

L'OBSERVATOIRE

**The electronic communications services market in
France
in the 2nd quarter 2009**

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AUTORITÉ DE RÉGULATION
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et des postes

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Introduction

Electronic communications operators earned €1.0 billion in revenue on the end market in the second quarter 2009. An additional €2.2 billion in revenue was generated by interconnection services and sales between operators on the wholesale market during the quarter.

Revenue from just electronic communications services on the end market, i.e. excluding operators' related revenue (terminal sales, directory services, advertising, hosting, call centre management, etc.) was €0.1 billion in the second quarter 2009, holding steady (-0.1% over one year) with respect to the second quarter 2008.

Traffic from fixed and mobile telephony services represented 52.4 billion minutes in the second quarter 2009, declining 1.9% over one year.

Fixed telephony and Internet)

Revenue from fixed services fell 1.0% over one year, the first decline since high speed first took off in early 2006. Revenue from Internet access grew more slowly as the slump in revenue from telephone service deepened. Revenue from high-speed and very high-speed services, telephony and Internet access represented 43% of all fixed services revenues, up six points over a year earlier.

There were 40.9 million subscriptions to telephone service at the end of the second quarter 2009. This number continues to grow (+1.7% over one year) thanks to the rapid extension in the number of subscriptions to broadband telephony services (on IP DSL or cable) which rose by 2.7 million in one year (+21.3%). With 15.6 million subscriptions at the end of the second quarter 2009, broadband subscriptions now represent 38.0% of all telephone service subscriptions. At the same time, the number of dial-up telephone subscriptions has been declining constantly since early 2007. With 25.3 million subscriptions at the end of the **first** quarter 2009, it was down by 2 million subscriptions in one year (-7.4%).

Certain voice-on-IP offers replace a PSTN subscription entirely. They are created (by alternative operators and by the incumbent) on fully unbundled lines or using "naked ADSL". Their number has been growing regularly and, at the end of the second quarter 2009, 28% of fixed lines supported just a subscription to a telephone service on IP, compared with 21% a year earlier. The percentage of lines on which two telephone subscriptions coexist (an IP subscription supplementing a PSTN subscription) has changed little in the past two years, and was 16% at the end of the second quarter 2009.

The proportion of fixed lines supporting only a "traditional" telephone subscription on the PSTN declined to just 56% at the end of the second quarter 2009, compared with 63% a year earlier.

Revenue directly attributable to fixed telephony (subscriptions and calls) has been shrinking for several years. At €2.5 billion in the second quarter 2009, it declined 6.0% over one year, its sharpest drop in two years. The growing contribution of revenue from voice-on-IP services subscriptions (+46.5% over one year) and from invoiced IP calls (+15.1% over one year) only partly offsets the continuous decline in revenue from "traditional" PSTN subscriptions.

Revenue from accesses and subscriptions alone was €1.5 billion in the second quarter 2009. It now represents close to 60% of all fixed telephony revenue, but has been shrinking since mid 2008 (-0.4% over one year in the second quarter 2009). Revenue from telephone calls has been falling for several years (-12.3% over one year in the second quarter 2009). It has been sitting at around €1.0 billion since the beginning of 2009.

The volume of traffic originating on fixed lines (excluding public pay phones and cards) was 26.4 billion minutes in the second quarter 2009. This volume, whose growth had slowed during the second half of 2008, has been down since the start of 2009 (-2.2% over one year in the second quarter 2009). Growth in traffic from calls made on IP slowed: 1.2 billion additional minutes in one year in the second quarter 2009, compared with almost 4 billion minutes in the second quarter 2008. It no longer entirely offsets the greater slowdown in traffic on the PSTN (1.8 billion fewer minutes in one year).

There were 12.8 billion minutes of calls made on IP in the second quarter 2009, representing close to half (48.4%) of all traffic originating on fixed phones. This number continues to grow relatively strongly (+10.0% over one year in the second quarter 2009). Two-thirds of minutes (66%) of international calls, and half of all long-distance calls to fixed phones (50%) are sent on IP. On the other hand, just 20% of minutes of fixed-mobile calls are currently made on IP.

There were 19.4 million Internet subscriptions at the end of the second quarter 2009, with 18.7 million accesses to high speed. The number of high-speed Internet accesses rose by 12.0% over one year in the second quarter 2009. The rate of growth has slowed significantly, with annual growth falling from 3 million in mid 2006 to 2.5 million in mid 2008. This slowdown has not been as marked in the past three quarters, where growth stabilised at a (still high) level of 2 million annually.

Internet revenue was €1.5 billion in the second quarter 2009, with over 90% of revenue (€1.3 billion) from high-speed accesses. The annual growth rate for high-speed access revenue remains strong (+10.9% in the second quarter 2009) despite a slip since the fourth quarter 2008.

The amount of the average monthly invoice of a high-speed Internet subscription (€23.90 excluding VAT in the second quarter 2009) has been stable for over two years.

Close to 44% of ADSL subscribers (7.7 million at the end of the second quarter 2009) also have access to television on ADSL. This number rose by 2.5 million over one year (+48.5%).

Mobile telephony

There were 59.2 million mobile telephony users in France (number of SIM cards in service) at the end of the second quarter 2009, up 3.1 million over one year, for an annual increase of 5.6%. “Post-paid” flat-rate subscriptions are definitely in the majority (68.5% in the second quarter 2009). Their number has been growing steadily by over 8% annually since mid 2007. After dropping over the two previous quarters, the number of pre-paid cards rose slightly (+0.5% over one year in the second quarter 2009). Still, the activity rate of these cards continued to decline, falling from 95% in mid 2007, to 89% in mid 2009.

Some of the SIM cards sold by mobile operators can be used only for mobile Internet connections and cannot be used to make voice calls. The number of these cards (1.5 million at the end of the second quarter 2009) has been doubling at an annual rate, for several quarters.

Revenue from mobile services (telephony and data transport) was €4.7 billion in the second quarter 2009. The annual growth of this revenue has been slowing since mid 2008 when it reached 6%. It has been holding steady at an annual rate of over 2% since the start of 2009. This slowdown is caused by the weakening of the growth of revenue from telephone calls beginning in the second half of 2008. This revenue has tended to decline (-2.1% over one year in the second quarter 2009) since early 2009

Conversely, revenue from data transport services on mobile networks (€17 million during

the second quarter 2009) continued to grow. Growth in this revenue, which has been over 20% since late 2007, was 26.0% in the second quarter 2009. Revenue from data transport services now represents close to 20% of all mobile services revenue and its contribution is rising.

New uses of mobile networks continue to develop, thanks primarily to operators' new data-oriented offers, and the rapid spread of new types of terminals (touch-screen phones, computers which can be connected to mobile networks) which are well suited to these new uses. So, close to 20 million clients (one in three) were active users of mobile multimedia services (mobile Internet access, MMS) in the second quarter 2009.

The number of active users of all services offered on 3G mobile networks (voice, mobile television, data transfer, etc.) is growing very quickly (+87.2% in one year). The number of active users rose by 6.6 million in one year, reaching 14.20 million at the end of the second quarter 2009, representing one quarter of all mobile clients.

Mobile telephony traffic represented 25.6 billion minutes in the second quarter 2009. The volume of this traffic, which had previously been growing constantly, is down slightly for the third quarter in a row (-1.3% over one year in the second quarter 2009). Still, mobile traffic volume has been evolving in a very irregular fashion depending on the call destination. "On-net" traffic, previously rising, has been falling at an annual rate of 4 to 6% for the past three quarters (-5.6% over one year in the second quarter 2009). With 13 billion minutes in the second quarter 2009, it still represented over half of all volume originating on mobile phones. Revenue from mobile-to-fixed telephone calls has been falling for several years (-4.0% over one year in the second quarter 2009). The volume of mobile to third-party mobile calls continued to grow quite strongly (+8.3% over one year) as did the volume of mobile-to-international calls (+8.7% over one year).

