L'OBSERVATOIRE

The electronic communications services market in France in the 2nd quarter 2008

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AUTORITÉ DE RÉGULATION des Communications électroniques et des Postes

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Introduction

Revenues from electronic communications operators on the end market were €10.9 billion in the second quarter 2008. Interconnection services and sales on the wholesale market between operators generated €2.1 billion in additional revenues during the quarter.
Revenues from electronic communications services alone on the end market, i.e. excluding operators' related revenues such as from terminal sales, directories, advertising, hosting or call centre management, was €10.1 billion in the second quarter 2008, for a 3.9% increase over one year.
Traffic from fixed and mobile telephony services represented 53.1 billion minutes in the second quarter 2008, and this volume grew 4.0% over one year.

Fixed telephony and Internet

There were 40.0 million telephone service subscriptions at the end of the second quarter 2008. This number rose 2.9% over one year thanks to the development of broadband telephony which, with 12.5 million subscriptions at the end of the second quarter 2008, represented close to one-third (31.3%) of all telephone subscriptions. Still, the number of broadband telephone subscriptions grew by only 0.6 million during the second quarter 2008, compared with about one million during the previous six quarters. At the same time, the number of dial-up telephone subscriptions (27.5 million at the end of the quarter) dropped 2.7 million over one year.

The proportion of fixed lines supporting only a "traditional" telephone subscription on the PSTN declined, though they are still a majority. They represented just 64% at the end of the second quarter compared with 75% a year earlier. Conversely, a growing number of lines have a subscription to a voice-on-IP offer in addition to or replacing the PSTN subscription. Voice-on-IP offers replacing a PSTN subscription, created by the operators (both alternative operators and the incumbent) on fully unbundled lines or "naked ADSL", grew. So, 21% of fixed lines supported only a subscription to a telephone-on-IP service in June 2008 compared with 12% a year earlier. The number of subscriptions to telephony-on-IP offers in addition to the PSTN subscription also grew, but less strongly. This results in a slight increase in the proportion of lines on which two telephone subscriptions coexist, one on the PSTN and one on IP: it was 16% at the end of the second quarter 2008 compared with 14% a year earlier.

Revenues directly attributable to fixed telephony (revenues from subscriptions and calls) were close to €2.7 billion in the second quarter 2008 and dropped 1.9% over one year. At €1.5 billion, the "subscription" component represented close to 58% of these revenues. Despite the decline in the number of telephone subscriptions on the PSTN, revenues are balanced (+0.3% over one year in the second quarter 2008) in particular because of the telephone subscription tariff increase in July 2007. The share of revenues from telephone calls (excluding public payphones and cards) continued to shrink. Call revenues were down 3.4% over one year with €1.1 billion in the second quarter 2008.

Traffic originating on fixed phones (excluding public payphones and cards) reached 26.7 billion minutes in the second quarter 2008, and grew 5.4% over one year thanks to very strong growth in IP traffic (+47.6% over one year).
At 11.4 billion minutes, IP calls represented 42% of all traffic originating on fixed phones (compared with 30% a year earlier). IP telephony calls even represent the vast majority of international calls (63% IP minutes in the second quarter 2008). The share of long-distance calls to fixed phones (44% IP minutes) is also significant. Just 18% of minutes of fixed-mobile calls are made on IP.

Average monthly consumption of a telephony-on-IP service is two hours greater than that of PSTN telephony service (respectively 5 hours 10 minutes and 3 hours 5 minutes of calls per subscriber and per month in the second quarter 2008).

The number of Internet subscriptions reached 17.8 million at the end of the second quarter 2008, of which 93.3% (or 16.6 million) were accesses to high speed. The number of high-speed Internet accesses grew 2.5 million (+17.4%) in one year. This change marks a slowdown with respect to that observed a year earlier (3 million increase at the end of the second quarter 2007.
In June 2008, one-third of Internet subscriptions were based on unbundling (5.9 million at the end of the second quarter 2008), and primarily on fully unbundled lines (4.3 million).
Internet revenues rose 13.0% over one year in the second quarter 2008. It was €1.3 billion, of which 1.2 billion attributable to high-speed access. Revenues from dial-up declined at an annual rate of over 40% and are now marginal (2.3% of Internet revenues).

Mobile telephony

There were 56.0 million mobile telephony customers in France at the end of the second quarter 2008. Just over two-thirds (67%) of these customers have a flat-rate subscription. The growth in the number of customers reached 6.6% over one year in the second quarter 2008, or 3.5 million new customers. This rate of growth is comparable to that observed since the beginning of 2007.

Mobile multimedia services (access to mobile Internet, MMS) were used by close to 17 million customers during the quarter. Access to these services is rising thanks to 3G terminals and mobile networks (3G). So, the number of active users of 3G services (voice, video phone, mobile television, data transfer, etc.) reached 7.6 million at the end of the second quarter 2008, corresponding to 14% of mobile operator customers. In one year, this number rose by close to three million (+61.3%).

A full 301 000 numbers were ported in the second quarter 2008, almost twice as many as in the second quarter 2007.

Revenues from mobile services (telephony and data transfer) were €4.6 billion in the second quarter 2008. The annual growth rate of these revenues remains relatively high and has held at around 5 to 6% since early 2006 (+5.9% in the second quarter 2008). With €728 million in the second quarter 2008, revenues from data transfer services represented a growing share of mobile services revenues and have grown much more strongly than mobile telephony (+21.5% and +3.4% over one year, respectively).

Mobile telephony traffic represented 26 billion minutes in the second quarter 2008. After high annual growth rates in 2006 (around +15% over one year), this traffic saw a continuous and regular slump throughout 2007 before stabilising at an annual growth rate of about 4% (+3.5% over one year in the second quarter 2008) beginning in the fourth quarter 2007.
The traffic exchanged between mobiles on the same network (“on-net” traffic) stabilised at around 3 to 4% in annual growth (+3.0% over one year in the second quarter 2008) over the past year. The growth in the traffic to third-party mobile networks has been slowing since the beginning of 2007 (+6.5% in the second quarter 2008). The volume of calls to fixed phones has tended to stabilise over the past three quarters (-0.6% over one year in the second quarter 2008).

There were 7.8 billion interpersonnal messages sent during the second quarter 2008. For the third consecutive quarter, the volume of messages grew very strongly with respect to the previous quarter, bringing annual growth to 75.2%. Customers sent an average of 46 SMS per month in the second quarter 2008, compared with 28 a year earlier.

<u>Other market components</u>

Revenues from added-value services were €614 million in the second quarter 2008, changing little in the past two years. Revenues from “voice and telematic” services (75% of revenues from added-value services in the second quarter 2008) were down while revenues from data services (25% of revenues from added-value services) grew strongly (+34.4%).

The directory services activity is shrinking. Calls to directory services have been declining for the past two years. In the second quarter 2008, 31 million calls were received, 4 million fewer calls than a year earlier. Revenues generated by directory services (€39 million in the second quarter 2008) shrank by 7.8% over one year in the second quarter.

<u>Note</u> : The figures relating to a particular quarter may be revised from one issue to the next as a resul 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 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed services	3 860	3 902	3 945	*3 904*	3 958	2,5%
Fixed telephony (1)	2 704	2 766	2 753	*2 654*	2 652	-1,9%
Internet	1 156	1 136	1 193	*1 250*	1 306	13,0%
Mobile telephony (2)	*4 372*	*4 524*	*4 542*	*4 510*	4 630	5,9%
All telephony and Internet	***8 232***	***8 426***	***8 487***	***8 413***	**8 588**	**4,3%**
Advanced services	*611*	*629*	*659*	*644*	614	0,6%
Directory services. directories and advertising	42	41	41	38	39	-7,8%
Leased lines	357	349	369	*368*	358	0,3%
Data transport (3)	443	456	466	*459*	464	4,6%
Electronic communications services	**9 685**	**9 901**	**10 023**	***9 923***	**10 063**	**3,9%**
Others revenues (4)	837	*847*	1 012	761	866	3,4%
Entire market	**10 522**	***10 748***	**11 035**	***10 684***	**10 929**	**3,9%**

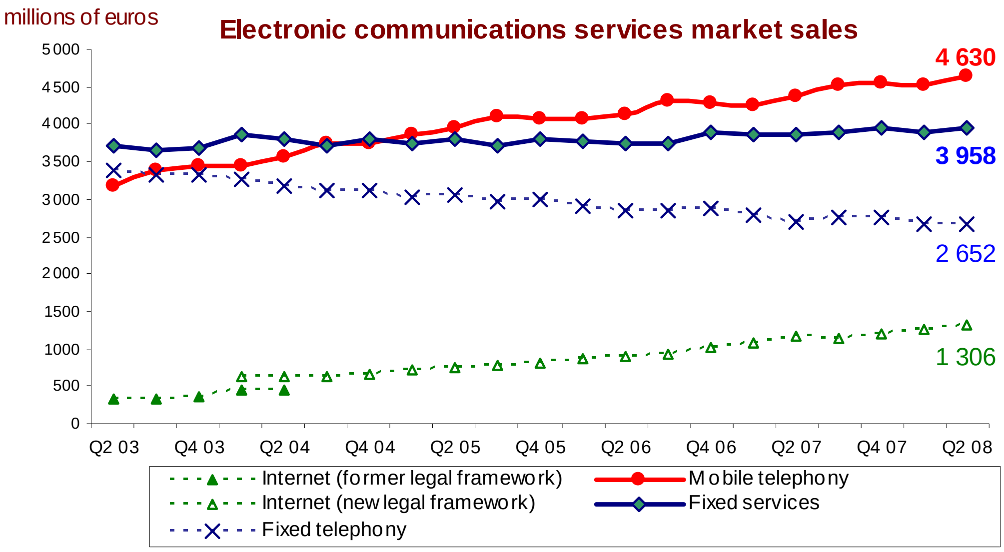
adjusted figures are in italics

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

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

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

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



Revenues from electronic communications services sold by operators on the end market (excluding operators' addition revenues) reached €10.1 billion in the second quarter 2008. Over one year, these revenues rose 3.9%.

Revenues from fixed network services (fixed telephony and Internet) were close to €4 billion in the second quarter 2008 and grew 2.5% over one year.

