represent just 11.3% of the fixed-mobile volume.

The number of Internet subscriptions reached 16.1 million at end June 2007, up 13.8% in one year. High-speed Internet access continues to grow at a strong annual rate. The number of high-speed accesses rose by 3.2 million (+28.5% in one year), reaching 14.2 million at the end of the second quarter 2007. Revenue from high speed was €1 billion at the second quarter 2007 (+34.1% over one year). High speed now represents close to 90% of Internet subscriptions and revenue.

Mobile telephony

Mobile operators attracted 52.6 million customers in France at the end of the second quarter 2007. Two-thirds of these purchased flat-rate packages. The growth in the number of mobile telephony customers remained strong during the second quarter 2007, with a 7.1% increase over one year, and 3.5 million new customers during this period.

During the second quarter 2007, 154 400 mobile numbers were ported from one operator to another, or 37.2% more than during the first quarter 2007, an increase which can probably be attributed to the simplified procedure put in place on 21st May 2007 for number conservation.

Mobile service revenue reached €4.4 billion during the second quarter, up 6.3%. The average monthly invoice of mobile operator customers (€28.00) was down slightly (0.8%) over one year.

Revenue from data services (interpersonal messaging, mobile Internet access services and multimedia services) represented €627 million during the second quarter 2007, just under 15% of total revenue from mobile services. It increased much more strongly than that of mobile calling (18.6% in one year compared to +4.5%), although it was not enough to offset the decline in mobile calling revenue with respect to 2006.

Mobile telephony traffic has been slowing since the beginning of 2007. In one year, growth was +6.6%, whereas this traffic had jumped by about 15% in 2006. This decline is due primarily to mobile operators’ on-net traffic, which rose by just 5.5% during the second quarter 2007 over the second quarter 2006, whereas it had grown very strongly in recent years.

Interpersonal messaging continues to be very strong with 4.4 billion messages sent during the second quarter, for a 20.9% increase in one year. On average, this corresponds to 28 text messages (SMS) sent per customer per month. Customers with a flat-rate package use this method of communication twice as much on average as customers with a pre-paid card (33 and 17 SMS sent per customer per month respectively). This segment generated €398 million during the second quarter 2007.

Directory Services

The decline in the volume of calls to directory services continued: 35 million calls were made during the second quarter, compared with 41 million a year earlier, for a 14.5% decline. Revenue from directory services was €42 million, up 12.8% in one year.

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)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed services	3 755	3 757	3 881	3 870	3 865	2,9%
Fixed telephony (1)	2 849	2 830	2 861	2 783	2 710	-4,9%
Internet	906	927	1 020	1 087	1 155	27,5%
Mobile telephony (2)	4 139	4 345	4 299	4 294	4 400	6,3%
All telephony and Internet	7 894	8 101	8 179	8 163	8 265	4,7%
Advanced services	600	599	608	602	583	-2,8%
Directory services, directories and advertising	37	38	40	38	42	12,8%
Leased lines	371	366	403	342	357	-3,8%
Data transport (3)	488	463	472	452	444	-9,2%
Electronic communications services	9 391	9 567	9 702	9 596	9 690	3,2%
Others revenues (4)	702	741	856	657	836	19,2%
Entire market	10 093	10 308	10 558	10 254	10 527	4,3%

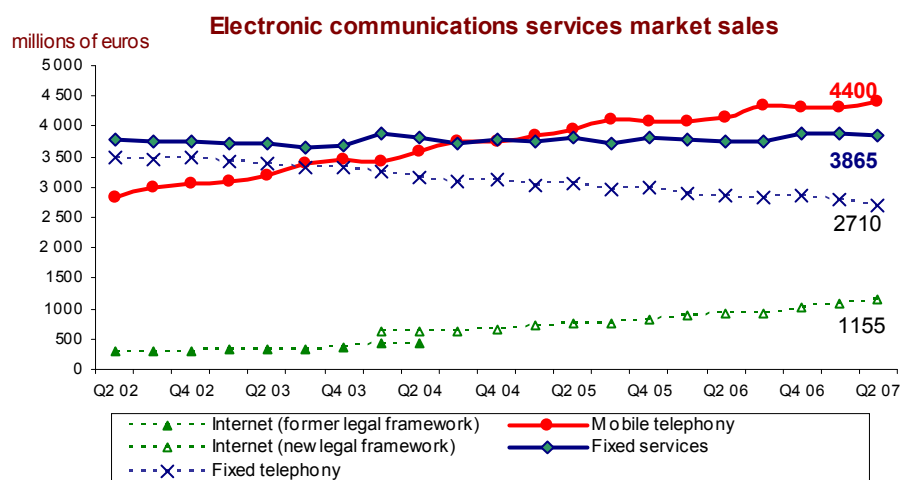
adjusted figures are in italics

(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.



Revenue from electronic communications services sold by operators on the end market was €9.7 billion during the second quarter, up 3.2% in one year.

At €4.4 billion during the second quarter, revenue from mobile services represents over 45% of all revenue from electronic communications services. It has been increasing at an annual rate of 5% since the beginning of 2006 (+6.3% during the second quarter 2007).

Revenue from services sold on fixed networks (fixed telephony and Internet) reached €3.9 billion during the second quarter 2007. Supported by the increase in Internet revenue, which has seen annual growth rates of over 20% (+27.5% in one year during the second

quarter 2007), revenue from fixed services rose 2.9% in one year. The regular decline in revenue directly attributable to fixed telephony continued with a 4.9% decrease over one year.

Volumes (millions of minutes)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed telephony	26 336	23 864	26 737	27 523	25 969	-1,4%
Mobile telephony	23 519	23 004	24 901	24 621	25 082	6,6%
<i>Total voice services</i>	<i>49 855</i>	<i>46 868</i>	<i>51 638</i>	<i>52 144</i>	<i>51 052</i>	<i>2,4%</i>
Internet (dial-up)	6 601	5 853	5 434	5 079	4 265	-35,4%
Number of SMS sent (millions of units)	3 605	3 679	4 098	4 406	4 367	21,1%

adjusted figures are in italics

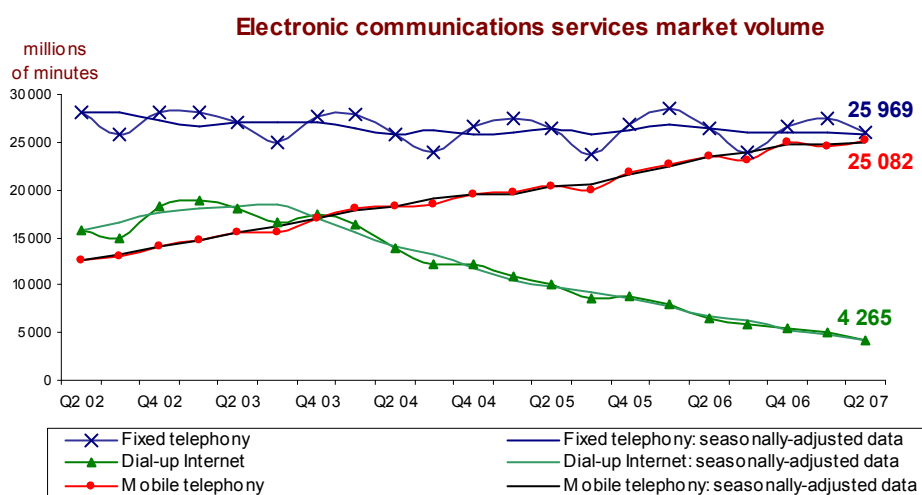
Total “voice” (fixed and mobile telephony) service volumes represented 51 billion minutes. The 2.4% increase in this traffic over one year is lower than in 2006, primarily because of the lower growth in the volume of mobile communications.

The slowdown in the growth rate of the volume of calls originating on mobiles which began in the first quarter of 2007 (+8.6% over one year) was confirmed in the second quarter (+6.6% over one year). There is a clear break in the trend of strong growth seen throughout 2006 (around 15%).