The number of interpersonal text messages sent during one quarter has been growing very strongly, especially since the fourth quarter 2008; since then, we have seen the number of SMS almost double at an annual rate. So, the number of text messages reached 14.5 billion in the second quarter 2009, compared with 7.7 billion in the second quarter 2008. This spike is boosted primarily by operators' "unlimited" texting offers. On average, customers sent 83 text messages per month in the second quarter 2009, compared with 46 in the second quarter 2008.

Other market components

Revenue from value-added services reached €19 million in the second quarter of 2009, down 15.7% over one year. Revenue from voice and telematic services (€381 million in the second quarter of 2009) was down 17.3% over one year. Close to 9 out of 10 calls to value-added services were made on fixed phones. Mobile operators' revenue from data services (€139 million), which had been growing until that point, was also down in the second quarter (19.8% over one year). However, it still represented just over one quarter of all value-added service revenue.

The number of calls to directory services has been declining constantly for the past two years. In the second quarter 2009, this erosion reached 15.1% over one year, with the number of calls made (27 million) down by 4.7 million with respect to the second quarter 2008. Seven out of every ten calls to directory services were made on mobile telephones. Revenue from

directory services was €40 million in the second quarter 2009, up 3.7% over the second quarter 2008.

Terminal sales and rentals generated total revenue of €712 million in the second quarter 2009. Mobile terminal sales represented three-quarters of this revenue, with €531 million (+16.2% over 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 electronic communications market in its entirety

1.1 The end customer market

Revenue (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed services	4 012	4 001	4 071	3 981	3 971	-1,0%
Fixed telephony (1)	2 670	2 634	2 651	2 539	2 510	-6,0%
Internet	1 341	1 367	1 420	1 442	1 461	8,9%
Mobile telephony (2)	4 630	4 728	4 678	4 611	4 739	2,4%
All telephony and Internet	8 642	8 729	8 750	8 592	8 710	0,8%
Advanced services	616	599	594	549	519	-15,7%
Directory services, directories and advertising	39	42	40	38	40	3,7%
Leased lines	373	381	389	381	387	3,8%
Data transport (3)	467	463	479	468	469	0,5%
Electronic communications services	10 137	10 213	10 252	10 028	10 126	-0,1%
Others revenues (4)	832	967	1 095	764	898	8,0%
Entire market	10 969	11 180	11 347	10 792	11 024	0,5%

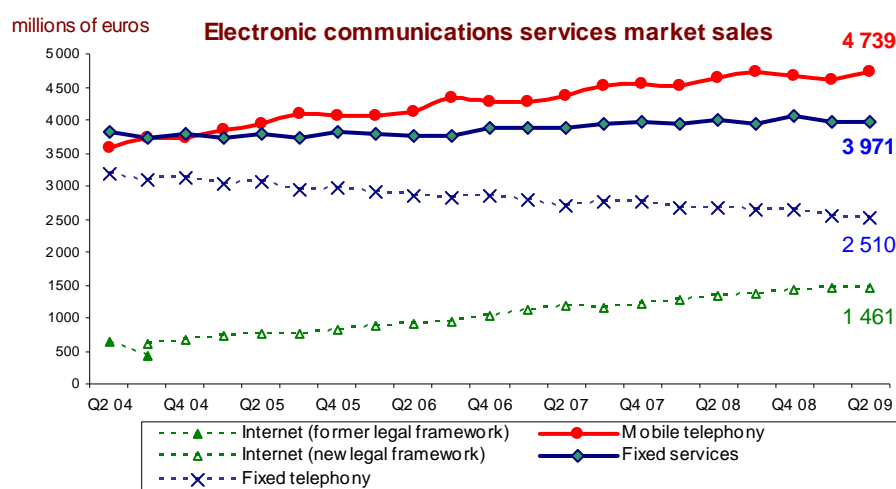
adjusted figures are in italics

(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 (excluding operators' related revenue) reached €10.1 billion in the second quarter 2009. This revenue is stable (-0.1%) with respect to the second quarter 2008.

Revenue from fixed services (fixed telephony and Internet) reached close to €4 billion in the second quarter 2009, down 1.0% over one year. Revenue directly attributable to telephony (from subscriptions and telephone calls on fixed networks) was €2.5 billion. It has been declining continuously for a number of years, but the slump in the second quarter 2009 (-6.0% over one year) was the greatest measured in the past two years. Revenue from Internet services (€1.5 billion) maintained strong growth. Still, its annual growth was lower (+8.9%) in the second quarter 2009 than had been observed since the start of 2008 (+13% to +17%, depending on the quarter).

Revenue from mobile services was €4.7 billion, close to half of all revenue from electronic communications services. The annual growth rate of close to 6% during the first half of 2008, has since slowed and was just above the 2% mark in the first quarter 2009 (+2.4% in the second quarter 2009).

The volume of “voice” services (on fixed and mobile networks) was 52.4 billion minutes in the second quarter 2009, down 1.9% over one year.

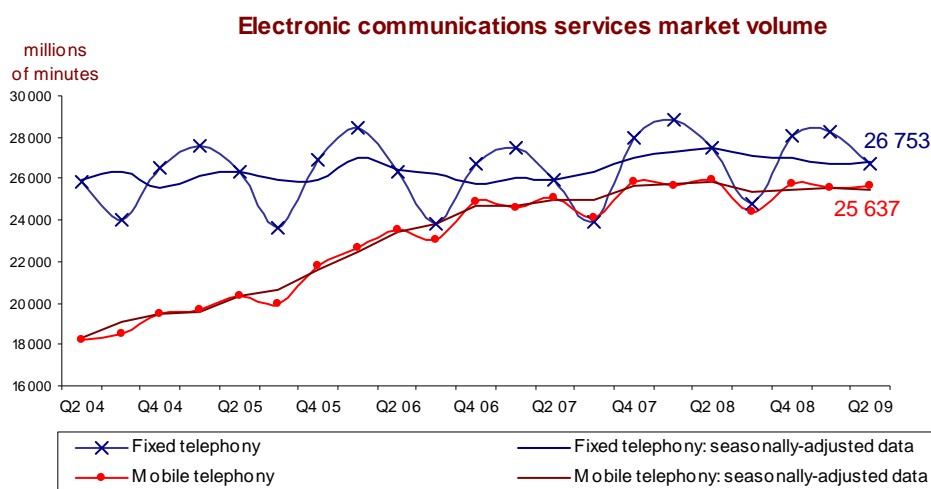
The volume of calls made on fixed phones reached 26.8 billion minutes in the second quarter 2009. This volume, which had tended to rise until the end of 2008 thanks to the contribution of telephony on IP volumes, is now declining (-2.5% over one year in the second quarter 2009). The contribution of IP telephony traffic is no longer sufficient to offset the decline in traditional telephony traffic.

Mobile telephony traffic was 25.6 billion minutes in the second quarter 2009. In seasonally adjusted figures, this traffic has stabilised since late 2007, whereas it had previously been growing constantly.

The number of interpersonal SMS sent continues to grow very strongly: 14.6 billion messages were sent during the second quarter, rising 89.4% over one year.