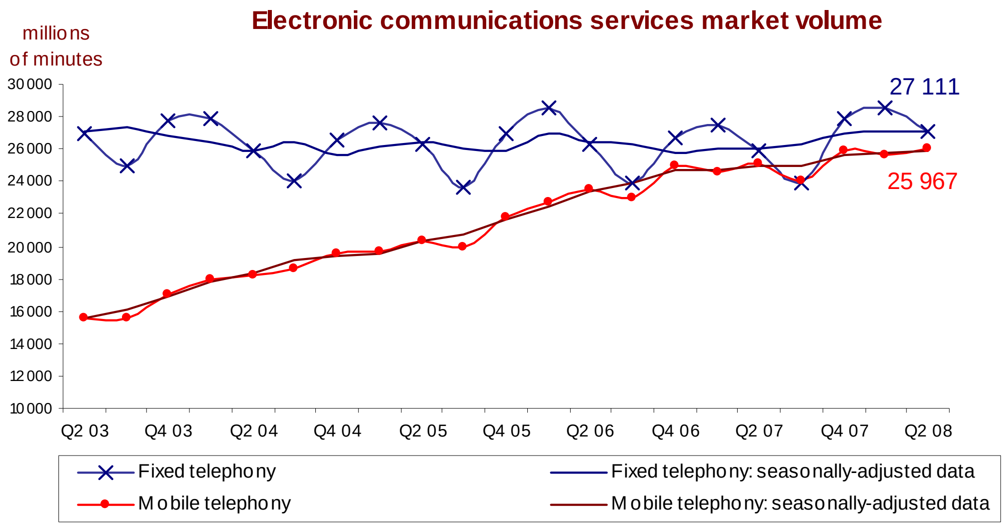
Revenues directly attributable to fixed telephony (revenues from subscriptions and calls), which have been shrinking for the past several years, declined 1.9% over one year. They were €2.7 billion in the second quarter 2008. Conversely, revenues from Internet services have been growing continuously (+13.0% over one year in the second quarter 2008) but the rate of

this growth, which reached 27.5% a year earlier, has since slowed progressively.
Revenues from mobile services, which have been growing regularly by 5 to 6% for the past two years (+5.9% over one year in the second quarter 2008), were €4.6 billion, or 46.0% of all revenues from electronic communications services.

Volumes *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed telephony	25 935	23 916	*27 898*	*28 607*	27 111	4,5%
Mobile telephony	25 082	24 064	25 866	*25 679*	25 967	3,5%
Total voice services	51 018	47 980	53 764	*54 287*	53 079	4,0%
Internet (dial-up)	4 269	3 354	3 037	2 798	2 584	-39,5%
Number of SMS sent *(millions of units)*	4 367	4 762	5 712	*6 732*	7 680	75,9%

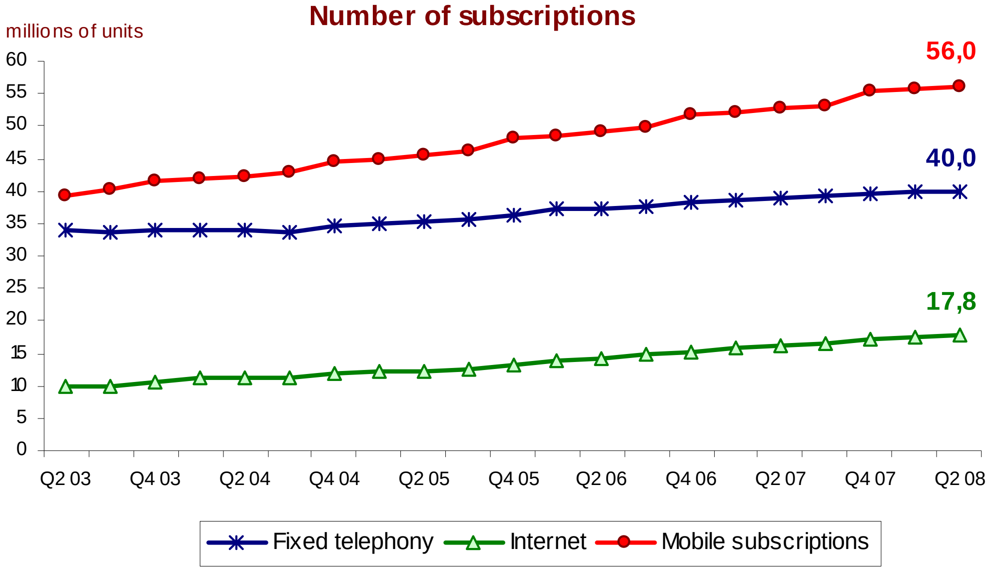
adjusted figures are in italics

The volume of "voice" services (on fixed and mobile network) was 53.1 billion minutes in the second quarter 2008 and was up 4.0% over one year.
The volume of calls originating on fixed phones (27.1 billion minutes in the second quarter 2008) grew 4.5% over one year thanks to the rapid expansion of telephony-on-IP, which represented 42% of the volume of minutes originating on fixed phones compared with 30% a year earlier.
Mobile telephony traffic was close to 26 billion minutes in the second quarter 2008. Growth in mobile traffic has been holding at an annual rate of about 4% since the last quarter of 2007.
Dial-up Internet volumes have been declining for the past several years. The decline reached 39.5% over one year in the second quarter 2008.
The number of SMS sent during a quarter has been growing strongly for the past three quarters. In the second quarter 2008, it equalled 7.7 billion messages, or 3.3 billion more than a year earlier.



Number of subscriptions *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of subscription to telephone service	38,857	39,188	39,589	*39,937*	39,976	2,9%
Internet subscriptions	16,062	16,511	17,059	*17,553*	17,845	11,1%
Number of mobile customers	52,585	53,179	55,349	55,743	56,044	6,6%

adjusted figures are in italics



Clarification on the "fixed services" segment

The fixed segment is composed of fixed telephony and Internet. By convention, the segmentation used in the Observatory covers all revenues from multi-service offers to Internet and includes only directly attributable revenues to fixed telephony revenues. The indicator for revenues directly attributable to fixed telephony services covers revenues from access fees and subscriptions to telephone service (PSTN and VoIP when invoiced separately from Internet service), revenues from calls made on fixed lines explicitly invoiced (PSTN and VoIP invoiced in addition to multiplay packages), revenues from public payphones and cards. Access to a voice-on-IP service and calls on IP, when included in the invoices for high-speed Internet packages, are not covered by this indicator: they are included in the "high-speed Internet access revenues" indicator and, more broadly, in the "Internet revenues" indicator.

1.2 The intermediate market (interconnection and wholesale markets)

1.2.1 The total market

Fixed network operators earned €1.1 billion in revenues on the intermediate market in the second quarter 2008. Revenues rose 4.4% over one year thanks in particular to growth in income from wholesale high-speed access services (unbundling, wholesale bitstream offers, etc.) which reached €432 million on the quarter (+17.5% over one year).
The contribution of earnings from the wholesale subscription offer helped to stabilise revenues from interconnection services related to telephone service which reached €707 million in the second quarter 2008.
At the same time, fixed operators' interconnection traffic dropped 12.5% over one year, even as the retail market was growing (long-distance fixed and mobile-fixed traffic). The consolidation of the fixed market (merger between Neuf Telecom and Cegetel) begun in 2007, is probably the cause of this change.
The volume of mobile operators' interconnection minutes rose 7.4% over one year in the second quarter 2008. Due to the decline in the wholesale mobile call termination tariff, introduced on 1st January 2008 (13% declines for Orange France and SFR and 8% for

Bouygues Telecom), revenues generated by mobile operators' interconnection services (voice and data) declined 4.1% over one year (€993 million in the second quarter 2008).
Revenues and volumes from dial-up Internet interconnection services were marginal and declined rapidly, at an annual rate of over 40%.

Interconnection services *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed operators	1 096	1 125	1 139	*1 153*	1 144	4,4%
of which telephony services	718	733	721	*724*	707	-1,6%
of which dial-up Internet	10	8	7	7	5	-47,4%
of which broadband services	368	385	412	*422*	432	17,5%
Mobile operators	1 035	1 077	1 040	900	993	-4,1%
Revenue	**2 131**	**2 202**	**2 179**	***2 052***	**2 137**	**0,3%**

adjusted figures are in italics

Interconnection services *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed operators	37 192	33 088	35 891	*35 681*	32 553	-12,5%
Internet (dial-up)	2 261	1 813	1 724	*1 652*	1 337	-40,9%
Mobile operators	10 614	10 631	10 954	11 014	11 400	7,4%
Volume	**50 067**	**45 532**	**48 569**	***48 348***	**45 289**	**-9,5%**

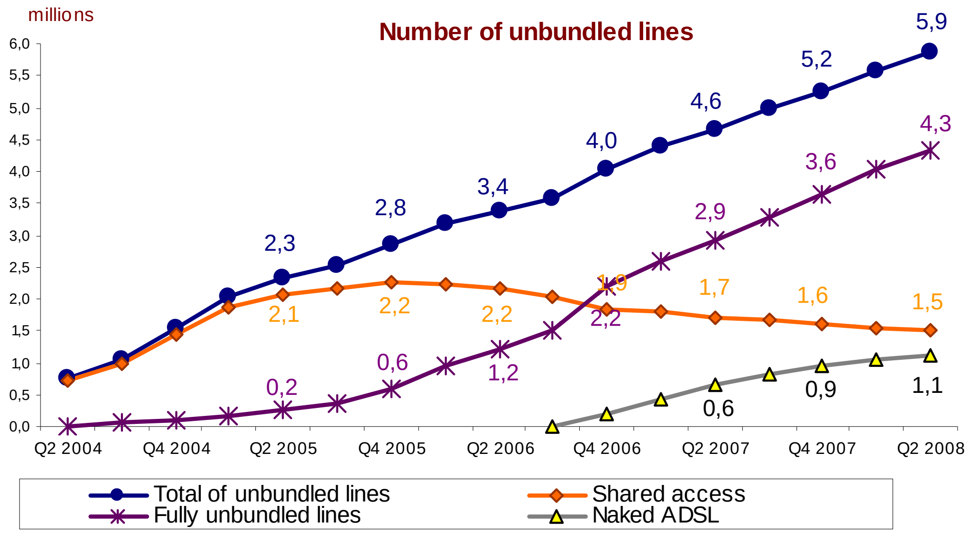
adjusted figures are in italics

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 revenues from one quarter to the next.
- 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).
- 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
.

There were 5.9 million unbundled lines at the end of the second quarter 2008 representing 17.0% of all fixed lines. Three-quarters of unbundled lines (4.3 million) are now fully unbundled and their number grew 1.4 million in one year. Full unbundling is now showing strong growth (+48.3% over one year in the second quarter 2008).
The number of partially unbundled lines (1.5 million at the end of the second quarter 2008) has been shrinking for the past two years.

Unbundling *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Partially unbundled lines	1,715	1,676	*1,613*	*1,554*	1,523	-11,2%
Fully unbundled lines	2,926	3,293	*3,625*	*4,033*	4,340	48,3%
Number of unbundled lines	**4,640**	**4,969**	***5,239***	***5,587***	**5,863**	**26,3%**

adjusted figures are in italics



"Naked ADSL" *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of lines	0,643	0,808	0,942	1,052	1,123	74,7%

At the end of June 2008, alternative operators had bought 1.1 million “naked ADSL” lines from the incumbent. The volume of these purchases rose by close to 75% over one year.

1.2.2 Incoming international interconnection[1]

Revenues from operators earned €143 million from incoming international interconnection services in the second quarter 2008. The volume of traffic from abroad and terminating on French fixed networks is down slightly (-2.3% over one year in the second quarter 2008) whereas that terminating on French mobile networks rose 15.7% over one year.