However, the growth in the number of interpersonal SMS sent did not slow. During the second quarter 2007, 4.4 billion SMS were sent by the customers of mobile operators (up 21.1% over one year).

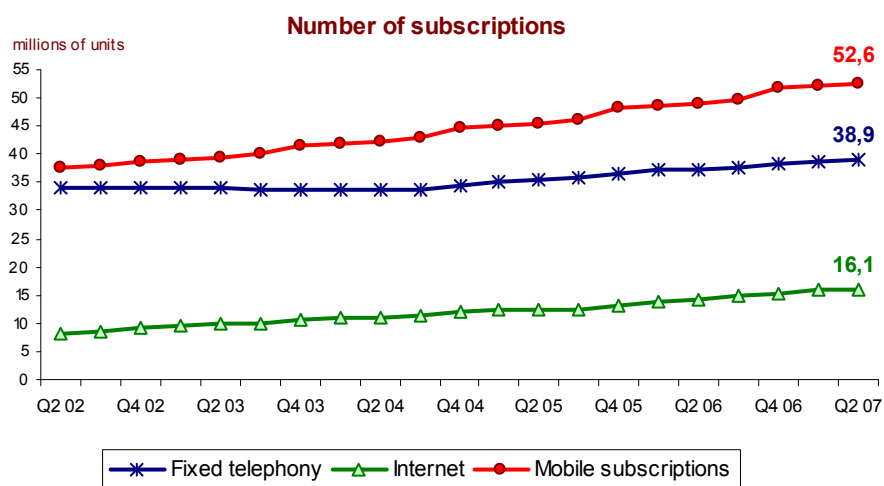
Voice traffic originating on fixed networks fell 1.4% over one year during the second quarter, although this volume stabilised overall thanks to the contribution of the volumes of telephony on IP, as shown by the seasonally adjusted series.

The ebb in dial-up Internet volumes continued at an annual rate of over 30%.



Number of subscriptions*(millions of units)*

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of subscription to telephone service	37,388	37,674	38,168	<i>38,700</i>	38,859	3,9%
Internet subscriptions	14,188	14,728	15,252	15,945	16,141	13,8%
Number of mobile customers	49,081	49,827	51,662	52,048	52,585	7,1%

adjusted figures are in italics

1.2 The intermediate market (interconnection services / wholesale markets)

1.2.1 The total market

Fixed network operators' revenue on the intermediate market reached €1.1 billion and grew 5.5% over one year. This growth was shored up by the development of wholesale high-speed access services (unbundling, bitstream or equivalent services) which represented €368 billion during the second quarter, up 24.7% in one year.

Mobile operators' revenue from interconnection services (€1.0 billion in the second quarter) fell 6.1% over one year. This change is due primarily to the decline in the voice call termination charge (-21% for Orange France and SFR and -18% for Bouygues on 1st January 2007). On the other hand, the increase in traffic measured in minutes reached 22.0% over one year.

Interconnection services <i>(millions of euros)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed operators	1 039	1 044	1 041	<i>1 066</i>	1 096	5,5%
<i>of which telephony services</i>	732	730	732	715	718	-1,9%
<i>of which dial-up Internet</i>	11	14	13	11	10	-11,7%
<i>of which broadband services</i>	295	300	296	340	368	24,7%
Mobile operators	1 102	1 150	1 110	954	1 035	-6,1%
Revenue	2 142	2 194	2 151	2 021	2 131	-0,5%

adjusted figures are in italics

Interconnection services <i>(millions of minutes)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed operators	40 720	37 656	39 374	<i>39 020</i>	37 188	-8,7%
Internet (dial-up)	3 591	3 875	3 215	2 724	2 261	-37,0%
Mobile operators	8 698	8 722	9 199	9 927	10 614	22,0%
Volume	53 009	50 253	51 789	51 671	50 063	-5,6%

adjusted figures are in italics

Notes:

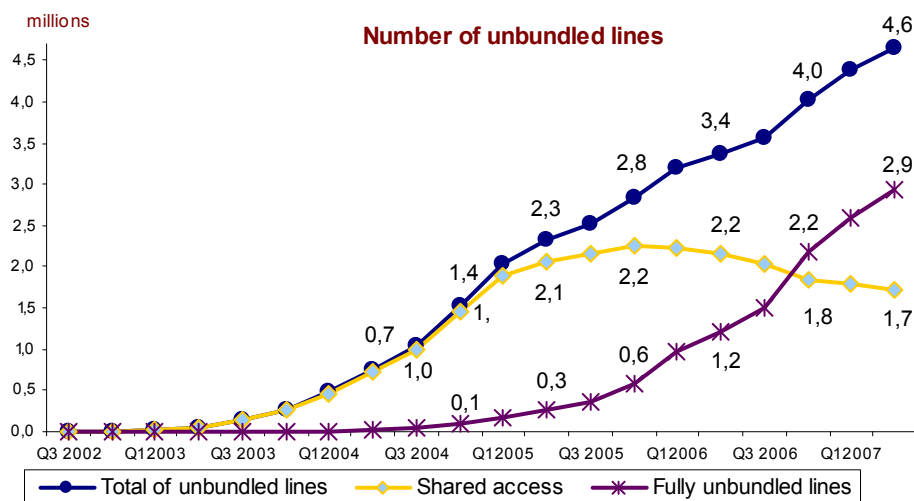
- *Interconnection revenues and traffic volumes are not calculated on the basis of the same criteria, which makes a comparison between the two indicators unsuitable for estimating average prices (interconnection revenues include fixed revenues such as charges for connection links and intercarrier services).*
- *Interconnection covers all the services provided by one carrier to another under the terms of an interconnection agreement. In cases of mergers or takeovers, some of the revenue streams between the telcos disappear, which might account for decreases in revenues from one quarter to the next.*
- *Please note that the interconnection figures shown above might be accounted for twice, particularly in the case of fixed operators.*
- *Wholesale broadband services include revenues from both LLU and bitstream or equivalent services.*

The growth in the number of unbundled lines continued at a consistently strong rate. At the end of the second quarter, 4.6 million lines had been unbundled. Now, close to two-thirds of these lines, or 2.9 million, are fully unbundled.

The number of fully unbundled lines has been rising strongly and increased by 1.7 billion over one year. At the same time, partial unbundling (1.7 million at the end of the second quarter) declined by 440 000 lines (-20.4% over one year).

Unbundling <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Partially unbundled lines	2,155	2,046	1,831	1,795	1,715	-20,4%
Fully unbundled lines	1,212	1,513	2,189	2,595	2,926	141,4%
Number of unbundled lines	3,367	3,559	4,020	4,389	4,640	37,8%

adjusted figures are in italics



1.2.2 Incoming international interconnection¹

Revenue of incoming international interconnection services	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed operators	89	100	84	99	99	11,2%
Mobile operators	35	43	41	39	42	20,6%
Revenue	124	143	124	138	141	13,9%

adjusted figures are in italics

Volume of incoming international interconnection services	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed operators	1 637	1 726	1 696	1 970	2 190	33,8%
Mobile operators	357	439	413	496	554	55,3%
Volume	1 993	2 165	2 108	2 465	2 744	37,7%

adjusted figures are in italics

1.2.3 Mobile operators roaming-in²

Roaming in	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Revenue (<i>millions of euros</i>)	205	259	163	151	180	-12,3%
Volume (<i>millions of minutes</i>)	382	496	321	334	413	8,0%

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

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

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

2 Market segments

2.1 Fixed telephony

2.1.1 Access, subscriptions and fixed lines

Number of subscriptions to telephone service (millions of units)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Subscription on narrow band access (analogue or digital lines, cable)	32,549	32,132	31,560	30,831	30,163	-7,3%
Access resales	Nd	Nd	Nd	0,076	0,447	-
Subscription on broadband access (IP DSL, cable)	4,839	5,541	6,608	7,868	8,695	79,7%
DSL lines without narrowband access	1,212	1,520	2,431	3,104	3,869	219,2%
Number of subscriptions to telephone service	37,388	37,674	38,168	38,700	38,859	3,9%

adjusted figures are in italics

The number of subscriptions to a telephone services reached 38.9 million at the end of the second quarter 2007. The growth in the number of subscriptions (+3.9% over one year) can be explained by the success of broadband telephony offers.