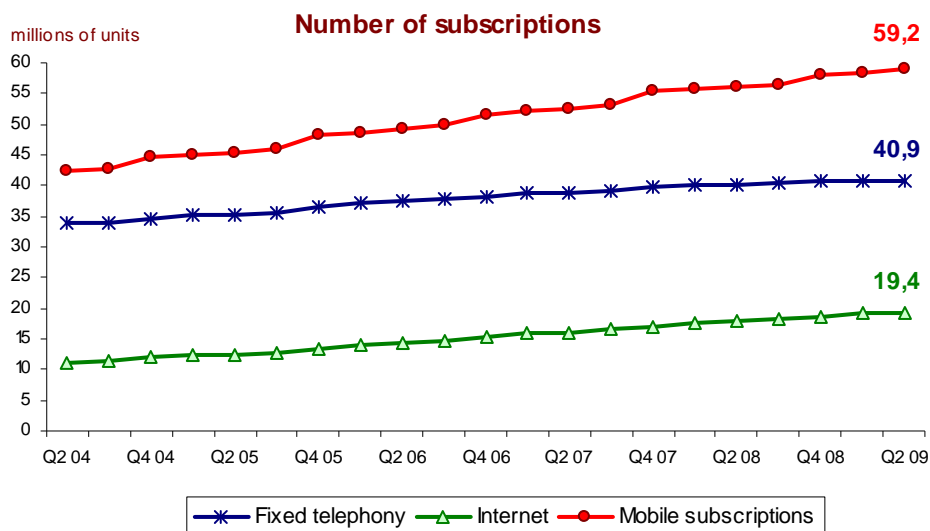
Volumes (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed telephony	27 452	24 764	28 023	28 260	26 753	-2,5%
Mobile telephony	25 967	24 406	25 757	25 552	25 637	-1,3%
<i>Total voice services</i>	<i>53 419</i>	<i>49 170</i>	<i>53 780</i>	<i>53 812</i>	<i>52 390</i>	<i>-1,9%</i>
Internet (dial-up)	2 582	2 258	2 165	1 722	1 524	-41,0%
Number of SMS sent (millions of units)	7 680	8 432	11 596	13 493	14 548	89,4%

adjusted figures are in italics



Number of subscriptions (millions of units)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of subscription to telephone service	40,218	40,277	40,706	40,716	40,918	1,7%
Internet subscriptions	17,893	18,292	18,674	19,170	19,362	8,2%
Number of mobile customers	56,045	56,392	57,980	58,214	59,182	5,6%

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

1.2.1 The total market

Revenue from interconnection services exchanged between operators on the intermediate market represented close to €2.2 billion in the second quarter 2009.

Revenue from services exchanged between fixed-network operators represented €1.1 billion in the second quarter 2009, down 2.6% over one year. Its major contribution comes from telephone services revenue equal to €93 million during the second quarter 2009. This revenue, which includes revenue from wholesale telephone subscription sales (VGAST), was down 2.6% over one year. Revenue from wholesale high-speed access services (unbundling, bitstream offers, etc.) was €424 million during the quarter. This revenue was also down in the second quarter 2009 (-2.0% over one year) due in particular to the cut in the prices of these services in late 2008.

Revenue generated by interconnection services between operators reached €1.0 billion in the second quarter 2009, up 4.1% annually.

Total volume generated by interconnection services between operators was 44.5 billion minutes in the second quarter 2009. Fixed operators' interconnection traffic tended to decline (-5.3% over one year in the second quarter 2009), due primarily to consolidation on the fixed market, which reduces the number of players on the intermediate market and their exchanges. On the other hand, the volume of interconnection minutes between mobile operators increased by +1.2% over one year in the second quarter 2009.

Interconnection services <i>(millions of euros)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed operators	<i>1 149</i>	<i>1 144</i>	<i>1 199</i>	1 135	1 120	-2,6%
<i>of which telephony services</i>	<i>712</i>	<i>715</i>	<i>756</i>	689	693	-2,6%
<i>of which dial-up Internet</i>	<i>5</i>	<i>5</i>	<i>4</i>	3	3	-41,0%
<i>of which broadband services</i>	<i>432</i>	<i>424</i>	<i>439</i>	443	424	-2,0%
Mobile operators	993	1 022	995	978	1 034	4,1%
Revenue	<i>2 142</i>	<i>2 166</i>	<i>2 194</i>	2 113	2 153	0,5%

adjusted figures are in italics

Interconnection services <i>(millions of minutes)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed operators	<i>33 083</i>	<i>31 662</i>	<i>35 527</i>	32 795	31 331	-5,3%
Internet (dial-up)	<i>1 337</i>	<i>1 230</i>	<i>1 019</i>	715	602	-55,0%
Mobile operators	11 400	11 246	11 447	11 203	11 534	1,2%
Volume	<i>45 819</i>	<i>44 138</i>	<i>47 994</i>	44 713	43 467	-5,1%

adjusted figures are in italics

Notes:

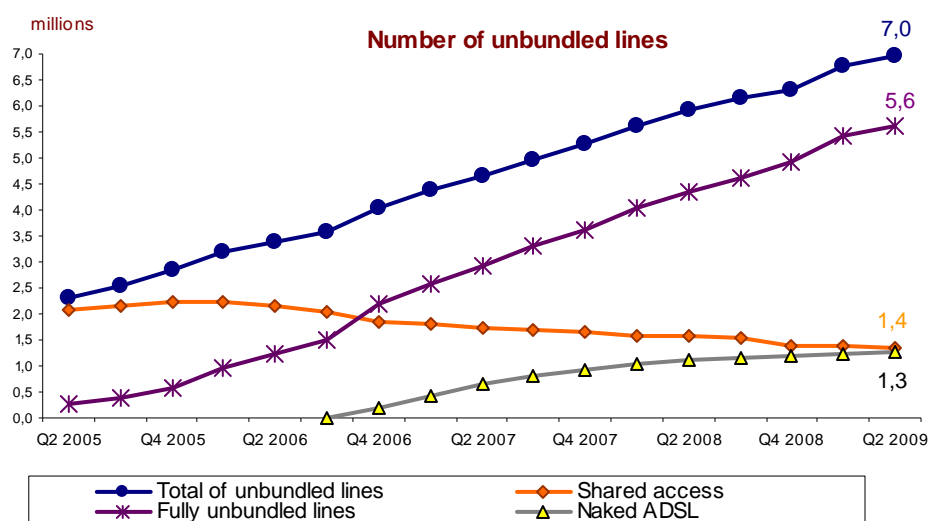
- Interconnection covers all the services provided by one carrier to another under the terms of an interconnection agreement. In cases of mergers or takeovers, some of the revenue streams between the telcos disappear, which might account for decreases in revenues from one quarter to the next.
- Interconnection revenue and traffic volumes are not calculated on the basis of the same criteria, making a comparison between the two indicators unsuitable for estimating average prices (interconnection revenue includes fixed revenue such as charges for connection links and intercarrier services).
- 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 close to 7.0 million unbundled lines at the end of the second quarter 2009, representing about 20% of all fixed lines. Eight out of ten unbundled lines are fully

unbundled. At the end of the quarter, there were 5.6 million fully unbundled lines, and 1.4 million partially unbundled lines. The number of fully unbundled lines continues to grow rapidly (+28.9% over one year in the second quarter 2009, for 1.3 million additional lines during the period). The number of partially unbundled lines has been declining since mid 2006, reaching 13.2% at the second quarter 2009, for 205 000 fewer lines.

Unbundling <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Partially unbundled lines	1,558	1,535	1,376	<i>1,378</i>	1,353	-13,2%
Fully unbundled lines	4,354	4,631	4,922	<i>5,408</i>	5,611	28,9%
Number of unbundled lines	5,912	6,166	6,299	6,786	6,964	17,8%

adjusted figures are in italics



"Naked ADSL" <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of lines	1,123	1,137	1,186	1,232	1,250	11,3%

At the end of the second quarter 2009, operators had purchased close to 1.3 million “naked ADSL” lines from the incumbent. The volume of these purchases was up 11.3% over one year. In areas not open to unbundling, this wholesale offer replaces the wholesale full unbundling offer, and allows alternative operators to offer their customers high-speed services, and in particular, telephone service not requiring a telephone subscription with the incumbent.

1.2.2 Incoming international interconnection¹

Operators earned €139 million from incoming international interconnection services in the second quarter 2009.

The global volume of incoming international interconnection traffic was 2.8 billion minutes in the second quarter 2009. At 2.2 billion minutes, the volume of international traffic terminating on French mobile networks represented almost 80% of this traffic. Foreign traffic terminating on French fixed networks, which had been growing by 10 to 20% throughout 2008, has slowed significantly since the beginning of the year (-5.1% in the second quarter following slight growth of 1.4% in the first quarter).