Revenue of incoming international interconnection services *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed operators	99	115	96	91	98	-1,4%
Mobile operators	42	49	47	44	45	6,8%
Revenue	**141**	**164**	**143**	**135**	**143**	**1,1%**

Volume of incoming international interconnection services *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed operators	2 190	2 227	2 137	1 991	2 140	-2,3%
Mobile operators	554	610	593	*606*	641	15,7%
Volume	**2 744**	**2 836**	**2 730**	***2 597***	**2 781**	**1,3%**

adjusted figures are in italics

[1] This segment de market is un sous ensemble du market total (cf. 1.2.1)

1.2.3 Mobile operators roaming-in[2]

Roaming in	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Revenue *(millions of euros)*	180	227	144	136	162	-10,0%
Volume *(millions of minutes)*	413	543	366	402	478	15,7%

Note: Roaming-in is a service whereby a French mobile operator carries calls made and received in France by customers of foreign mobile operators. Revenues correspond 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.

[2] This segment de market is un sous ensemble du market total (cf. 1.2.1)

2 Market segments

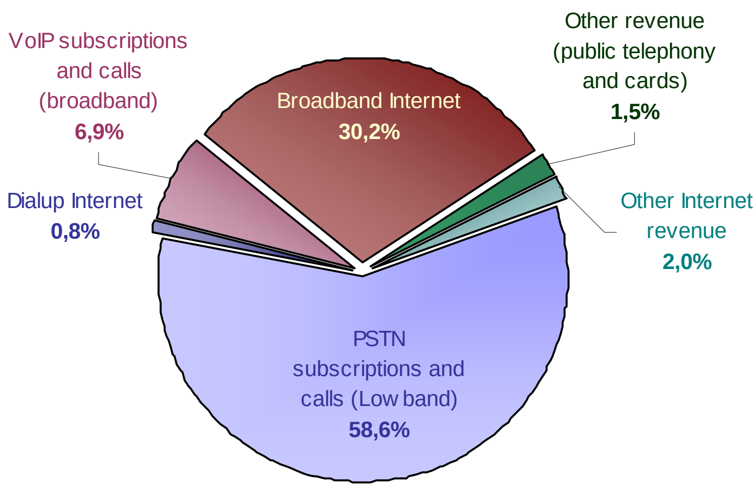
2.1 Fixed networks services

Revenues from high-speed services (broadband fixed telephony and high-speed Internet) grew 20.4% over one year in the second quarter 2008. They represented 37.1% of revenues from services offered on fixed networks. Revenues from dial-up services on fixed networks (PSTN telephony, dial-up Internet) shrank 5.0% during the same period, as did other revenues such as public payphones, cards and additional Internet access revenues, down 16.0%.

Revenue of fixed networks services *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Narrowband Revenue	**2 474**	**2 480**	**2 445**	***2 374***	**2 350**	**-5,0%**
Subscriptions and calls originating on PSTN/ISDN	2 420	2 434	2 408	*2 339*	2 319	-4,2%
Dial-up Internet	54	45	37	35	31	-43,1%
Broadband Revenue	**1 219**	**1 270**	**1 369**	***1 396***	**1 468**	**20,4%**
Subscriptions and calls originating on VoIP services	207	249	282	*257*	274	32,3%
Broadband Internet	1 012	1 021	1 086	*1 139*	1 194	18,0%
Other revenue	**167**	**153**	**131**	***133***	**140**	**-16,0%**
Public payphones and cards	77	83	62	58	59	-23,2%
Other Internet revenue	90	70	69	75	81	-9,8%
Revenue of fixed lines services	**3 860**	**3 902**	**3 945**	**3 904**	**3 958**	**2,5%**

adjusted figures are in italics

Revenue of fixed networks services (Q2 2008)



2.2 Fixed telephony

2.2.1 Access, suscriptions and fixed lines

There were 40 million subscriptions to telephone service at the end of the second quarter 2008. Annual growth in the number of telephone subscriptions (2.9% in the second quarter 2008) is based entirely on the development of broadband voice services.
There were 12.5 million subscriptions to a broadband telephony service (IP DSL or cable subscriptions) up 43.9% over one year at the end of the second quarter 2008, or close to one-third of telephone subscriptions. Still, this number grew by only 0.6 million during the second quarter 2008, compared with one million during the previous three quarters.

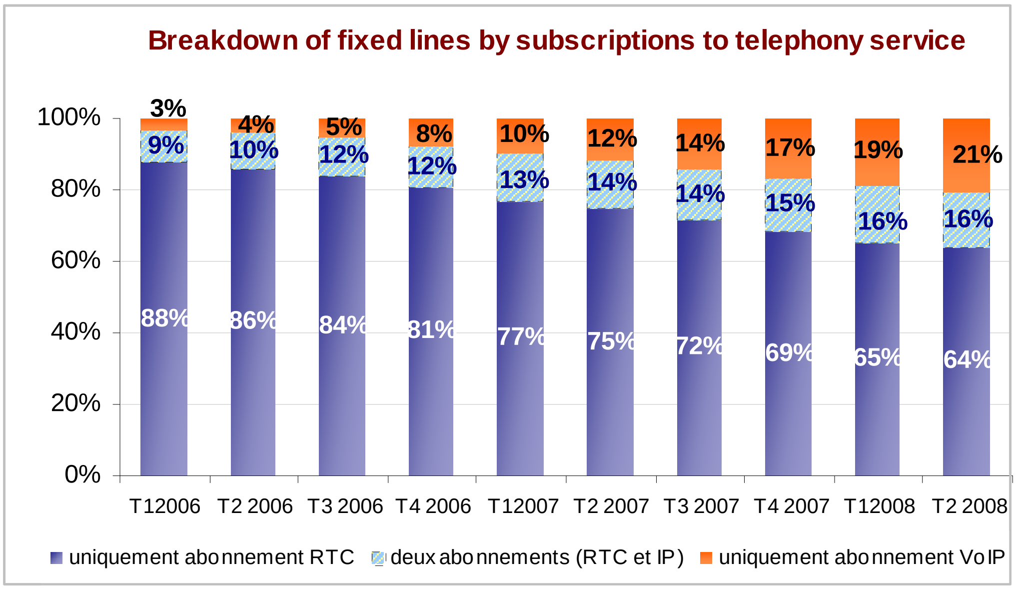
The number of dial-up subscriptions (on analogue or digital lines and on cable) has been declining for over three years. With 27.5 million subscriptions at the end of the second quarter 2008, this number was down 2.7 million over one year.
Resulting from the sale of wholesale telephone subscription offers, 820 000 subscriptions to telephone service on the PSTN (or 3.0% of these subscriptions) are now invoiced directly to customers by an altnerative operator.

Number of subscriptions to telephone service *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Subscription on narrow band access (analogue or digital lines, cable)	30,162	29,461	28,750	*28,017*	27,459	-9,0%
Access resales	0,447	0,594	0,703	*0,762*	0,820	83,4%
Subscription on broadband access (IP DSL,cable)	8,695	9,727	10,839	*11,919*	12,516	43,9%
DSL lines without narrowband access	3,869	4,760	5,467	*6,204*	6,822	76,3%
Number of subscriptions to telephone service	**38,857**	**39,188**	**39,589**	**39,937**	**39,976**	**2,9%**

adjusted figures are in italics

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".

While most (64% at the end of the second quarter 2008) telephone lines host just one subscription to "traditional" telephony on the PSTN, a growing share of lines now supports a telephone-on-IP service. Operators can create these voice-on-IP offers on:
- fully unbundled lines or in "naked ADSL". The customer only has a subscription to a voice-on-IP service and no longer a "traditional" telephone subscription on the PSTN. The proportion of these lines is growing constantly, and represented 21% of all fixed lines at the end of the second quarter 2008, compared with 12% a year earlier.
- partially unbundled lines or based on wholesale "bitstream" offers (excluding "naked ADSL"). In this case, the subscription to a voice-on-IP service is in addition to a PSTN telephone subscription, which the user keeps. The proportion of these lines is up slightly, in particular thanks to the development of wholesale telephone subscription offers. At the end of the second quarter 2008, 16% of lines in service supported two subscriptions to telephone service compared with 14% a year earlier.



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 over one year 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.

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

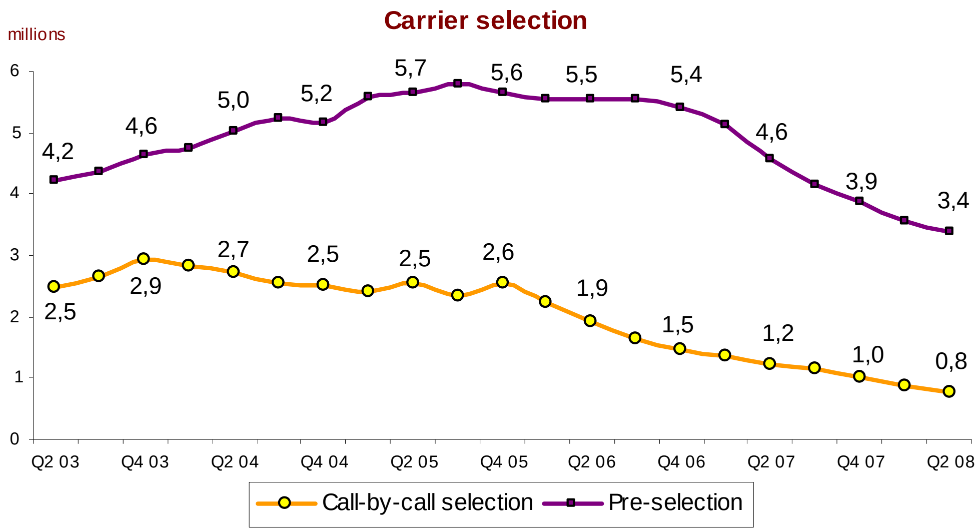
During the second quarter 2008, 444 000 numbers where kept through "porting" between fixed telephony operators. This number is down -21.1% over one year.

Portability *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of fixed numbers ported during the quarter	0,563	0,545	0,665	0,668	0,444	-21,1%

Telephony offers based on carrier selection concerned 4.1 million customers at the end of the second quarter 2008, or 1.7 million fewer in one year. The decline in these offers has been continuous since the beginning of 2006, and is tending to accelerate, due to the replacement of these offers by telephony-on-IP offers or by offers including a telephone subscription.
The number of subscriptions to pre-selection (3.4 million at the end of the second quarter 2008) declined 1.2 million over one year. This number has been declining since the beginning of 2006, but at a faster pace of about -25% over the past year.
There were just 0.8 million subscriptions call-by-call selection offers at the end of the second quarter 2008, declining at a high annual rate of -30 to -40% since the end of 2006.