The decline in the number of subscriptions to dial-up access (30.2 million at the end of the second quarter 2007) continued at a rate of 600 000 fewer subscriptions per quarter. In one year, 2.4 million subscriptions were cancelled.

For the past several months, it has been possible for alternative operators to bill customers for their telephone subscriptions. This offer concerned 447 000 subscriptions on the retail market at the end of the second quarter 2007 compared with 76 000 at the end of the previous quarter.

Broadband telephony is booming. The number of subscriptions to telephony services on IP access (8.7 million at the end of the quarter) rose by 3.8 million in one year and now represents 22.4% of telephone subscriptions in service.

Some of the IP subscriptions are replacing existing subscriptions to “traditional” telephone services. This is the case of offers to broadband voice services resulting from full unbundling and “naked ADSL” offers, which represented 3.9 million subscriptions at the end of the second quarter 2007.

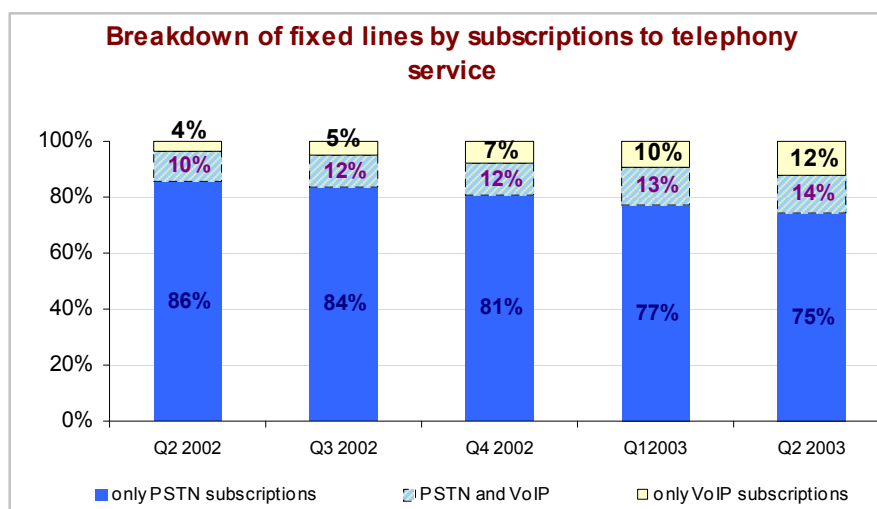
Another share, still the majority, but which is barely growing, is added to an existing telephone subscription which is kept by the user. This is the case of telephone offers resulting from partial unbundling and “bitstream” outside “naked ADSL”. So, 14% of lines (4.7 million) supported two subscriptions to telephone service at the end of the second quarter 2007.

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”.



Further information concerning the IP telephony service indicators

The terminology used:

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

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

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

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

The revenues taken into account:

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

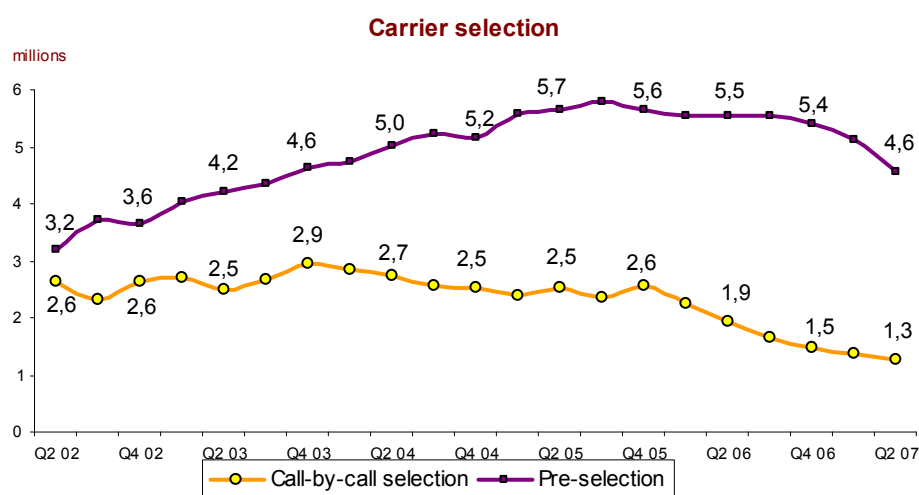
A total of 575 000 numbers were ported between operators during the second quarter 2007.

Portability (millions of units)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of fixed numbers ported during the quarter	0,380	0,378	0,742	0,751	0,575	51,6%

Telephony offers based on carrier selection (call-by-call selection or pre-selection), have been losing ground to telephony on IP offers since early 2006. These offers lost 1.7 million subscriptions in one year and concerned 5.8 million customers during the second quarter 2007. The decline in the number of pre-selection subscriptions has been sharper since the beginning of 2007 (-17.6% over one year during the second quarter).

Carrier selection <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Call by call selection	1,926	1,639	1,470	<i>1,381</i>	1,251	-35,0%
Pre-selection	5,544	5,558	5,413	<i>5,111</i>	4,567	-17,6%
Number of indirect connections	7,469	7,196	6,883	6,493	5,818	-22,1%

adjusted figures are in italics



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

Access revenue (€1.5 billion) increased 3.6% over the second quarter 2006. The increase in the price of France Telecom's monthly phone bill on 1st July 2006 offset the 7.3% decline over one year in the number of subscriptions to analogue or digital lines.

Access revenue <i>(millions of euros)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Access fees, subscriptions and additional services	1 442	1 490	1 500	1 498	1 494	3,6%

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

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

Revenue from telephone calls originating on fixed lines fell 13.2% over one year during the second quarter 2007 and now represents just 42% of fixed telephony revenues (including public payphones and cards) compared with 46% a year earlier.

This change reflects the change in retail prices on the PSTN (decline in long-distance calls and calls to mobiles), but also the erosion in the volume of calls made on the PSTN (16.8% decline over one year in the second quarter), as well as the substitution movement of IP telephony over the traditional phone (see note below).

Revenue <i>(millions of euros)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
National calls	762	701	724	682	592	-22,3%
International calls	138	137	134	136	129	-6,9%
Calls to mobiles	411	400	408	390	418	1,7%
All calls from fixed lines	1 311	1 238	1 266	1 208	1 138	-13,2%
<i>Of which calls originating on VoIP services</i>	<i>53</i>	<i>57</i>	<i>72</i>	<i>81</i>	<i>95</i>	<i>78,2%</i>

adjusted figures are in italics

Note: Revenues from VoIP calls only include 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.

The strong growth in the volumes of IP telephony (+75.4% over one year during the second quarter (2007) has made it possible to maintain the overall volume of fixed telephony for the past three years, as shown by the seasonally adjusted series.

During the second quarter, calls originating on voice on IP services represented 30.3% of the total volume of telephone calls originating on fixed lines. This proportion was just 17.1% a year earlier.

This success can likely be explained by a growing number of unlimited call offers included in multiplay packages for long-distance calls to fixed phones and to some international destinations.

With 20.8 billion minutes during the second quarter 2007, long-distance calls between fixed phones represented over 82% of the total volume of calls originating on fixed networks. Close to one-third (31.9%) of calls are now made on IP compared with 18.5% a year ago.

Traffic to international destinations increased 31.4% over one year during the second quarter, thanks to the very strong growth in the volume of international calls made on IP (+175.0% over one year). Close to half of minutes to international numbers (46.0%) are now called from IP subscriptions.