Revenue of incoming international interconnection services (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed operators	100	110	96	92	96	-3,9%
Mobile operators	45	50	47	43	43	-4,6%
Revenue	145	160	142	134	139	-4,1%

Volume of incoming international interconnection services (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed operators	2 202	2 312	2 224	2 138	2 201	0,0%
Mobile operators	641	687	657	614	609	-5,1%
Volume	2 843	3 000	2 882	2 752	2 810	-1,2%

1.2.3 Mobile operators roaming-in²

In June 2007, a European Union regulation imposed international roaming prices on mobile operators in the EU zone, as well as multi-year price cuts. As a result, the price of calls made to and from other countries (the “Eurotarif”) declined from €0.49 on 30 August 2008 to €0.46 excluding VAT for calls to foreign countries and from €0.24 to €0.22 excluding VAT for calls received from foreign countries. Both revenue and volume from roaming-in were down in the second quarter 2009, by -9.3% and -4.9% over one year respectively. The volume of roaming-in is following a trend similar to that of the volume of mobile operators’ incoming interconnection: after double-digit growth (between 10 and 20%), it fell sharply in early 2009.

Roaming in	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Revenue (millions of euros)	162	211	147	127	147	-9,3%
Volume (millions of minutes)	478	596	405	385	454	-4,9%

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.

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)

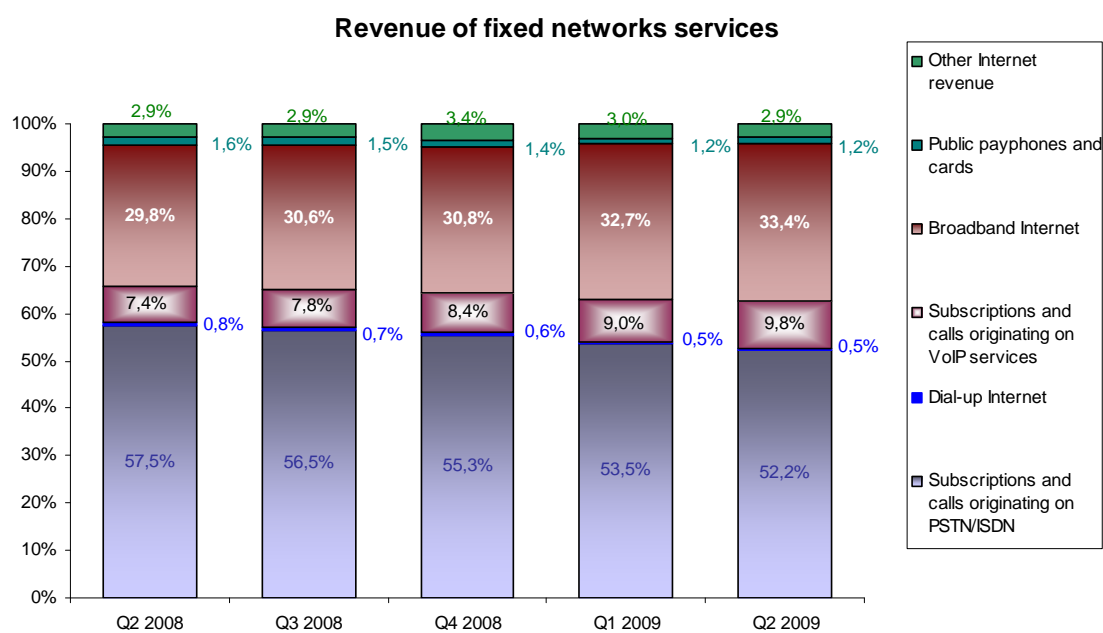
2 Market segment

2.1 Fixed networks services

High-speed services (fixed broadband telephony and high-speed Internet access) are contributing an increasingly large share of fixed services revenue. Revenue from high-speed services grew 15.0% annually in the second quarter 2009, representing 43.2% of all revenue from fixed services, compared with 37.2% a year earlier. At the same time, revenue from dial-up services on fixed networks (telephony on the PSTN, dial-up Internet) declined 10.6%. Other Internet access-related revenue (advertising, e-commerce and site hosting) rose slightly (+1.0% over one year) while the “public payphones and cards” activity declined rapidly (-27.9% over one year).

Revenue of fixed networks services (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Narrowband Revenue	<i>2 339</i>	<i>2 289</i>	<i>2 276</i>	<i>2 153</i>	<i>2 091</i>	-10,6%
Subscriptions and calls originating on PSTN/ISDN	<i>2 308</i>	<i>2 260</i>	<i>2 251</i>	<i>2 131</i>	<i>2 072</i>	-10,2%
Dial-up Internet	<i>31</i>	<i>29</i>	<i>25</i>	<i>21</i>	<i>18</i>	-41,1%
Broadband Revenue	<i>1 493</i>	<i>1 536</i>	<i>1 596</i>	<i>1 660</i>	<i>1 717</i>	15,0%
Subscriptions and calls originating on VoIP services	<i>298</i>	<i>313</i>	<i>341</i>	<i>358</i>	<i>391</i>	31,2%
Broadband Internet	<i>1 196</i>	<i>1 223</i>	<i>1 256</i>	<i>1 303</i>	<i>1 326</i>	10,9%
Other revenue	<i>180</i>	<i>177</i>	<i>199</i>	<i>168</i>	<i>163</i>	-9,4%
Public payphones and cards	<i>65</i>	<i>62</i>	<i>59</i>	<i>49</i>	<i>47</i>	-27,9%
Other Internet revenue	<i>115</i>	<i>115</i>	<i>140</i>	<i>118</i>	<i>116</i>	1,0%
Revenue of fixed lines services	<i>4 012</i>	<i>4 001</i>	<i>4 071</i>	<i>3 981</i>	<i>3 971</i>	-1,0%

adjusted figures are in italics



2.2 Fixed telephony

2.2.1 Access, subscriptions and fixed lines

There were 40.9 million subscriptions to telephone services on fixed lines at the end of the second quarter 2009 and this continues to rise (+1.7% over one year) thanks to the rapid expansion in the number of subscriptions to voice-on-broadband services.

There were 15.6 million subscriptions to a voice on broadband service (IP DSL or cable subscription) at the end of the second quarter 2009, representing 38.0% of all fixed telephony service subscriptions. This number rose by 2.7 million (+21.3%) in one year.

At the same time, the number of dial-up subscriptions (on analogue or digital lines and on cable) has been declining at an annual rate of 7 to 9% since early 2007. There were 25.3 million subscriptions at the end of the second quarter 2009, or 2.0 million fewer than a year earlier.

Thanks to the incumbent's wholesale telephone subscription sale offer, a growing number of subscriptions to telephone services on the PSTN are invoiced directly to customers by alternative operators. This number reached 901 000 at the end of the second quarter 2009, or 3.6% of all telephone subscriptions on the PSTN.