Carrier selection *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Call by call selection	1,237	1,157	1,028	*0,887*	0,753	-39,1%
Pre-selection	4,571	4,159	3,856	*3,573*	3,381	-26,0%
Number of indirect connections	**5,808**	**5,316**	**4,884**	***4,460***	**4,123**	**-29,0%**

adjusted figures are in italics



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

Global access revenues (€1.5 billion in the second quarter 2008) held stable (+0.3% over one year) in spite of the decline in the number of "traditional" telephone subscriptions on the PSTN (down 9.0% over one year in the second quarter 2008) and corresponding revenues. Access revenues, which represented close to 58% of all revenues from fixed telephony services, are balanced in particular due the increase in France Telecom's telephone subscription monthly fee (+6.7% at 1st July 2007.

Access revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Access fees, subscriptions and additional services	1 490	1 563	1 545	1 517	1 494	0,3%
of which from IP subscriptions	112	145	152	125	137	22,8%

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

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

Revenues directly attributable to telephone calls from fixed lines were €1.1 billion in the second quarter 2008. These revenues declined 3.4% over one year primarily due to revenues from calls made on the PSTN (down 7.6% over one year in the second quarter 2008). Revenues from calls originating on IP access (€136 million in the second quarter 2008) were up 43.5% over one year. Still, since most IP calls are included in a high-speed Internet package, they are not counted in these revenues.

Revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
National calls	591	553	558	*530*	533	-9,9%
International calls	128	140	147	136	147	14,8%
Calls to mobiles	418	427	441	412	419	0,3%
All calls from fixed lines	**1 137**	**1 120**	**1 145**	***1 079***	**1 099**	**-3,4%**
Of which calls originating on PSTN/ISDN	1 042	1 016	1 015	*947*	963	-7,6%
Of which calls originating on VoIP services	95	105	130	131	136	43,5%

adjusted figures are in italics

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

Traffic originating on fixed lines (PSTN and IP traffic) was up 5.4% over one year. It reached a total volume of 26.7 billion minutes in the second quarter 2008.

The volume of fixed long-distance calls, which represented over 80% of the total volume of calls made on fixed lines, continued to grow (+5.0% over one year in the second quarter 2008). While the volume of long-distance calls made on the PSTN was down (-13.5% over one year in the second quarter 2008), the volume of long-distance calls made on IP was up strongly (+44.6% over one year).

International traffic rose 25.2% over one year in the second quarter 2008. The development of this traffic is encouraged by the very strong increase in the volume of international calls made on IP (+70.7% over one year in the second quarter 2008), whereas traffic from international calls made on the PSTN declined 13.6% during the same period.

Volumes *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
National calls	20 791	18 968	22 526	*23 259*	21 837	5,0%
International calls	1 574	1 576	1 856	*1 928*	1 970	25,2%
Calls to mobiles	3 009	2 859	3 054	*3 005*	2 932	-2,6%
All calls from fixed lines	**25 374**	**23 403**	**27 437**	***28 192***	**26 739**	**5,4%**
Of which calls originating on PSTN/ISDN	17 680	15 631	17 047	*16 786*	15 382	-13,0%
Of which calls originating on VoIP services	7 694	7 772	10 389	*11 405*	11 357	47,6%

adjusted figures are in italics

Note:

- 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).

a) Calls on the PSTN

Revenue of calls originating on PSTN/ISDN *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
National calls	588	550	553	*525*	527	-10,4%
International calls	103	112	106	*98*	108	4,8%
Calls to mobiles	351	354	356	324	327	-6,7%
All calls originating on PSTN/ISDN	**1 042**	**1 016**	**1 015**	**947**	**963**	**-7,6%**

adjusted figures are in italics

Volumes of calls originating on PSTN/ISDN *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
National calls	14 161	12 340	13 651	*13 522*	12 249	-13,5%
International calls	850	801	810	*795*	734	-13,6%
Calls to mobiles	2 670	2 490	2 586	*2 469*	2 399	-10,1%
All calls originating on PSTN/ISDN	**17 680**	**15 631**	**17 047**	***16 786***	**15 382**	**-13,0%**

adjusted figures are in italics

The volume of minutes of calls originating on the PSTN was 15.4 billion minutes in the second quarter 2008 and declined 13.0% over one year. Revenues generated by these communications also declined (-7.6% over one year).

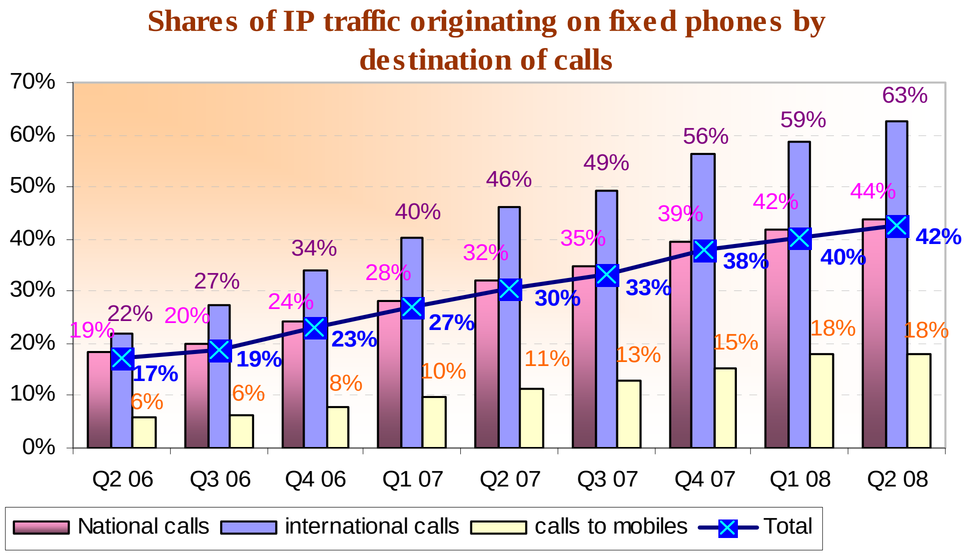
b) Calls on IP originating on fixed networks

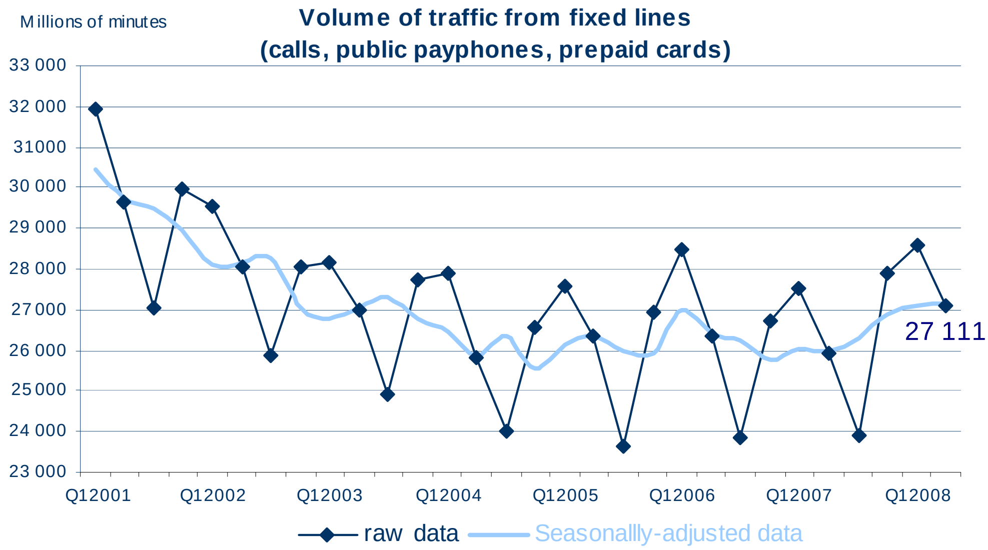
Volumes (IP trafic) *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
National calls	6 630	6 628	8 875	*9 736*	9 588	44,6%
International calls	724	776	1 046	*1 134*	1 236	70,7%
Calls to mobiles	339	368	468	*536*	533	57,1%
All IP calls	**7 694**	**7 772**	**10 389**	***11 405***	**11 357**	**47,6%**

adjusted figures are in italics

The volume of calls originating on IP access represented 11.4 billion minutes in the second quarter 2008. In one year, IP traffic originating on fixed lines grew 47.6%. In the second quarter 2008, it represented 42.5% of the total volume of minutes originating on fixed phones compared with 30.3% a year earlier.

The rapid development of IP telephony in traffic originating on fixed networks is encouraged by the inclusion of so-called unlimited calling offers in "multiplay" packages, in particular for calls to national and international fixed phones. The share of IP telephony is therefore particularly notable for international calls where the proportion of IP traffic reached 63% in the second quarter 2008. A significant share of long-distance calls to fixed phones (44%) is also now being sent on IP, whereas just 18% of fixed-mobile call minutes are made on IP.





Notes:
- The volume of traffic originating from 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

In seasonally adjusted data, after declining for several years, the volume of traffic originating on fixed phones has held firm for more than three years at a level of about 26 billion minutes. For the third consecutive quarter, it is at a higher level of 27 billion minutes in adjusted data.

2.2.3 Fixed telephony cards and public payphones

Charge and prepaid cards	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Revenue *(millions of euros)*	41	41	31	32	31	-23,4%
Volume *(millions of minutes)*	434	380	337	329	284	-34,6%

Public telephony	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of public payphones at end of quarter *(units)*	164 375	162 267	159 799	157 656	155 114	-5,6%
Revenue *(millions of euros)*	36	41	31	26	28	-22,9%
Volumes *(millions of minutes)*	128	133	125	87	89	-30,7%

The number of public payphones in service has been declining for the past three years by about 10 000 phones per year (or a 5.6% decline over one year in the second quarter 2008). Revenues and the volume of calls correspondants declined by -22.9% and -30.7%, respectively.