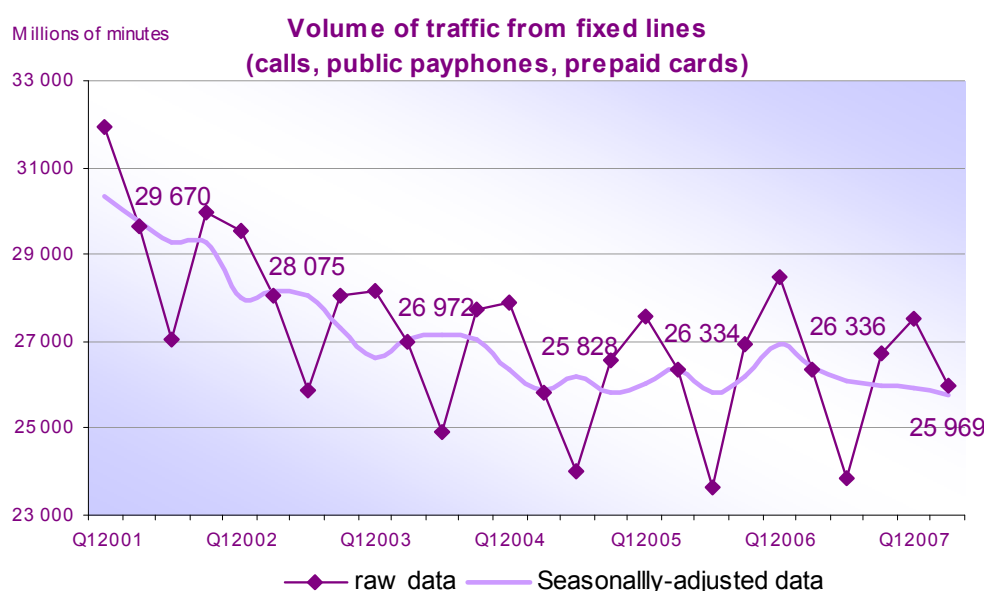
After reaching 3.2 billion minutes per quarter from the fourth quarter 2005 to the second quarter 2006, the volume of fixed-mobile calls stabilised at around 3 billion minutes (-5.8% over one year during the second quarter 2007). Just 11.3% of fixed-mobile call minutes were made using IP subscriptions.

Volumes <i>(millions of minutes)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
National calls	21 252	19 096	21 748	22 421	20 801	-2,1%
International calls	1 197	1 159	1 316	1 482	1 573	31,4%
Calls to mobiles	3 198	2 899	3 005	2 979	3 012	-5,8%
All calls from fixed lines	25 646	23 154	26 069	26 881	25 386	-1,0%
<i>Of which calls originating on PSTN/ISDN</i>	21 259	18 814	20 083	19 650	17 692	-16,8%
<i>Of which calls originating on VoIP services</i>	4 387	4 340	5 986	7 231	7 693	75,4%

adjusted figures are in italics

Notes:

- 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, revenue covers only invoiced VoIP traffic (for example in addition to a multiplay package).
- Volumes and revenue from calls originating on VoIP services are counted in each of the market segments (long distance, international and to mobiles).

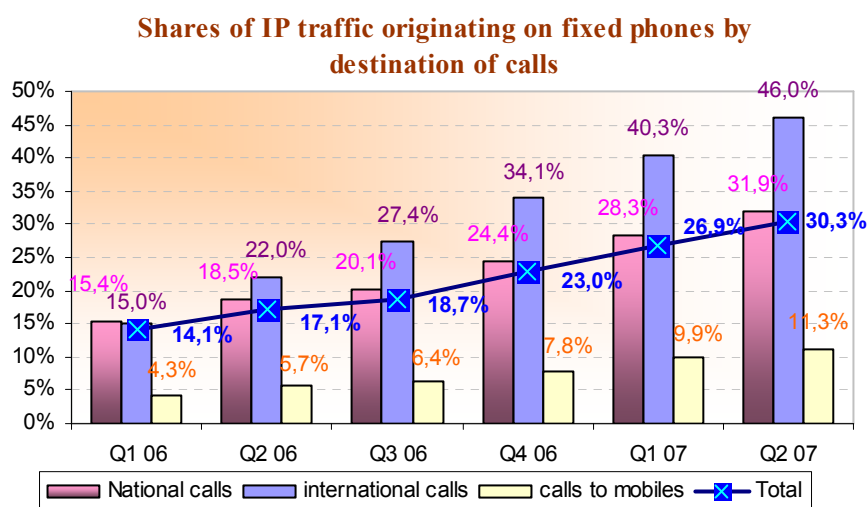


Notes:

- The volume of traffic originating on a fixed line includes calls from fixed line 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

Volumes (IP traffic) <i>(millions of minutes)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
National calls	3 941	3 838	5 303	6 339	6 630	68,2%
International calls	263	318	448	598	724	175,0%
Calls to mobiles	183	184	235	295	339	85,5%
All IP calls	4 387	4 340	5 986	7 231	7 693	75,4%

adjusted figures are in italics



2.1.3 Fixed telephony cards and public payphones

Charge and prepaid cards

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Revenue (millions of euros)	47	57	50	42	41	-13,4%
Volume (millions of minutes)	527	538	531	520	434	-17,7%

Public telephony

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of public payphones at end of quarter (units)	173 677	171 828	169 790	167 026	164 375	-5,4%
Revenue (millions of euros)	48	44	44	34	36	-24,8%
Volumes (millions of minutes)	163	173	138	122	150	-7,8%

The public payphones activity has been in decline for the past several years. Over one year, the number of public payphones in service fell by 9 300, for a 5.4% decline. The revenue and volume of traffic from public payphones are also down (respectively 24.8% and 7.8% over one year).

2.2 Internet on fixed networks

The growth in the Internet market (number of accesses and revenue) is borne up entirely by the strength of high-speed accesses (primarily on xDSL but also on cable, WLL, etc.). High speed represented 88.3% of total accesses and 87.6% of Internet revenue during the second quarter 2007.

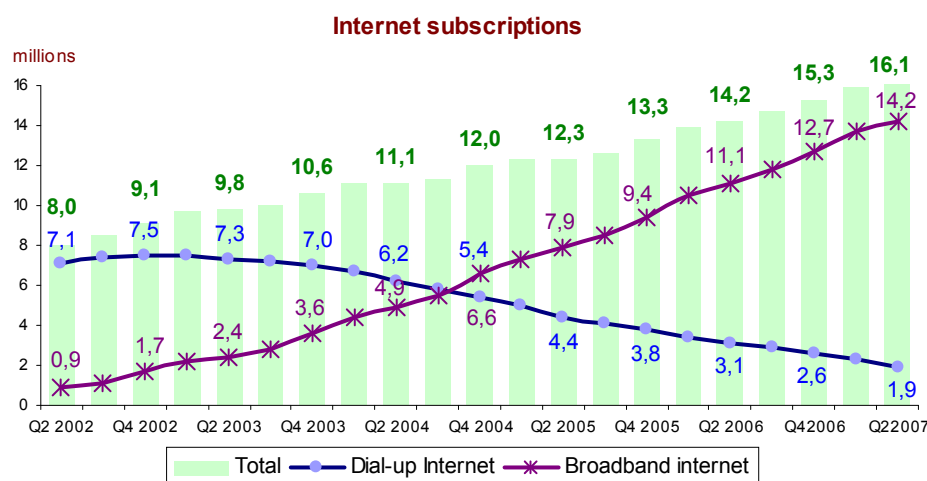
There were 16.1 million Internet accesses (high speed and dial-up) at the end of the second quarter 2007. The number of subscriptions to high-speed Internet increased 28.5% over one year, corresponding to over three million new accesses over the period). In all, there were 14.2 million subscriptions to high speed at end June 2007.

High-speed Internet revenue reached €1 billion during the second quarter 2007, up 34.1% over one year.

Down sharply for over two years, in the number of accesses un service, in the number of minutes of connections and in terms of revenue generated, dial-up Internet now has fewer than two million subscribers.