Number of subscriptions to telephone service <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Subscription on narrow band access (analogue or digital lines, cable)	27,385	26,765	26,314	25,822	25,348	-7,4%
Access resales	<i>0,821</i>	<i>0,835</i>	<i>0,853</i>	<i>0,862</i>	<i>0,901</i>	9,7%
Subscription on broadband access (IP DSL,cable)	12,832	13,512	14,391	<i>14,894</i>	15,570	21,3%
DSL lines without narrowband access	6,839	7,410	8,049	<i>8,741</i>	9,180	34,2%
Number of subscriptions to telephone service	40,218	40,277	40,706	40,716	40,918	1,7%

adjusted figures are in italics

Note:

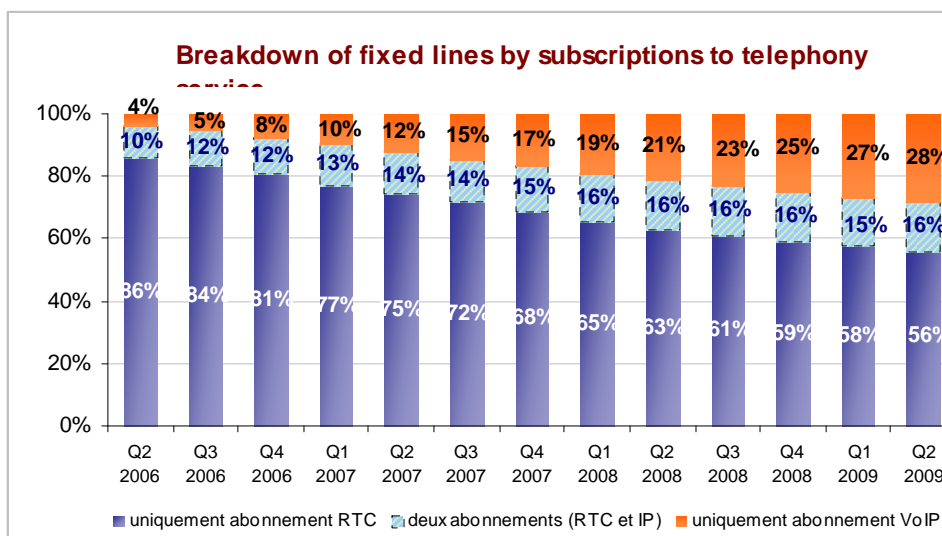
- *Subscription to telephone on IP service on xDSL lines without PSTN subscription: a subscription to telephone service on lines where low frequencies are not used to support voice service (by the incumbent or by an alternative operator). This is the case of offers to broadband voice services resulting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

Some—still the majority but shrinking—telephone lines support only a subscription to “traditional” telephony on the PSTN (56% of telephone lines at the end of the second quarter 2009 compared with 63% a year earlier). An increasing number of lines now support telephone service on IP instead of, or in addition to, “traditional” telephone service. Operators can create these voice-on-IP offers through:

- fully unbundled lines or “naked ADSL”. The customer has only a subscription to a VoIP service and no longer has a “traditional” telephone subscription on the PSTN. The proportion of these lines has been growing regularly, representing 28% of all fixed lines at the end of the second quarter 2009, compared with 21% a year earlier.

- partially unbundled lines or based on wholesale “bitstream” offers (excluding “naked ADSL”). Here, the subscription to a voice-on-IP service is in addition to a PSTN telephone subscription, which the user keeps. The proportion of lines supporting two subscriptions to telephone service has varied little for the past two years (16% in the second quarter 2009).



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 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 records only 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, recorded revenues cover only billed VoIP traffic (e.g. calls made on top of those included in a multiplay package).

There were 687,000 numbers kept through porting between fixed telephony operators during the second quarter 2009.

Portability <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of fixed numbers ported during the quarter	0,446	0,545	0,674	0,725	0,687	54,0%

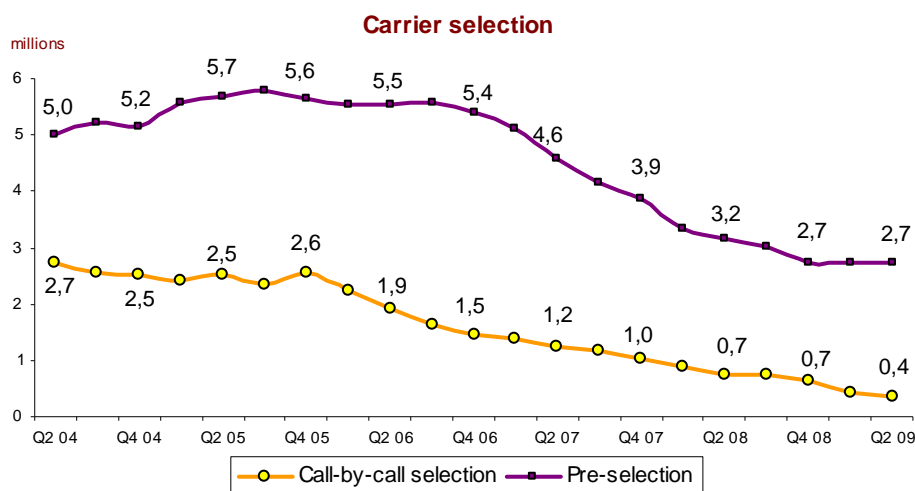
adjusted figures are in italics

Competition from telephony-on-IP offers and offers including a telephone subscription has caused the number of subscriptions to these offers to shrink continuously since the beginning of 2006. At the end of the second quarter 2009, these offers concerned only 3.1 million customers, 0.8 million fewer than a year earlier.

The number of subscriptions to pre-selection (2.7 million at the end of the second quarter 2009) continues to decline, but less quickly, since early 2009. The drop was 14.1% over one year in the second quarter 2009, compared with an annual rate of about -30% throughout 2008. The number of subscriptions to call-by-call selection offers (370 000 at the end of the second quarter 2009) declined sharply (by over 50% over one year) in the first two quarters of 2009.

Carrier selection <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Call by call selection	0,749	0,752	0,656	0,439	0,370	-50,6%
Pre-selection	3,165	3,027	2,746	2,721	2,718	-14,1%
Number of indirect connections	3,914	3,779	3,402	3,161	3,088	-21,1%

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.

Access and subscription revenue reached close to €1.5 billion in the second quarter 2009, representing almost 60% of all revenue from fixed telephony services. This revenue, which had been rising until mid 2008, has been falling ever since (-0.4% over one year in the second quarter 2009) due to the rapid decline in the number of “traditional” telephone subscriptions on the PSTN (down 2 million over one year in the second quarter 2009). While many cancelled PSTN subscriptions are replaced by subscriptions to voice-on-IP services these new subscriptions (€24 million in the second quarter 2009) cannot maintain the level of revenue from access.

Access revenue <i>(millions of euros)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Access fees, subscriptions and additional services	1 499	1 505	1 507	1 487	1 493	-0,4%
<i>of which from IP subscriptions</i>	153	163	176	191	224	46,5%

adjusted figures are in italics

Note: In addition to 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.).

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

Revenue directly attributable to telephone calls from fixed lines has been holding at around the one-billion-euro mark (€970 million in the second quarter 2009) since the beginning of 2009. This revenue has been declining continuously for several years (-12.3% over one year in the second quarter 2009) due to the drop in revenue from calls made on the PSTN. The annual rate of this decline has accelerated in the past year, reaching -16.4% at the second quarter 2009. The progressive increase in revenue from invoiced calls originating on IP access (+15.1% over one year in the second quarter 2009) does in part contain this trend. Revenue for IP calls (€167 million in the second quarter 2009) represents 17% of all revenue from calls made on fixed lines. However, most IP calls, included in a high-speed Internet package, are not counted in this revenue.

Revenue <i>(millions of euros)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
National calls	537	522	538	484	450	-16,2%
International calls	147	143	141	127	133	-9,8%
Calls to mobiles	422	404	406	391	388	-8,2%
All calls from fixed lines	1 106	1 068	1 086	1 002	970	-12,3%
<i>Of which calls originating on PSTN/ISDN</i>	961	918	921	835	803	-16,4%
<i>Of which calls originating on VoIP services</i>	145	150	165	167	167	15,1%

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 phones (PSTN and IP traffic) reached 26.4 billion minutes in the second quarter 2009. The annual growth of this volume, which had been relatively strong since early 2008, slowed significantly in the second quarter. Since the start of 2009, the volume of traffic has declined by about 2% annually (-2.2% at the second quarter 2009).

The volume of calls made on IP grew by 1.2 billion minutes in one year at the second quarter 2009, whereas at the same time, the volume of calls made on the PSTN declined by 1.8 billion minutes.

Fixed long-distance calls now represent over 80% of total call volumes originating on fixed lines. The volume of long-distance calls (21.4 billion minutes) declined 2.8% over one year in the second quarter 2009 despite the contribution of traffic from calls made on IP. The volume of traffic to international numbers continued to increase (+7.4% over one year in the second quarter 2009) thanks primarily to the major contribution of minutes from international calls made on IP. Traffic to mobiles, which sees fewer IP telephony minutes than fixed long-distance and international calls, slowed (-4.0% over one year in the second quarter 2009).