2.3 Internet on fixed networks

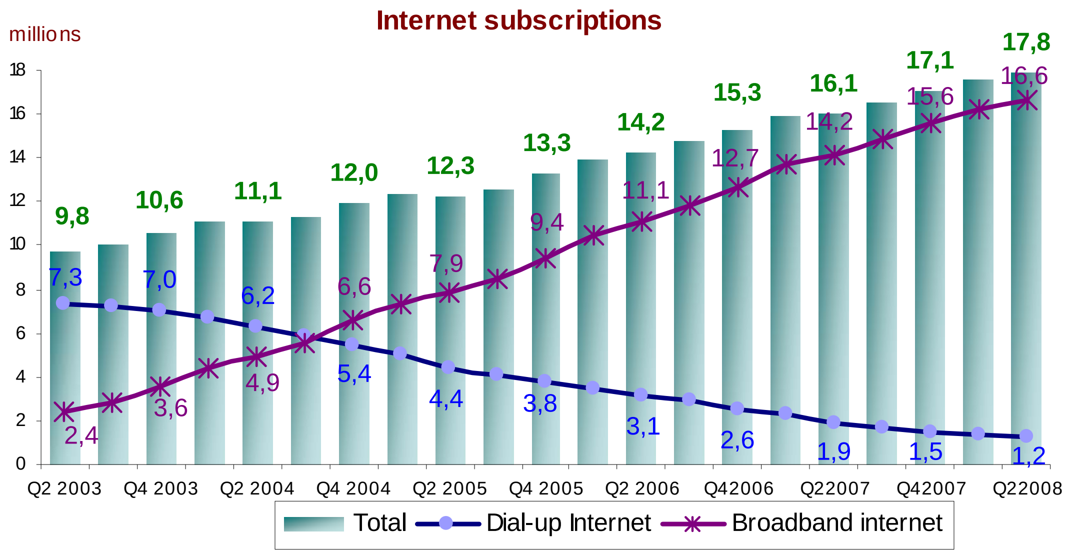
There were 17.8 million subscriptions to Internet access at the end of the second quarter 2008. High-speed access represented 93.3% of Internet accesses, or 16.6 million. The growth in the number of high-speed accesses remained strong in the second quarter 2008. In one year, 2.5 million new high-speed subscriptions were purchased, up 17.4% over one year. Still, this growth is slower than a year earlier (3 million increase at the end of the second quarter 2007).
Revenues from all Internet accesses were up 13.0% over one year in the second quarter 2008 and reached €1.3 billion (of which €1.2 billion attributable to high-speed access alone). The average monthly invoice for a high-speed Internet subscription (which has varied little in the past two years) was €24.20 excluding VAT in the second quarter 2008.

The number of dial-up Internet accesses has been declining for the past several years and, with 1.2 million at the end of the second quarter 2008, were down 36.4% over one year. The decrease in the volume of connection minutes and in the revenues generated by these dial-up connections is similar (about -40% over one year). The average invoice of a dial-up subscriber was €8.00 excluding VAT per month in the second quarter 2008.

Internet subscriptions *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Dial-up	1,892	1,699	1,508	1,337	1,204	-36,4%
Broadband	14,170	14,812	15,551	*16,216*	16,641	17,4%
Internet subscriptions	**16,062**	**16,511**	***17,059***	***17,553***	**17,845**	**11,1%**

adjusted figures are in italics

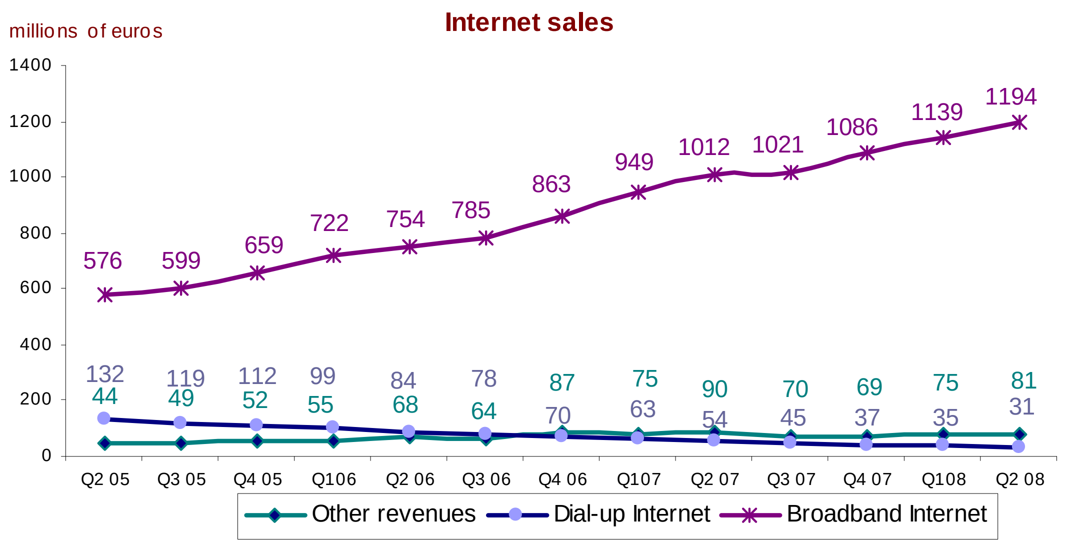
Note: There may be a time lag between the delivery of a service on the wholesale market (LLU or bitstream) and its actual availability on the retail market. A comparison between the data relating to these different markets might reflect this.



Total Internet revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Dial-up	54	45	37	35	31	-43,1%
Broadband	1 012	1 021	1 086	*1 139*	1 194	18,0%
Other revenue	90	70	69	75	81	-9,8%
Total Internet revenue	**1 156**	**1 136**	**1 193**	***1 250***	**1 306**	**13,0%**

adjusted figures are in italics

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



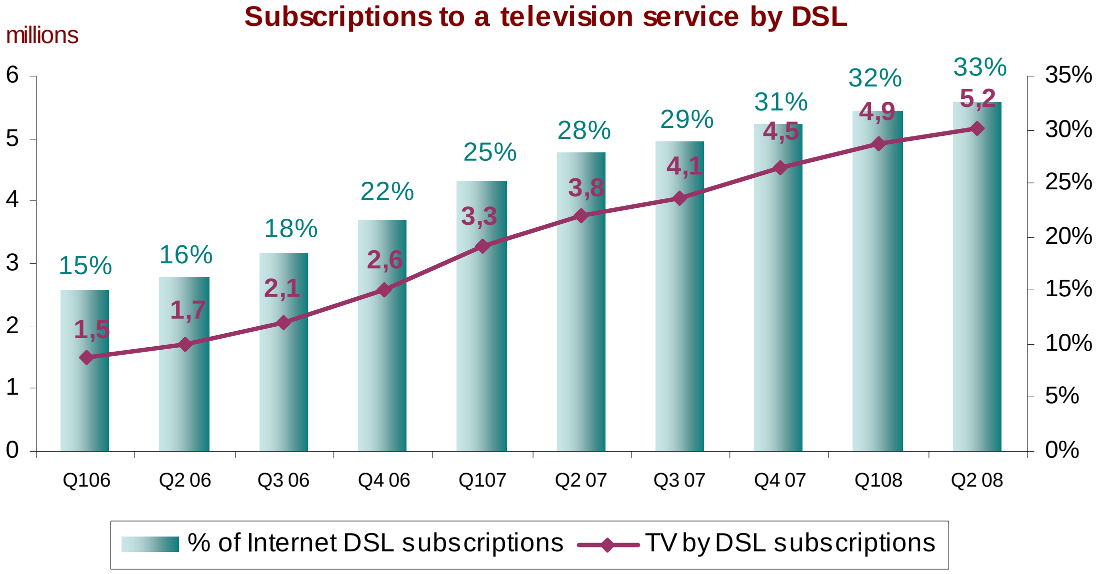
Volumes of dial-up Internet *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Volumes of dial-up Internet	4 269	3 354	3 037	2 798	2 584	-39,5%

2.4 Internet and television on xDSL

There were 15.8 million Internet subscriptions via ADSL at the end of the second quarter 2008, or 2.4 million more than a year earlier.
Subscriptions to a television service via ADSL technology slowed slightly. There were 5.2 million subscriptions at the end of the second quarter 2008, up 1.4 million in one year.

Subscriptions *(millions)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Subscriptions to Internet on DSL	13,455	14,090	14,805	*15,473*	15,856	17,8%
Subscriptions to television services on DSL	3,753	4,059	4,534	*4,920*	5,167	37,7%
% of subscriptions to television services	27,9%	28,8%	30,6%	31,8%	32,6%	16,8%

adjusted figures are in italics



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, that include access to one or more other services besides television (Internet, telephone service).

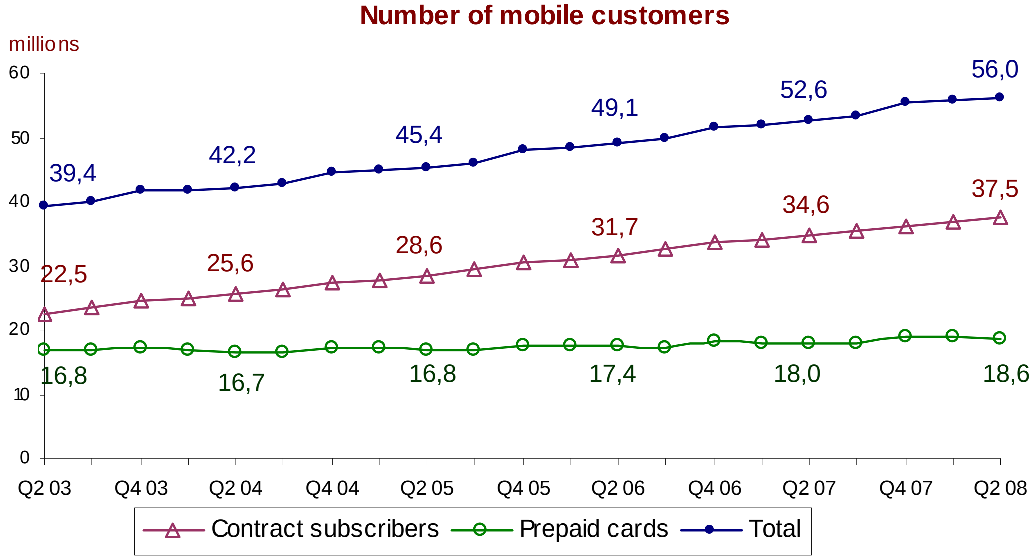
2.5 Mobile telephony

2.5.1 Subscriptions

Number of mobile customers *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Contract subscribers	34,572	35,302	36,298	36,843	37,477	8,4%
Prepaid cards	18,012	17,878	19,051	18,901	18,567	3,1%
*of which active prepaid cards **	17,026	16,835	17,776	17,556	17,070	0,3%
Mobile Telephonie	**52,585**	**53,179**	**55,349**	**55,743**	**56,044**	**6,6%**

*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.

There were 56.0 million customers to a mobile telephony service at the end of the second quarter 2008. Just over two-thirds of these customers (66.9%) chose a flat-rate subscription. The growth in the number of SIM cards has been holding at a relatively high level (close to 7%) since the beginning of 2007. It was 6.6% over one year in the second quarter 2008, representing an increase of 3.5 million customers.