Internet subscriptions (millions of units)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Dial-up	3,096	2,935	2,557	2,270	1,892	-38,9%
Broadband	11,092	11,793	12,695	13,676	14,249	28,5%
of which xDSL	10,456	11,138	12,019	12,989	13,551	29,6%
Internet subscriptions	14,188	14,728	15,252	15,945	16,141	13,8%

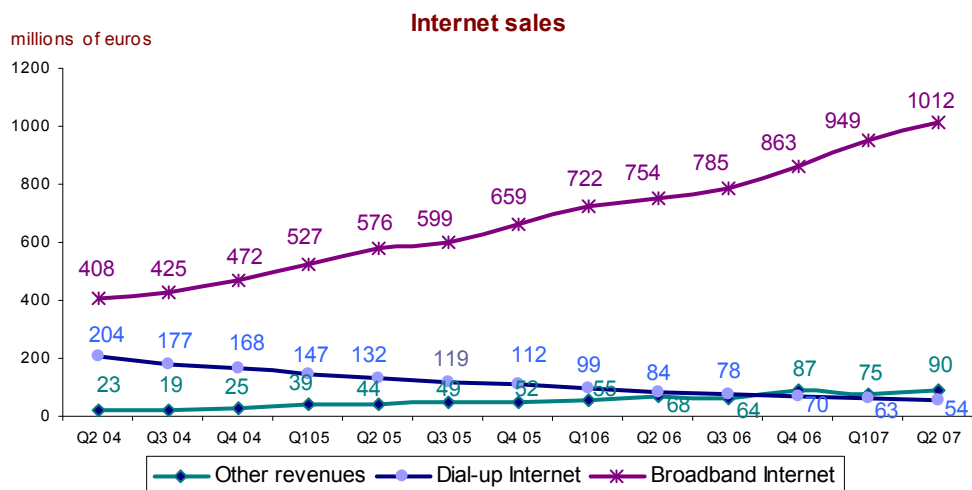
Note: There may be a time lag between the delivery of a service on the wholesale market (LLU or bitstream) and its actual availability on the retail market. A comparison between the data relating to these different markets might reflect this.



Total Internet revenue (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Dial-up	84	78	70	63	54	-36,4%
Broadband	754	785	863	949	1 012	34,1%
Other revenue	68	64	87	75	90	32,8%
Total Internet revenue	906	927	1 020	1 087	1 155	27,5%

adjusted figures are in italics

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



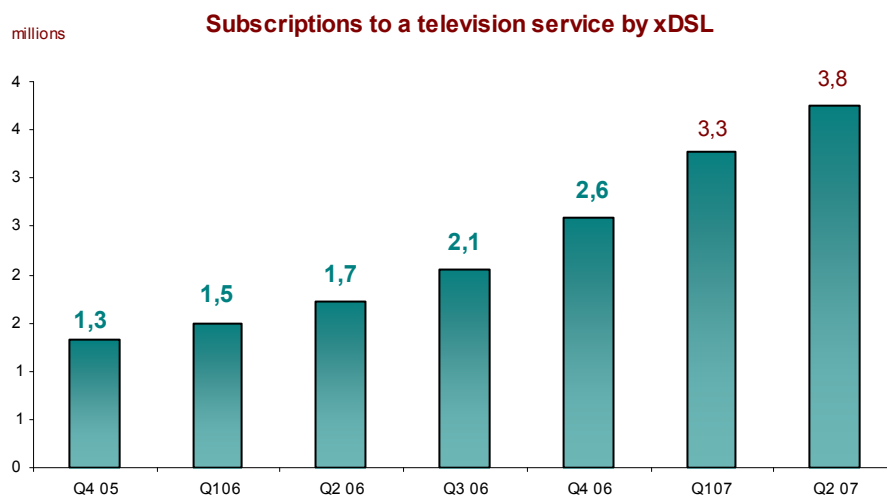
Volumes of dial-up Internet
(millions of minutes)

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Volumes of dial-up Internet	6 601	5 853	5 434	5 079	4 265	-35,4%

2.3 Television on xDSL

The number of subscriptions to a television service via an xDSL technology reached 3.8 million at the end of the second quarter 2007. Over two million additional subscriptions were taken out over one year.

Subscriptions (millions)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Subscriptions to television services on DSL	1,713	2,055	2,596	3,272	3,753	119,1%



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

2.4 Mobile telephony

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

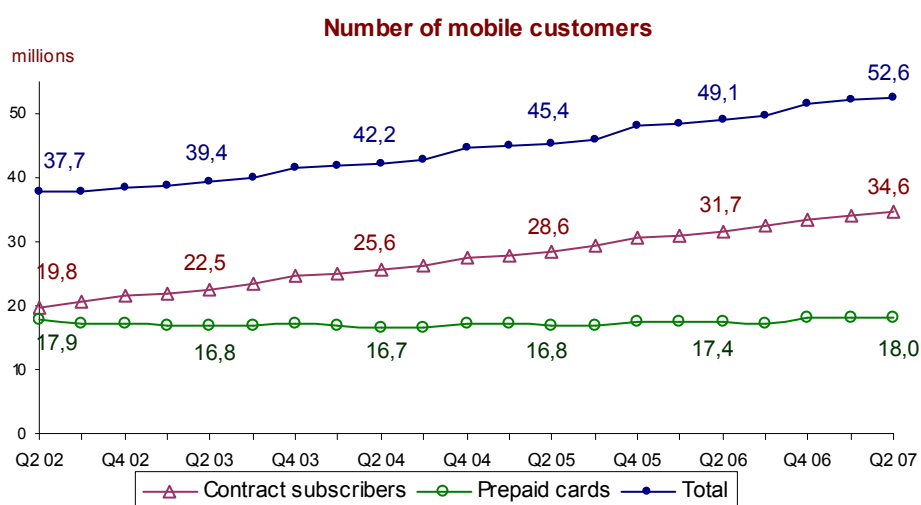
2.4.1 Subscriptions

Number of mobile customers (millions of units)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Contract subscribers	31,688	32,510	33,572	34,027	34,572	9,1%
Prepaid cards	17,393	17,316	18,090	18,021	18,012	3,6%
of which active prepaid cards *	16,531	16,385	17,185	16,937	17,026	3,0%
Mobile Telephony	49,081	49,827	51,662	52,048	52,585	7,1%

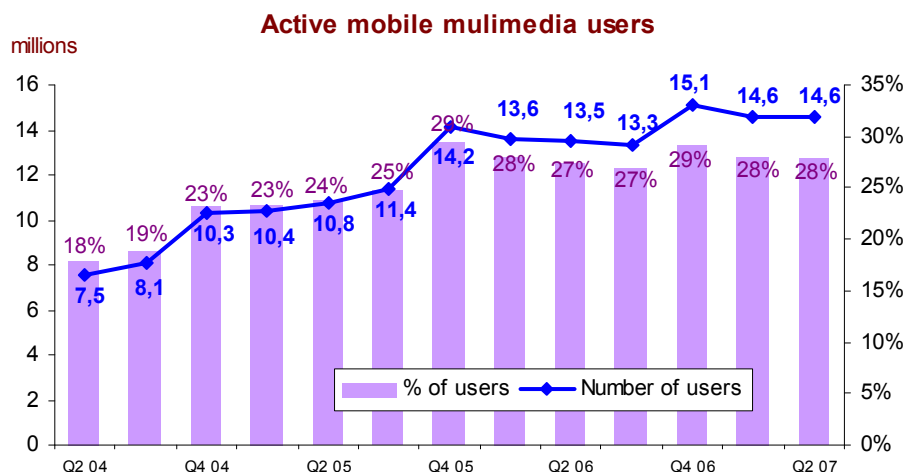
*A prepaid card is considered active if the customer has made or received at least one call during the past three months. Only telephone calls are considered, whether free or payable. SMS are not included in the calculation.

The number of customers to a mobile telephony service reached 52.6 million at the end of the second quarter 2007. The proportion of customers taking out flat-rate packages (65.7% at the end of the second quarter) continued to grow.

The annual growth rate of the number of customers of mobile telephony remained strong (+7.1% over one year since the start of the year), although a bit lower than in the past two years (7.5 to 8% annual growth).



There were 14.6 million customers using mobile operators' multimedia services (access to mobile Internet services, MMS, etc.) during the second quarter 2007, or 28% of mobile operator customers. This proportion, which rose in 2004 and 2005, has been stable since the fourth quarter 2005.