Volumes (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
National calls	22 072	19 612	22 661	23 069	21 444	-2,8%
International calls	2 002	1 873	2 070	2 046	2 149	7,4%
Calls to mobiles	2 943	2 848	2 918	2 804	2 826	-4,0%
All calls from fixed lines	27 016	24 333	27 649	27 919	26 418	-2,2%
<i>Of which calls originating on PSTN/ISDN</i>	<i>15 387</i>	<i>13 642</i>	<i>14 630</i>	<i>14 467</i>	<i>13 620</i>	<i>-11,5%</i>
<i>Of which calls originating on VoIP services</i>	<i>11 630</i>	<i>10 691</i>	<i>13 019</i>	<i>13 452</i>	<i>12 798</i>	<i>10,0%</i>

adjusted figures are in italics

- 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 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
National calls	529	513	527	470	436	-17,6%
International calls	105	99	93	82	86	-17,9%
Calls to mobiles	327	306	300	283	281	-14,1%
All calls originating on PSTN/ISDN	961	918	921	835	803	-16,4%

adjusted figures are in italics

Volumes of calls originating on PSTN/ISDN (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
National calls	12 278	10 644	11 601	11 561	10 659	-13,2%
International calls	717	696	696	670	739	3,0%
Calls to mobiles	2 391	2 302	2 333	2 236	2 222	-7,1%
All calls originating on PSTN/ISDN	15 387	13 642	14 630	14 467	13 620	-11,5%

adjusted figures are in italics

The volumes and revenues from calls made on the PSTN have tended to decline for the past several years because of the rapid development of broadband telephony services. Revenue generated by all calls on the PSTN (€803 million in the second quarter 2009) declined 16.4% in the second quarter 2009. Revenue generated by the different types of calls (long distance, international and to mobile phones) are declining in equivalent proportions. The volume of calls originating on the PSTN (13.6 billion minutes) was down 11.5% in the second quarter 2009 over the first quarter 2008, or 1.8 billion fewer minutes for that period. The decline in traffic volume affects primarily long-distance calls (13.2%) and, to a lesser degree, calls to mobiles (-7.1%). Calls to international numbers rose 3.0%.

b) Calls on IP originating on fixed networks

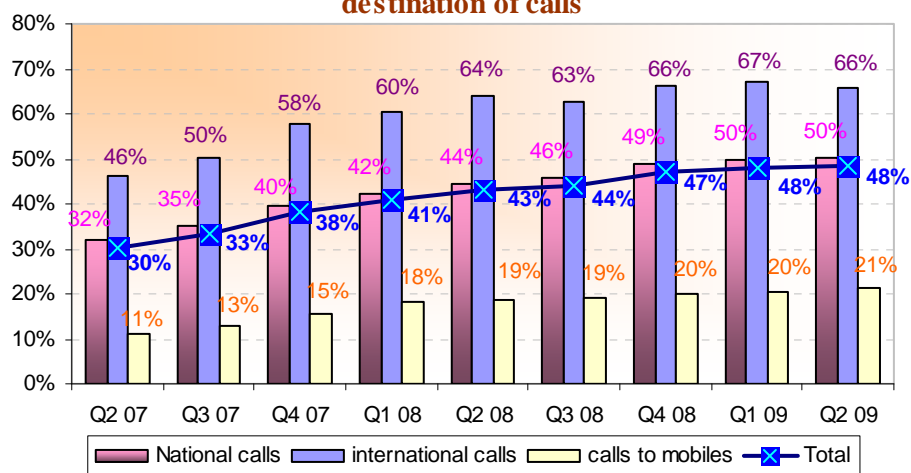
Volumes (IP traffic) (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
National calls	9 794	8 968	11 060	11 508	10 785	10,1%
International calls	1 284	1 177	1 374	1 376	1 410	9,8%
Calls to mobiles	551	546	585	568	604	9,5%
All IP calls	11 630	10 691	13 019	13 452	12 798	10,0%

adjusted figures are in italics

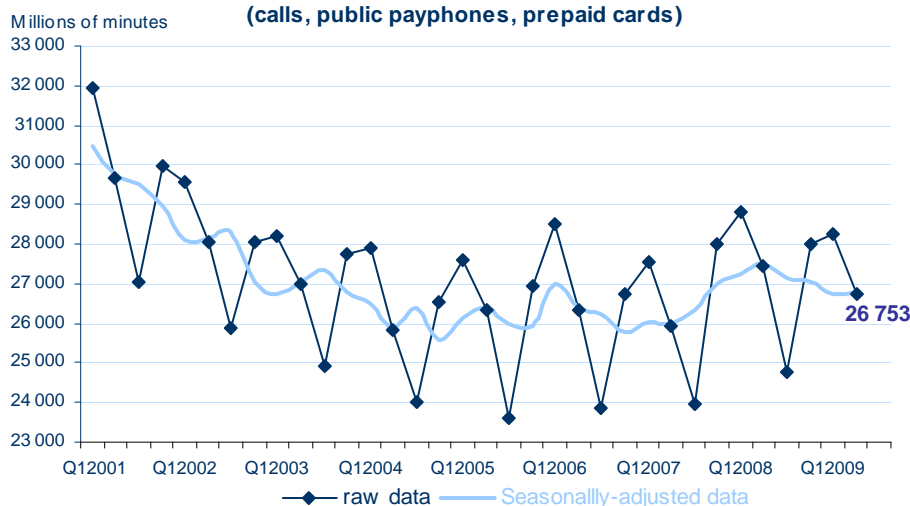
The volume of calls originating on IP access represented 12.8 billion minutes in the second quarter 2009. Traffic on IP continued to rise (+10.0% in one year in the second quarter 2009) and now represents close to half (48.4%) of all minutes originating on fixed phones. Still, the rate of growth of IP traffic volume is slowing. This volume grew by 1.2 billion minutes annually in the second quarter 2009, whereas it had reached close to 4 billion minutes in the second quarter 2008.

Because of so-called “unlimited calling” offers to fixed long-distance and international numbers in “multiplay” packages, growth in IP traffic is much stronger for these types of calls. In fact, half of long-distance call minutes to fixed phones (50%) and two-thirds (66%) of minutes from international calls are made on IP. The proportion of fixed-mobile call minutes is smaller (20%).

Shares of IP traffic originating on fixed phones by destination of calls



Volume of traffic from fixed lines (calls, public payphones, prepaid cards)



Notes:

The volume of traffic originating on a fixed line includes calls from fixed telephones, public payphones and prepaid phone cards.

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

In seasonally adjusted data, the volume of traffic originating on fixed lines has been holding

steady at a global level of about 27 billion minutes since late 2007, or one billion more than the previous three years. Since the beginning of 2009, this volume has been sitting at a level just below this trend (26.7 billion minutes in the first quarter and 26.8 billion minutes in the second quarter in seasonally adjusted data).

2.2.3 Fixed telephony cards and public payphones

Charge and prepaid cards	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Revenue (<i>millions of euros</i>)	37	32	35	30	25	-32,6%
Volume (<i>millions of minutes</i>)	347	340	312	282	267	-23,1%

adjusted figures are in italics

Public telephony	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of public payphones at end of quarter (<i>units</i>)	155 114	153 744	152 075	150 545	147 433	-5,0%
Revenue (<i>millions of euros</i>)	28	30	24	20	22	-21,6%
Volumes (<i>millions of minutes</i>)	89	91	62	59	67	-24,1%

adjusted figures are in italics

There were 147,433 public payphones in service at the end of the second quarter 2009. This number has been declining at an annual rate of about 5 to 6% for the past several years. The sharp decline in the use of public payphones is reflected in both revenue and the volume of calls (-21.6% and -24.1%, respectively, over one year in the second quarter).