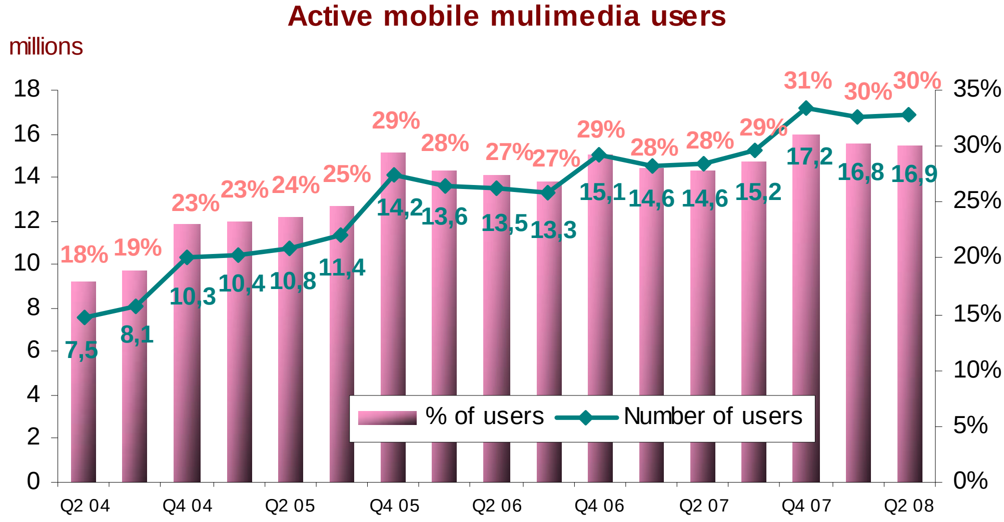


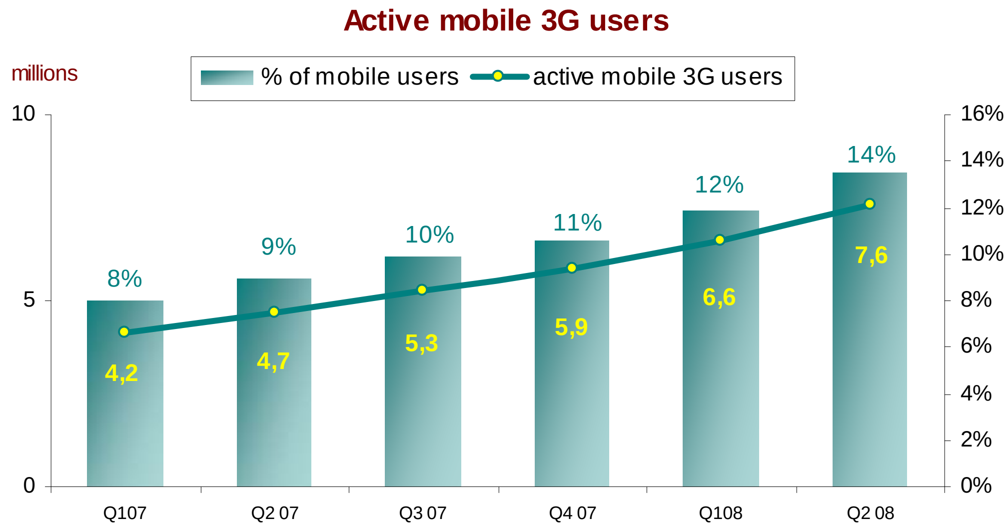
Multimedia users and 3G users *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Active mobile multimedia users	14,590	15,189	17,190	*16,804*	16,881	15,7%
Active mobile 3G users	4,702	5,260	5,879	6,611	7,583	61,3%

adjusted figures are in italics

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

There were close to 17 million users of mobile multimedia services (access to “mobile Internet”, MMS services, etc.) in the second quarter 2008, for 15.7% growth over one year.
Services available on 3G mobile networks were used at least once during the second quarter 2008 by 7.6 million customers (or 14% of all of the mobile operators’ customers). Growth in the number of 3G users is strong, reaching 61.3% over one year in the second quarter 2008, and representing close to three million new customers.

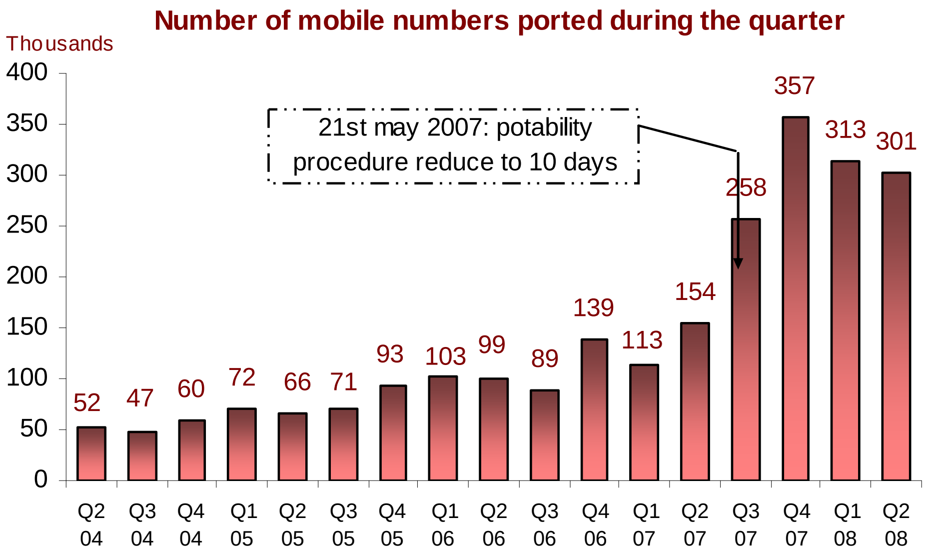




Portability *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of mobile numbers ported during the quarter	0,154	0,258	0,357	0,313	0,301	95,1%

Note: The number of ported numbers is defined as the number of telephone numbers effectively ported to another operator (numbers activated by the receiving operator) during the course of the quarter in question. Scope: Mainland France and overseas dependencies.

In the second quarter 2008, the number of ported mobile numbers reached 301 000, almost twice the number in the second quarter 2007. The number of numbers ported from one operator to another duing a quarter has grown strongly since the implementation of a simplified mobile number portability procedure on 21st May 2007.



2.5.2 Income and volume indicators

Revenues from mobile services (telephony and data transport) were €4.6 billion in the second quarter 2008 and rose 5.9% over one year. The annual growth in revenues from mobile services has been holding at a relatively strong rate of 5% to 6% since the beginning of 2006.
Revenues from data transfer services on mobile networks (personal messaging services, mobile Internet and multimedia services) were €728 million in the second quarter 2008. Although these revenues still represented just 15.7% of revenues from mobile operators, their growth (+21.5% over one year in the second quarter 2008) is faster than that of mobile telephony (+3.4% during the same period).

Revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Mobile telephony	3 773	3 884	3 863	*3 792*	3 903	3,4%
of which outgoing internationals calls	159	175	173	*172*	173	8,6%
Data transport on mobile networks	*599*	*640*	*679*	*718*	728	21,5%
of which interpersonal messaging (SMS, MMS)	398	415	435	459	451	13,5%
of access to mobile Internet & to multimedia services (1)	*201*	*225*	*244*	259	276	37,3%
Total mobile telephony and data transport	***4 372***	***4 524***	***4 542***	***4 510***	**4 630**	**5,9%**

adjusted figures are in italics

Note: Following changes in accounting methods, certain revenues which were previously included with data transfer revenues, are now included with mobile operators' "data" added-value services revenues, in accordance with the Observatory definition. The data in the table below take these corrections into account.

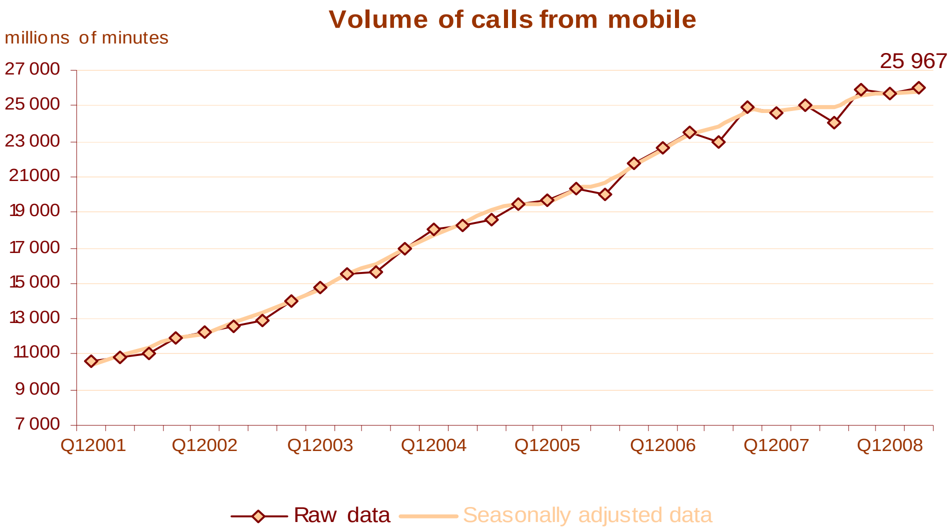
Volumes *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Calls to national fixed lines	4 749	4 525	4 803	*4 708*	4 719	-0,6%
Calls to mobiles on the same network (1)	13 291	12 494	13 812	*13 823*	13 695	3,0%
Calls to other networks	6 402	6 250	6 578	*6 488*	6 822	6,5%
Outgoing internationals calls	327	361	369	363	382	16,8%
Roaming out (2)	313	435	303	298	350	11,8%
Total mobile telephony	**25 082**	**24 064**	**25 866**	**25 679**	**25 967**	**3,5%**

adjusted figures are in italics

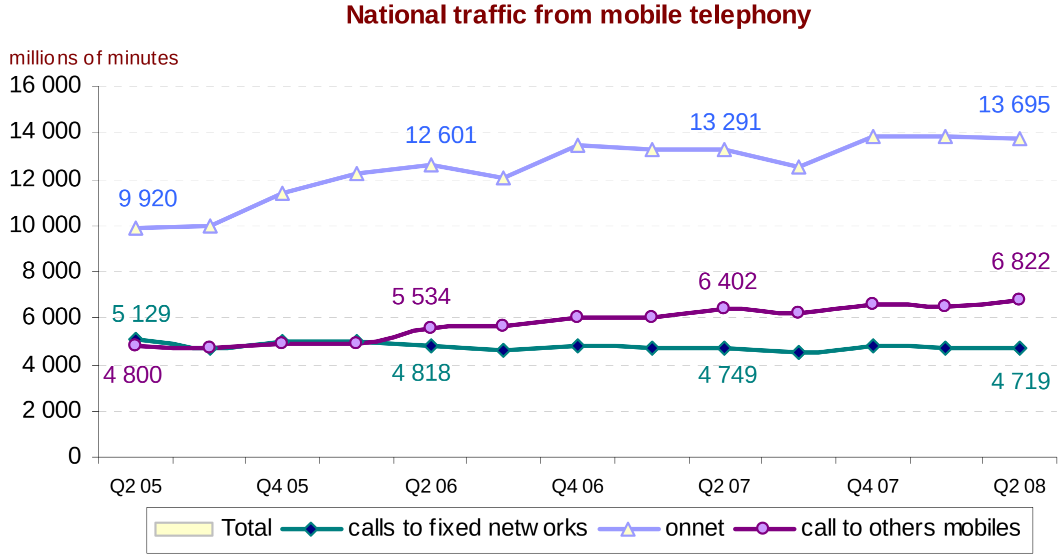
(1) onnet calls on the same network (MNO or MVNO)

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

The volume of traffic originating on mobiles represented close to 26 billion minutes in the second quarter 2008. Following strong growth (around 15%) throughout 2006, the annual growth rate of traffic originating on mobiles slowed sharply throughout 2007 (falling from 8.6% at the start of the year to 3.9% in December). This rate has since stabilised at around 4% (+3.5% over one year in the second quarter 2008).
The slowdown in the growth of traffic volume observed in 2007 is due primarily to the slowdown in the growth of the volume of calls made between mobiles on the same network ("on-net" traffic). Indeed, the growth rate of "on-net" traffic declined in 2007, stabilising at around 3% to 4% since the beginning of 2008. The "on-net" volume which includes calls to voice messaging and operators' short numbers (about 9% of this volume), represented over half of the volume of traffic originating on mobiles.
The volume of mobile calls to fixed telephones is tending to stabilise. While this volume had declined by close to 5% over one year in early 2007, the decline in the volume was less than 1% during the past three quarters (-0.6% over one year in the second quarter 2008).