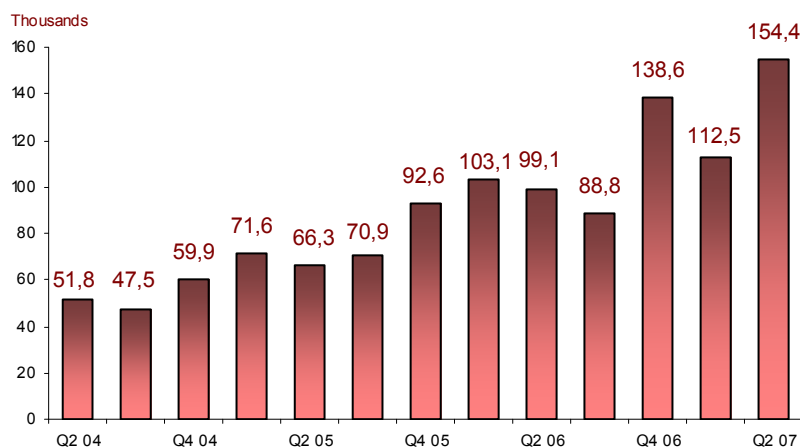


Multimedia users and portability
(millions of units)

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Active mobile multimedia users	13,495	13,345	15,079	14,550	14,590	8,1%
Number of mobile numbers ported during the quarter	0,099	0,089	0,139	0,113	0,154	55,9%

During the second quarter 2007, 154 400 mobile numbers were ported from one operator to another, for growth of 55.9% over one year. The increase in the number of ported numbers is due in part to the 21st May 2007 implementation of the simplified mobile number portability procedure (with porting times shortened from two months to 10 days).

Number of mobile numbers ported during the quarter



Notes:

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

2.4.2 Revenue and volume indicators

Revenue from mobile services (telephony and data transport) reached €4.4 billion during the second quarter 2007, up 6.3% over one year.

This increase is in line with the 5 to 6% growth rates per quarter observed since the start of 2006. Annual growth rates were significantly higher in 2005 (8 to 10% per quarter).

Revenue from data transport services on mobile networks (interpersonal messaging, mobile Internet access and multimedia services) represented €627 million during the second quarter 2007. The growth in revenue from these services (+18.6% over one year) remains significantly higher than that of revenue from mobile calls (+4.5% over one year), although it contributes less than 15% of all mobile services revenues.

Revenue (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Mobile telephony	3 611	3 763	3 717	3 673	3 773	4,5%
of which outgoing internationals calls	146	159	149	150	159	9,2%
Data transport on mobile networks	528	582	582	621	627	18,6%
of which interpersonal messaging (SMS, MMS)	350	386	380	401	398	13,5%
of access to mobile Internet & to multimedia services (1)	178	196	202	220	229	28,8%
Total mobile telephony and data transport	4 139	4 345	4 299	4 294	4 400	6,3%

(1) Income of this item corresponds to amounts invoiced by operators to their customers for access to services; part of this income is then repaid by the operators to content publishers

Volumes (millions of minutes)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Calls to national fixed lines	4 818	4 570	4 809	4 741	4 749	-1,4%
Calls to mobiles on the same network (1)	12 601	12 085	13 441	13 243	13 291	5,5%
Calls to other networks	5 534	5 640	6 056	6 048	6 402	15,7%
Outgoing internationals calls	280	308	311	312	327	16,7%
Roaming out (2)	285	400	283	277	313	9,8%
Total mobile telephony	23 519	23 004	24 901	24 621	25 082	6,6%

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

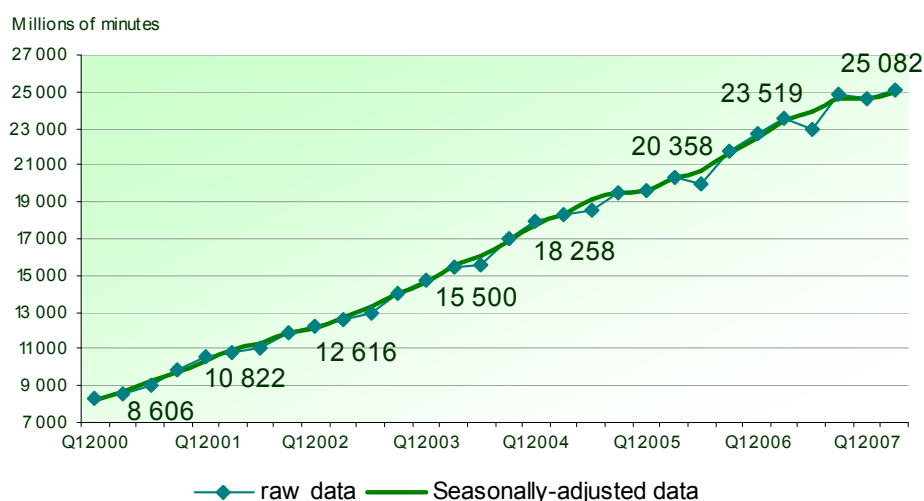
(2) Roaming out corresponds to calls made in other countries by customers of French mobile operators

The volume of traffic originating on mobiles represented 25 billion minutes during the second quarter 2007, up 6.6% over one year. While annual growth in traffic was at a high level of 15% throughout 2006, it slowed in early 2007 (with respective growth in the first and second quarters of 8.6% and 6.6% over one year), under the effect of the lower growth of on-net traffic.

There is a clear deceleration in the volume of calls exchanged between mobile phones on the same network (on-net calls). In early 2006, the growth rate of this traffic reached 30.8% over one year, but was just 5.5% over one year during the second quarter 2007.

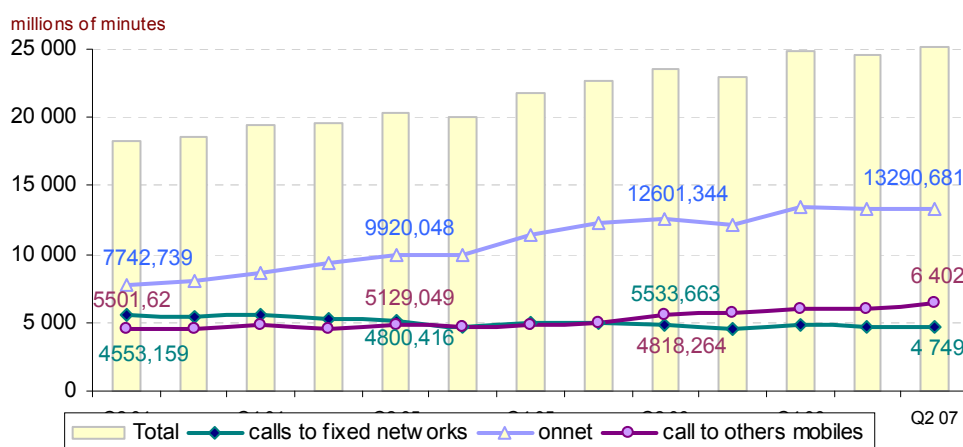
Conversely, volumes of mobile calls to third-party mobile networks and international numbers saw new growth over the same period. The volume of calls to fixed phones continued the decline started in early 2005 (-1.4% over one year during the second quarter 2007).