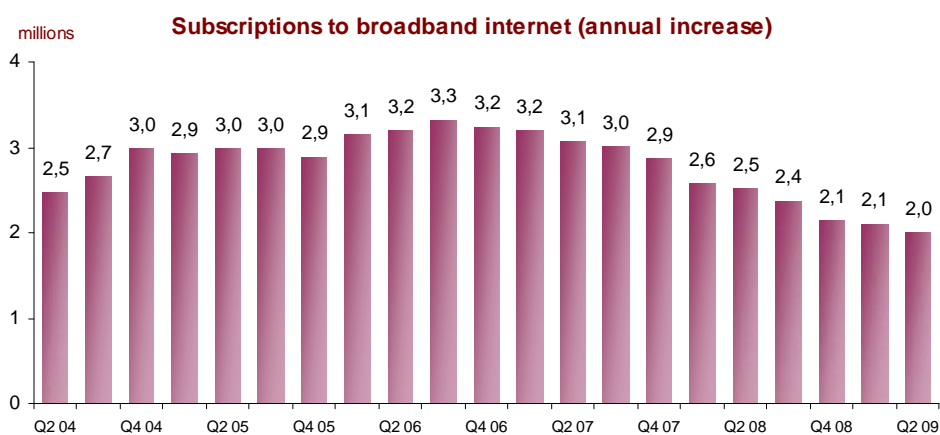
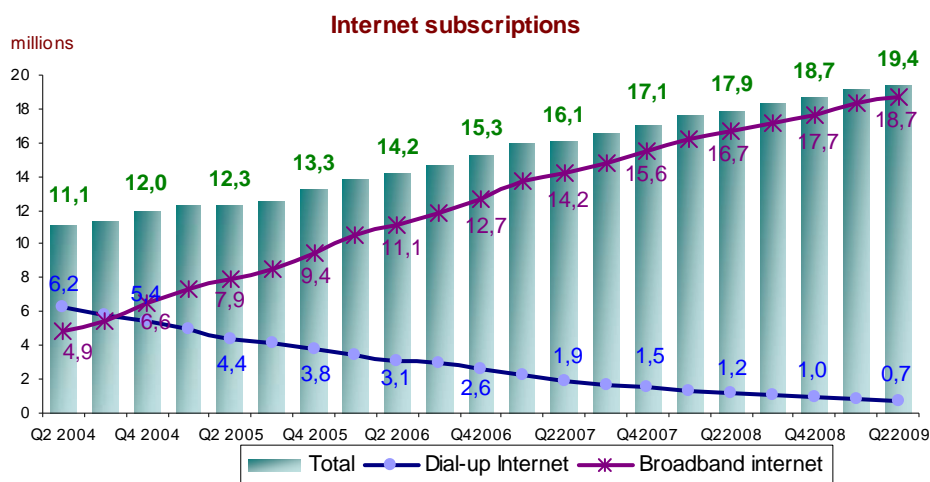
2.3 Internet on fixed networks

There were 19.4 million subscriptions to Internet access at the end of the second quarter 2009, of which 18.7 million accesses were for high speed (ADSL, cable and other technologies). Growth in the number of high-speed Internet accesses slowed significantly between mid 2006, a period of very strong growth (+3 million annually), and mid 2008 (+2.5 million). This slowdown has not been as bad in the past three quarters, stabilising at a still high level of 2 million annually.

Internet subscriptions (<i>millions of units</i>)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Dial-up	1,204	1,105	0,983	0,820	0,677	-43,8%
Broadband	16,689	17,187	17,690	18,350	18,685	12,0%
Internet subscriptions	17,893	18,292	18,674	19,170	19,362	8,2%

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.



Revenue from all Internet accesses reached €1.5 billion in the second quarter 2009, rising 8.9% over one year. At €1.3 billion, high-speed accesses represented over 90% of this revenue. The annual growth rate of high-speed revenue remained strong at 10.9% in the second quarter 2009, although it has been slowing since the third quarter of 2008, when it reached close to 20%.

Dial-up access revenue is now very marginal (€18 million in the second quarter 2009, or about 1% of Internet revenue). ISPs reported related revenues (site hosting, on-line advertising, etc.) of €16 million.

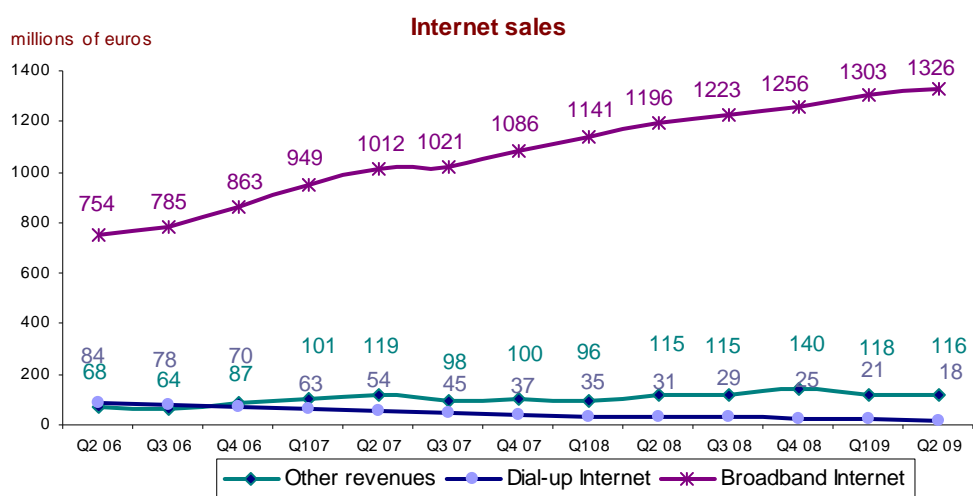
The average monthly invoice of a high-speed Internet subscription (€23.90 excluding VAT in the second quarter 2009) has been holding steady for over two years.

Total Internet revenue (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Dial-up	31	29	25	21	18	-41,1%
Broadband	1 196	1 223	1 256	1 303	1 326	10,9%
Other revenue	115	115	140	118	116	1,0%
Total Internet revenue	1 341	1 367	1 420	1 442	1 461	8,9%

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. 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".

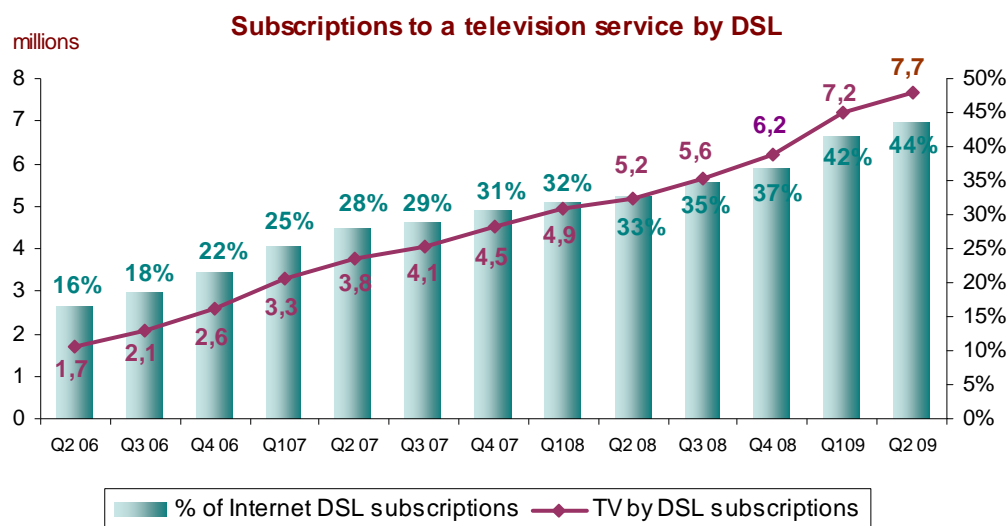


Volumes of dial-up Internet
(millions of minutes)

	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Volumes of dial-up Internet	2 582	2 258	2 165	1 722	1 524	-41,0%

2.4 Internet and television on ADSL

There were 17.6 million Internet-on-ADSL subscriptions at the end of the second quarter 2009, 1.7 million more than a year earlier. A large number of these subscribers (7.7 million at the end of the second quarter 2009, or 44%) also use this technology to watch television on DSL. This number has risen by 2.5 million over one year (48.5%).