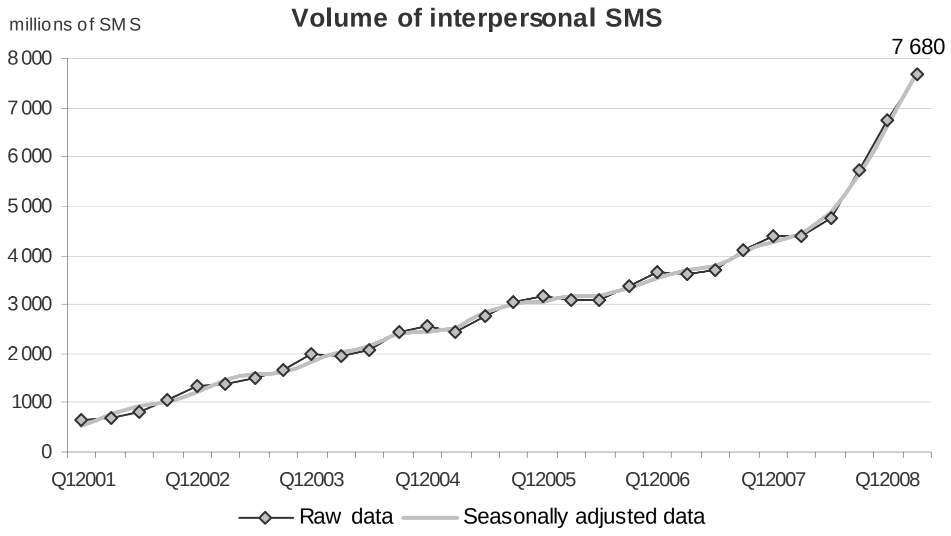
(The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website)



Mobile operators' customers sent 7.8 billion interpersonal messages (SMS and MMS) during the second quarter 2008, for an increase of one billion during the quarter for the third consecutive quarter. This very strong growth in interpersonal messaging is propped up largely by "unlimited texting" offers proposed by mobile operators. It reached +75.2% over one year in the second quarter 2008. Growth is as strong for customers having flat-rate packages as for those using pre-paid cards.
A customer sends 46 SMS per month on average, or 18 more messages than a year earlier. A customer having a flat-rate package generally has a higher level of consumption than a customer using a pre-paid card (54 SMS and 29 SMS per month, respectively).

Volumes of interpersonnal messages *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of interpersonnal SMS	4 367	*4 762*	*5 712*	*6 732*	7 680	75,9%
of witch from contract subscribers	3 428	*3 789*	*4 586*	*5 419*	6 046	76,4%
of witch from prepaid cards	938	971	1 125	1 313	1 633	74,1%
Number of interpersonnal MMS	66	67	*76*	*86*	87	31,8%
Number of messages sent	**4 434**	***4 829***	***5 790***	***6 817***	**7 767**	**75,2%**

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)

2.6 Other market components

2.6.1 Value added services (excluding directory services)

Note: Following changes in accounting methods, certain revenues which were previously included with data transfer revenues, are now included with mobile operators' "data" added-value services revenues, in accordance with the Observatory definition. The data in the table below take these corrections into account.

Revenues from added-value services (€614 million in the second quarter 2008) were up slightly (0.6% over one year). Revenues from "voice and telematic" services still represented 75% of these revenues but are slipping (-7.2% in the second quarter 2008). Revenues from data services have been growing strongly and progressively (+34.4% in the second quarter 2008) and now represent 25% of revenues from added-value services.
During the quarter, 1.2 billion calls, generating a volume of traffic of 3.1 billion minutes, were made to "voice and telematic" services. Over 86% of calls and of the volume of minutes to these services originated on fixed phones.

Value added services revenue* *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Value added "voice" services	496	498	519	518	460	-7,2%
From fixed telephony network	299	301	317	312	285	-4,5%
From mobile telephony network	198	197	202	207	175	-11,2%
Value added "data" services	*115*	*132*	*140*	*126*	154	34,4%
Value added services	***611***	***629***	***659***	***644***	**614**	**0,6%**

adjusted figures are in italics

** 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.*

Value added "voice" and "télématique" services volumes *(millions of minutes)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
From fixed telephony network	2 866	2 921	*2 945*	*2 845*	2 704	-5,6%
From mobile telephony network	412	441	453	430	428	3,9%
Number of calls	**3 278**	**3 362**	***3 399***	***3 275***	**3 133**	**-4,4%**

adjusted figures are in italics

Number of calls to value added "voice" and "télématique" services *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
From fixed telephony network	980	1 040	1 084	*1 048*	1 055	7,7%
From mobile telephony network	169	176	177	168	163	-3,5%
Volumes	**1 149**	**1 216**	**1 260**	***1 216***	**1 219**	**6,0%**

adjusted figures are in italics

Value added "data" service volumes *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of messages (SMS+, MMS+)	153	162	198	154	154	0,4%

2.6.2 Directory services

Revenues from telephone directory services were €39 million in the second quarter 2008. After declining regularly throughout 2007, the annul growth rate in telephone directory services revenues has been negative since the beginning of 2008 (-7.8% in the second quarter).
The volume of calls to directory services numbers, 31 million calls in the second quarter 2008, also fell (-11.9%.or 4 million fewer calls over one year). Calls made on mobile networks generated 68.3% of minutes of calls to directory services.

Revenue from directory services *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Directory services operators	42	41	41	38	39	-7,8%

Directory services	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of calls *(millions of units)*	35	34	33	31	31	-11,9%
Volume of calls *(millions of minutes)*	72	69	72	68	69	-4,3%

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

2.6.3 Leased lines and data transport (fixed operators)

Revenues from leased lines, which have been stable for several quarters, were €358 million in the second quarter 2008. Revenues from sales with other operators represented €203 million or 56.6% of revenues from leased lines. Data transfer revenues reached €464 million in the second quarter 2008 and grew 4.6% over one year.

Revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Leased lines	357	349	369	*368*	358	0,3%
Data transport	443	456	466	*459*	464	4,6%

adjusted figures are in italics

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

2.6.4 Hosting and call centre management services

Revenue *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Hosting and call centre management	9	7	11	11	7	-19,4%

2.6.5 Terminals and equipment

Revenues from terminal sales and rentals reached €671 million in the second quarter 2008 and grew 5.5% over one year. Sales by mobile operators (€458 million in the second quarter 2008) represented 68.2% of these revenues.

Revenue from terminals and equipment *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed & Internet operators	202	201	214	198	213	5,5%
Mobile operators	434	447	603	439	458	5,5%
Terminals and equipment	**636**	**648**	**817**	**637**	**671**	**5,5%**

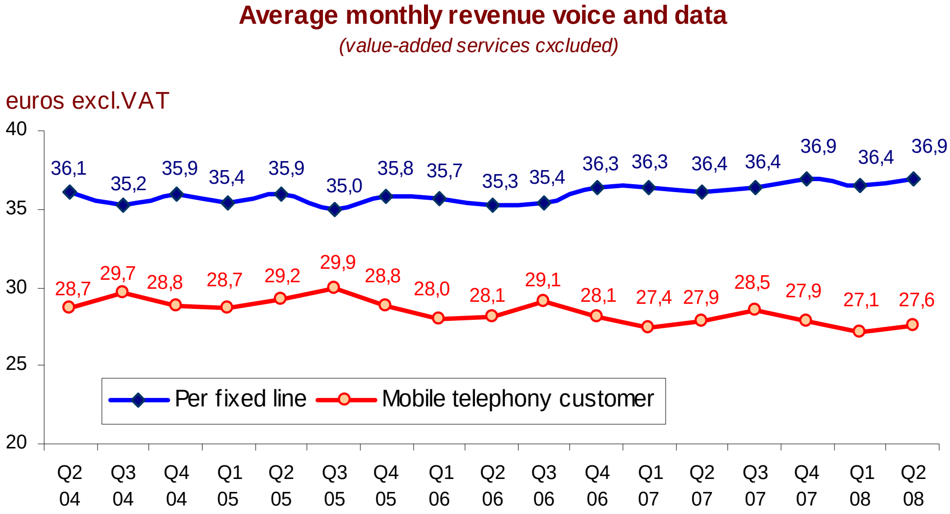
Note: Revenues from terminals and equipment include commissions to distributeurs.