Volume of calls from mobile



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

National traffic from mobile telephony

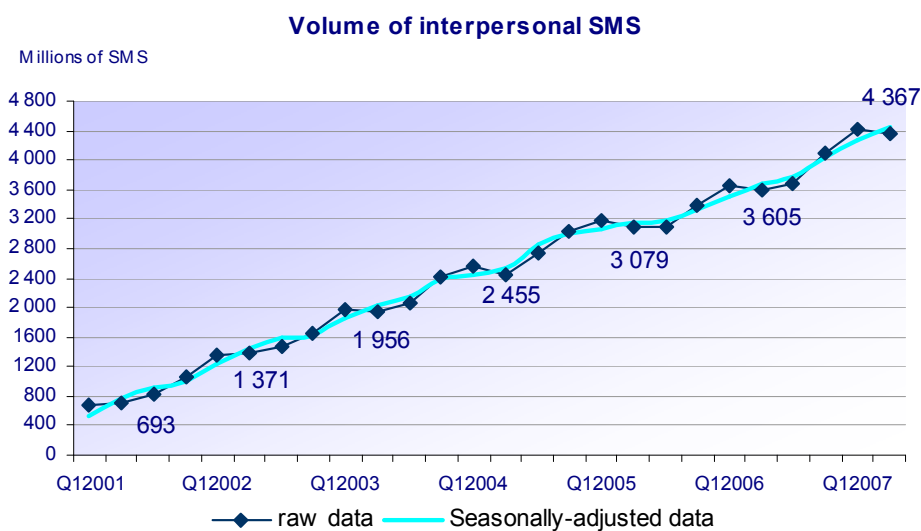


Interpersonal messaging (SMS and MMS) as a means of communication is clearly a success: 4.4 billion interpersonal messages were sent during the second quarter 2007, for a 21.1% increase over one year. The seasonally adjusted series on the volume of SMS (which represented 99% of interpersonal messages) confirmed this trend.

On average, each customer sent 28 SMS per month. Customers with a flat-rate package sent on average close to twice as many SMS as customers using pre-paid cards (respectively 33 messages and 17 messages per month).

Volumes of messages <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of SMS	3 605	3 679	4 098	4 406	4 367	21,1%
of which from contract subscribers	-	-	-	3 427	3 429	-
of which from prepaid cards	-	-	-	978	939	-
Number of MMS	68	66	82	73	66	-2,9%
Number of messages sent	3 674	3 746	4 179	4 479	4 434	20,7%

adjusted figures are in italics



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

2.5 Other market components

2.5.1 Value added services (excluding directory services)

Revenue from value-added services reached €583 million during the second quarter 2007, down 2.8% compared to the second quarter 2006.

This decline is due to the decline in revenue from “voice and telematics” services originating on fixed lines (down 8.1% over one year). At the same time, revenue from calls to value-added services made on mobiles rose, for both voice services (+3.8% over one year) and “data” services (+2.4% over one year).

During the second quarter 2007, 1.1 billion calls were made to voice services, 85% of these calls were made on fixed phones (this also includes calls to telematic services).

Value added services revenue* <i>(millions of euros)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Value added "voice" services	529	527	533	525	511	-3,4%
From fixed telephony network	325	318	327	321	299	-8,1%
From mobile telephony network	204	208	206	204	212	3,8%
Value added "data" services	71	72	75	77	73	2,4%
Value added services	600	599	608	602	583	-2,8%

adjusted figures are in italics

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

Value added "voice" and "télématique" services volumes <i>(millions of minutes)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
From fixed telephony network	2 782	2 511	2 640	2 938	2 866	3,0%
From mobile telephony network	370	382	397	389	396	7,2%
Number of calls	3 152	2 892	3 037	3 327	3 263	3,5%

Number of calls to value added "voice" and "télématique" services <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
From fixed telephony network	-	-	-	1 075	980	-
From mobile telephony network	-	-	-	156	164	-
Volumes	-	-	-	1 231	1 144	-

Value added "data" service volumes <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of messages (SMS+, MMS+)	154	157	160	152	153	-0,6%

adjusted figures are in italics

2.5.2 Directory services

One year after the final closure of the old directory services numbers on 3rd April 2006, and the opening of new 118xyz numbers, telephone directory service activity has developed in a contrasting manner.

Revenue from directory services, which represented €42 million during the second quarter 2007, rose 12.8% over one year.

On the other hand, the number of calls to these services fell sharply. During the second quarter 2007, 35 million calls were made to these numbers, compared with 41 million during the second quarter 2006, for a 14.5% decline over one year.

The volume of traffic of calls to directory services numbers represented 72 million minutes during the second quarter 2007. Just over two-thirds of calls (68.9%) were made from mobile phones.

Revenue from directory services (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Directory services operators	37	38	40	38	42	12,8%

Directory services	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of calls (millions of units)	41	40	38	36	35	-14,5%
Volume of calls (millions of minutes)	-	-	-	65	72	-

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

2.5.3 Leased lines and data transport (fixed operators)

Revenue (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Leased lines	371	366	403	342	357	-3,8%
Data transport	488	463	472	452	444	-9,2%

adjusted figures are in italics

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

2.5.4 Hosting and call centre management services

Revenue (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Hosting and call centre management	7	7	13	11	8	10,4%

2.5.5 Terminals and equipment

Revenue from terminal sales and rentals reached €636 million during the second quarter 2007, of which over two-thirds for mobile operators.

Revenue from terminals and equipment (millions of euros)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed & Internet operators	175	181	196	198	202	15,8%
Mobile operators	326	363	469	335	434	33,1%
Terminals and equipment	500	544	664	533	636	27,1%

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

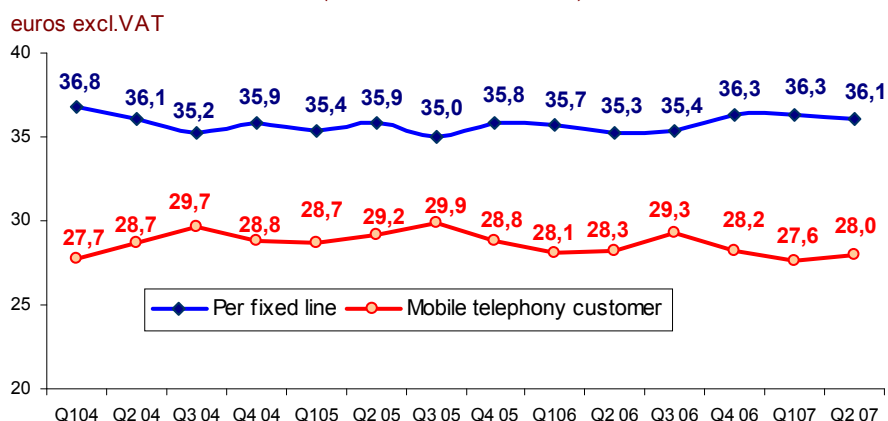
2.6 Indicators per customer

Average monthly revenue (value added services exclude) (in euros -VAT excluded)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Per fixed line : access, communications and Internet	35,3	35,4	36,3	36,4	36,1	2,2%
Mobile telephony user	28,3	29,3	28,2	27,6	28,0	-0,8%

The average monthly invoice per fixed line is calculated by dividing the revenue 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 "line")

The average monthly invoice per mobile customer is calculated by dividing the revenue 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.

Average monthly revenue voice and data (value-added services excluded)



Average monthly outgoing traffic (in hours)

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Per fixed lines	4h12	3h48	4h16	4h23	4h08	-1,7%
Mobile telephony user	2h41	2h35	2h44	2h38	2h40	-0,4%

Number of SMS sent per user (units)

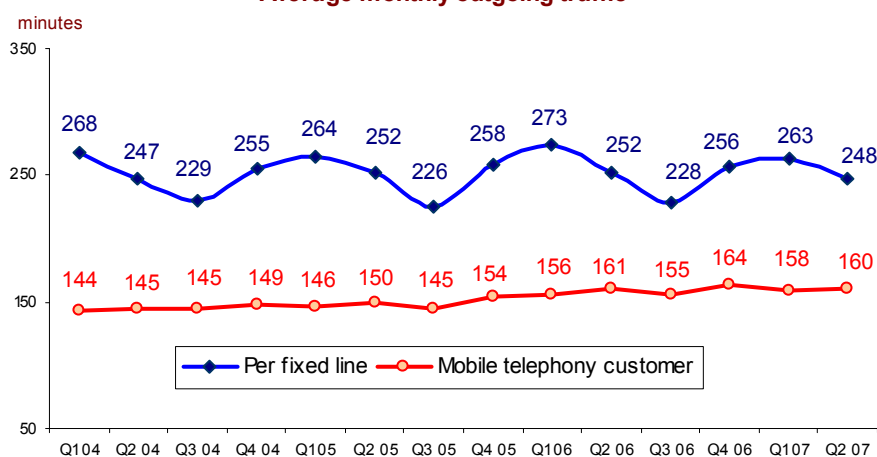
	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of SMS sent per user during the quarter	24,6	24,8	26,9	28,3	27,8	13,1%
of which for contract subscribers	-	-	-	33,8	33,3	-
of which for prepaid cards	-	-	-	18,1	17,4	-

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



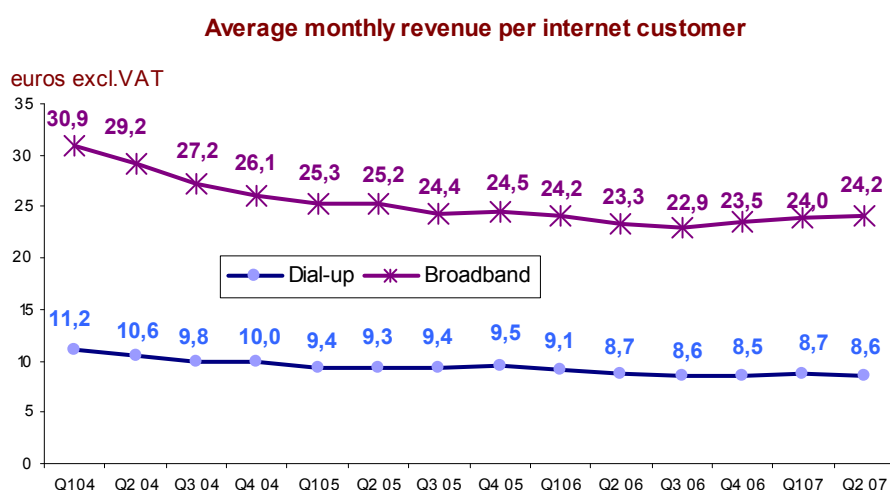
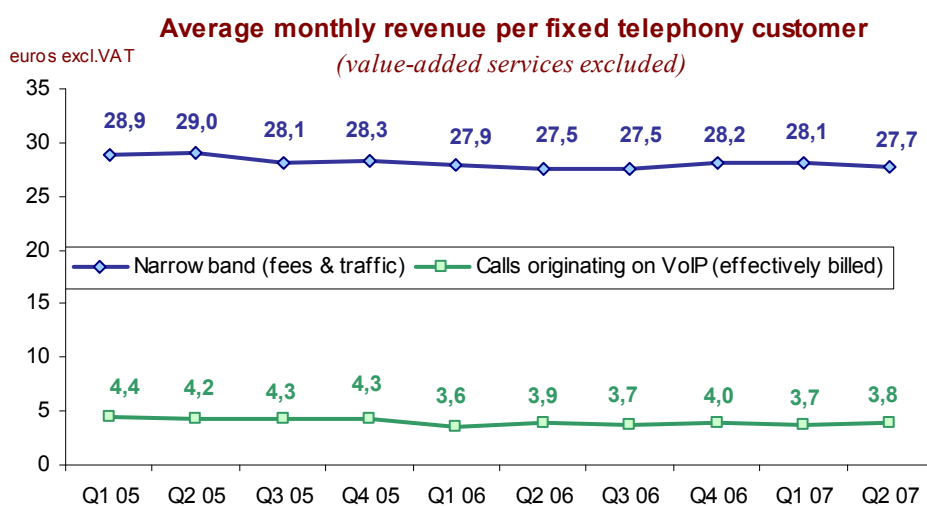
Average monthly revenue per customer (in euros -VAT excluded)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed PSTN/ISDN telephony user	27,5	27,5	28,2	28,1	27,7	1,0%
Fixed IP telephony user	3,9	3,7	4,0	3,7	3,8	-2,7%
Dial-up Internet user	8,7	8,6	8,5	8,7	8,6	-0,6%
Broadband Internet user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

adjusted figures are in italics

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

The average monthly invoice per subscription to an IP telephony service is calculated by dividing the revenue 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.

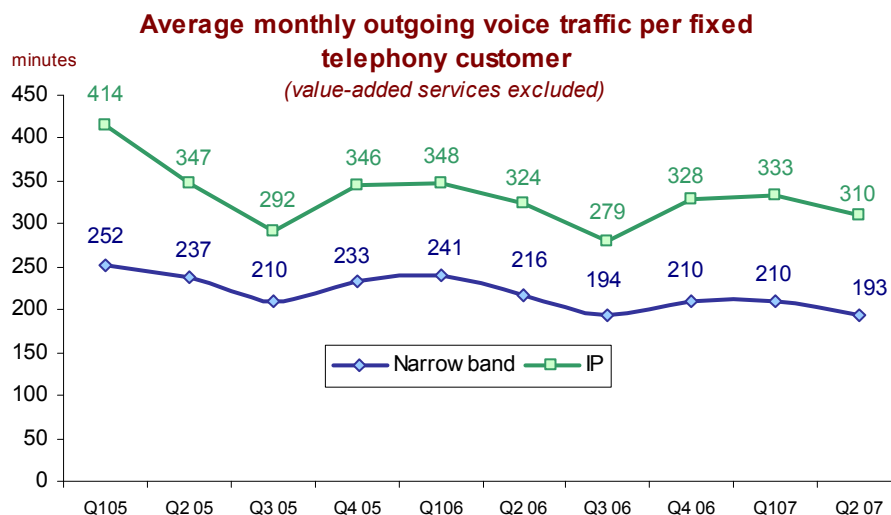
The average monthly invoice per dial-up (or broadband) Internet subscription is calculated by dividing the revenue from the dial-up (or broadband) Internet connections for quarter N by the estimated average number of customers for quarter N, and then by the number of months.



Average monthly traffic per customer (in hours)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Fixed PSTN/ISDN telephony user	3h36	3h14	3h30	3h30	3h13	-10,6%
Fixed IP telephony user	5h24	4h39	5h28	5h33	5h10	-4,3%
From dial-up Internet	11h17	10h47	11h00	11h41	11h23	0,9%

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

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



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

Further information concerning the average monthly invoice and volume indicators

With the growing use of broadband voice services as a second line, using the average revenue 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. It was accepted practice, in the case of digital lines, to take the number of channels subscribed to 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 which is already used for a PSTN telephone service. In order to facilitate comparisons over time, the "number of lines" indicator has been defined as:

- for digital lines: the number of channels subscribed for, i.e. two for BRI lines and up to 30 for PRI lines;
- for analogue lines - the PSTN subscriptions
 - the xDSL line subscriptions without a PSTN subscription;
- for cable telephone service subscriptions: the subscription

As far as revenues are concerned, the number of multiservice packages is constantly growing. These include the possibility of making unlimited calls to national fixed lines and to certain international destinations at no additional charge. Consequently, the overall bill covers an increasing range of services, regardless of the number of calls made (this also happens with mobile services). Internet access and telephone services are becoming increasingly inseparable.

The average invoice per line reflects what the customer pays per month for both telephone service and Internet access. The revenues taken into account are:

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

The following are not taken into account:

- revenues from payphones and phone cards
- revenues from other services linked to the Internet access, which correspond to the ISP revenues from online advertising and commissions paid to the ISPs in relation to online trading
- revenues from value-added services and information services

Number of fixed lines <i>(millions of units)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Number of fixed lines	33,851	33,767	34,085	34,109	34,229	1,1%

Fixed lines revenues <i>(millions of euros)</i>	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Change 2Q07/2Q06
Accès fees, internet, communications	3 592	3 591	3 699	3 718	3 698	3,0%

Average invoice and average volume per customer, ARPU or AUPU – How do they differ?

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.

Revenues from interconnection (incoming calls) are not taken into account. These indicators are not the same as the **ARPU** (Average Revenue Per User) figures which corresponds generally to the operators' revenues from all revenue related to the use of the network. For instance, in the case of mobile operators, the ARPU includes the revenue from outgoing calls, data services and value-added services *as well as* the revenue from incoming calls (interconnection). It may or may not include revenue from roaming, depending on the operator.

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

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