2.7 Indicators per customer

Average monthly revenue (value added services exclude) *(in euros -VAT excluded)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Per fixed line : access, communications and Internet	36,0	36,4	36,9	36,4	36,9	2,3%
Mobile telephony user	27,9	28,5	27,9	27,1	27,6	-0,9%

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

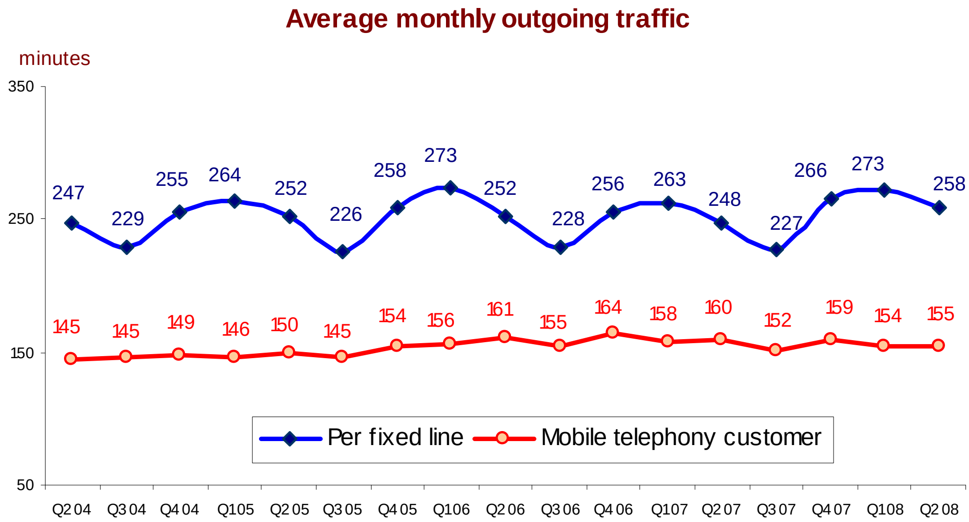
The average monthly bill per mobile customer is calculated by dividing the income from mobile telephony (voice and data revenues, including roaming-out, excluding revenue from incoming calls) for quarter N by the estimated average number of mobile customers for quarter N, and then by the number of months. 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 outgoing traffic *(in hours)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Per fixed lines	4h08	3h47	4h26	*4h33*	4h18	4,3%
Mobile telephony user	2h40	2h32	2h39	2h34	2h35	-3,1%

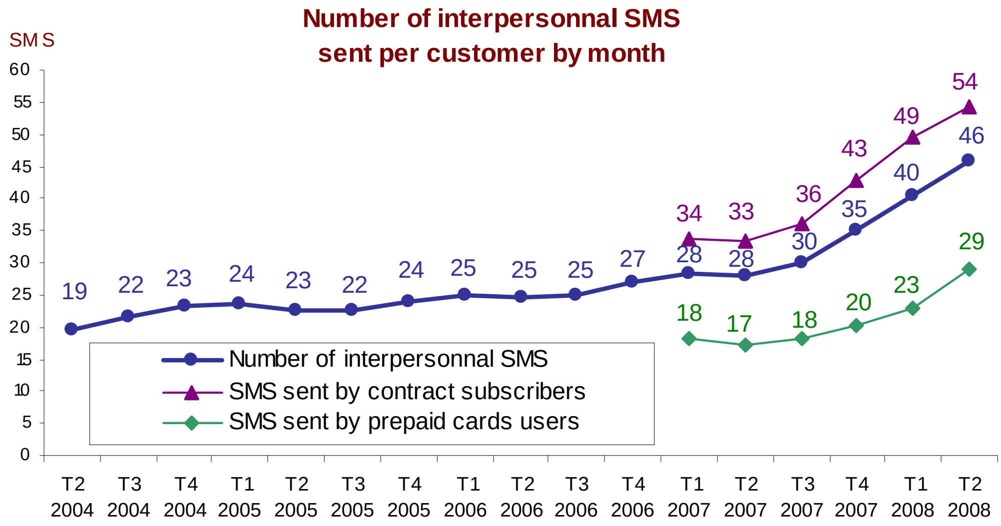
adjusted figures are in italics

<u>The average monthly volume of traffic per fixed line</u> 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.
<u>The average monthly volume of traffic per mobile operator customer</u> 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.



Number of interpersonnal SMS sent per user *(units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of SMS sent per user during the quarter	27,8	30,0	35,1	40,4	45,8	64,6%
of witch for contract subscribers	33,3	36,2	42,7	49,4	54,2	62,8%
of witch for prepaid cards	17,4	18,0	20,3	23,1	29,1	67,4%

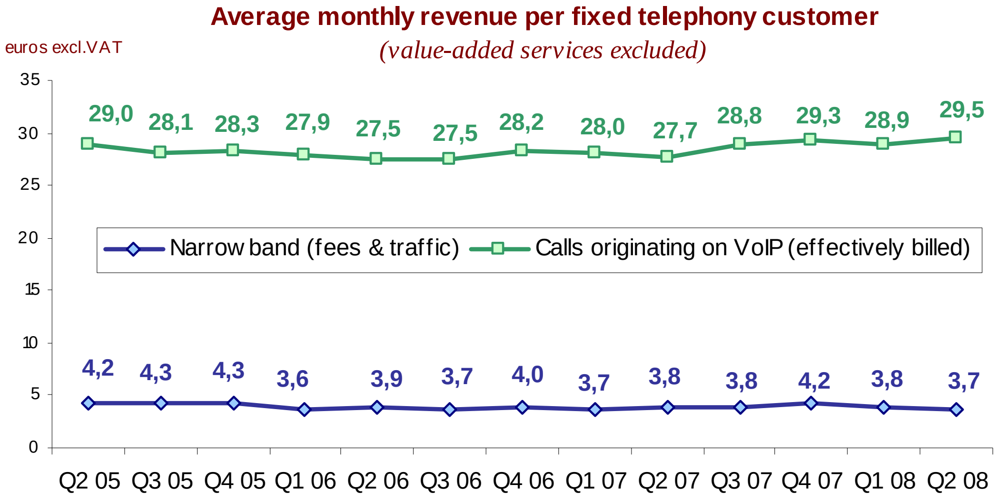
The average number of SMS messages per customer is calculated by dividing the number of SMS messages for quarter N by the estimated average number of customers for quarter N, and then by the number of months.

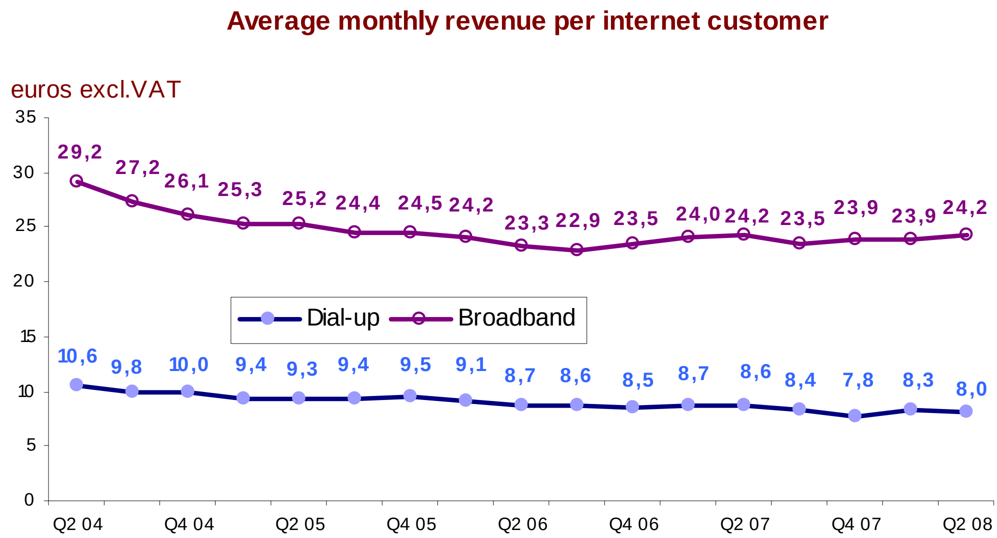


Average monthly revenue per customer *(in euros -VAT excluded)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed PSTN/ISDN telephony user	27,7	28,8	29,3	28,9	29,5	6,7%
Fixed IP telephony user	3,8	3,8	4,2	*3,8*	3,7	-2,8%
Dial-up Internet user	8,6	8,4	7,8	*8,3*	8,0	-6,8%
Broadband Internet user	24,2	23,5	23,9	*23,9*	24,2	0,0%

adjusted figures are in italics

The average monthly bill per PSTN subscription is calculated by dividing the income from line rental and calls made from PSTN fixed lines (i.e. excluding VoIP revenues) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number of months.
The average monthly bill per subscription to an IP telephony service is calculated by dividing the income solely from IP calls billed (i.e. those made in addition to those included in a multiplay package) for quarter N by the estimated average number of subscriptions for quarter N, and then by the number of months.
The average monthly bill per dial-up (or broadband) Internet subscription is calculated by dividing the income from the dial-up (or broadband) Internet connections for quarter N by the estimated average number of customers for quarter N, and then by the number of months.



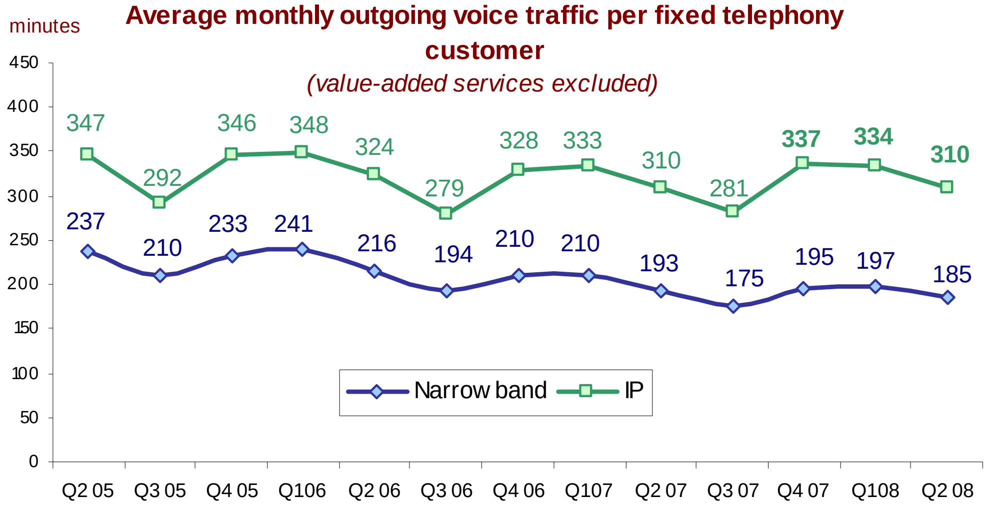


Average monthly traffic per customer *(in hours)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Fixed PSTN/ISDN telephony user	3h13	2h55	3h15	*3h17*	3h05	-4,3%
Fixed IP telephony user	5h10	4h41	5h37	5h34	5h10	0,1%
From dial-up Internet	11h24	10h23	10h31	10h56	11h18	-0,9%

adjusted figures are in italics

<u>The average monthly volume of PSTN (or IP) traffic</u> 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.

<u>The average monthly volume of dial-up Internet traffic</u> 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.



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

Further information about indicators per customer

With the growing use of broadband voice services as a second line, it is no longer very useful to use average revenue per subscription 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' usage of telephone services and their average expenditure, the concept of what constitutes a "line" has been redefined.

Until 2004, the terms "line" and "subscription" were used interchangeably when referring to the number of subscriptions to telephone services.
In the case of telephony over analogue lines, a subscription corresponded to a fixed line. It was accepted practice, in the case of digital lines, to take the number of channels subscribed for as the number of fixed lines, i.e. 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 with no additional charge. Consequently, the overall bill covers an increasing range of services, regardless of the number of calls made (as also happens with mobile services). Internet access and telephone services are becoming increasingly inseparable.

The average bill per line reflects what the customer pays per month for both telephone service and Internet access. 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 in addition to 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 *(millions of units)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Number of fixed lines	34,228	34,418	34,474	*34,493*	34,556	1,0%

adjusted figures are in italics

Fixed lines revenues *(millions of euros)*	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Change 2Q08/2Q07
Accès fees, internet, communications	3 693	3 749	3 814	*3 770*	3 817	3,4%

adjusted figures are in italics

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

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