Subscriptions (millions)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Subscriptions to Internet on DSL	15,872	16,323	16,804	<i>17,309</i>	17,615	11,0%
Subscriptions to television services on DSL	5,167	5,643	6,200	<i>7,194</i>	7,673	48,5%
% of subscriptions to television services	32,6%	34,6%	36,9%	41,6%	43,6%	

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 includes 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 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Contract subscribers	37,478	38,249	39,246	39,790	40,530	8,1%
Prepaid cards	18,567	18,143	18,734	18,424	18,651	0,5%
of which active prepaid cards *	17,070	16,797	16,999	16,922	16,582	-2,9%
Mobile Telephonie	56,045	56,392	57,980	58,214	59,182	5,6%

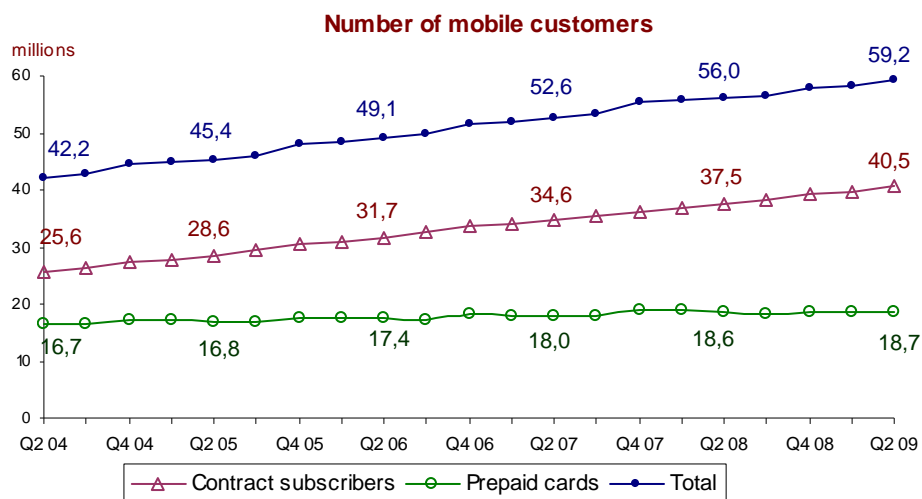
*A prepaid card is considered active if the customer has made or received at least one call during the past three months. Only tel considered, whether free or payable. SMS are not included in the calculation

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

There were 59.2 million users of mobile telephony services (number of SIM cards in service) at the end of the second quarter 2009, up 3.1 million in one year, for annual growth of 5.6%. This growth rate is greater than that recorded in the past two quarters (less than 5%).

“Post-paid” package subscriptions represent the majority of all subscriptions (68.5% of users at the end of the second quarter 2009). They have been growing regularly at a rate of over 8% since mid 2007 (8.1% in the second quarter 2009).

After two quarters of decline, the number of “pre-paid” subscriptions rose slightly (0.5% over one year in the second quarter 2009). However, the proportion of activated pre-paid cards continues to decline. So, the activity rate of pre-paid cards fell from 95% in mid 2007, to 89% in mid 2009.



Multimedia users, 3G users and Internet SIM cards (millions of units)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Active mobile multimedia users	16,881	17,449	19,143	19,505	20,177	19,5%
Active mobile 3G users	7,583	9,356	11,439	13,023	14,199	87,2%
Number of Internet data SIM cards	0,700	0,821	0,997	1,201	1,467	109,6%

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

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

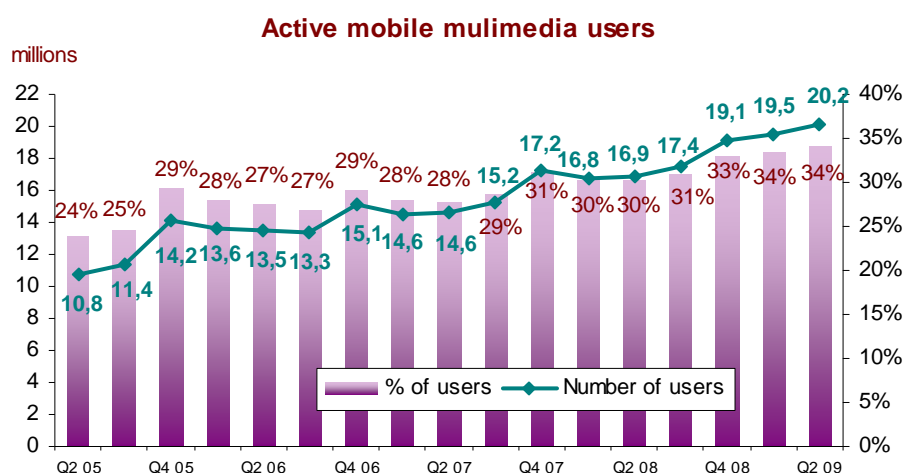
- The number of exclusive SIM Internet cards is defined as the number of SIM cards sold by mobile operators (as a subscription, package or pre-paid cards) intended exclusively for Internet use (PCMCIA cards, 3G / 3G+ Internet cards). These cards cannot be used to make voice calls.

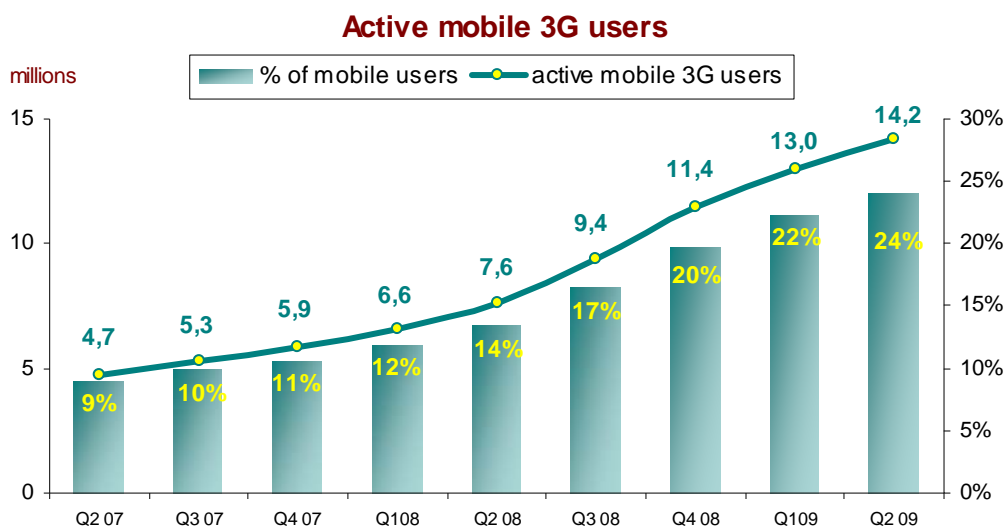
At the end of the first quarter 2009, one-third of mobile operators' clients, or 20.2 million of them, actively used multimedia services (access to "mobiles Internet" services, sending MMS, etc.).

The number of users of services available on 3G mobile networks practically doubled in one year, reached 14.2 million in the second quarter 2009, or one quarter of all mobile operators' clients. Use of 3G services is growing very quickly: in one year, the number of users rose 6.6 million (+87.2%).

Some of the SIM cards sold are used solely for mobile Internet connections (via a PCMCIA card, a 3G or 3G+ Internet card, etc.) and cannot be used to make voice calls. The number of these cards has been doubling at an annual rate for several quarters. It was 1.5 million at the end of the second quarter 2009.

This expansion in new uses of mobile networks is encouraged especially by data offers ("unlimited" mobile Internet offers) and terminals specially adapted to this use (touch-screen mobile phones and computers able to connect to mobile networks).

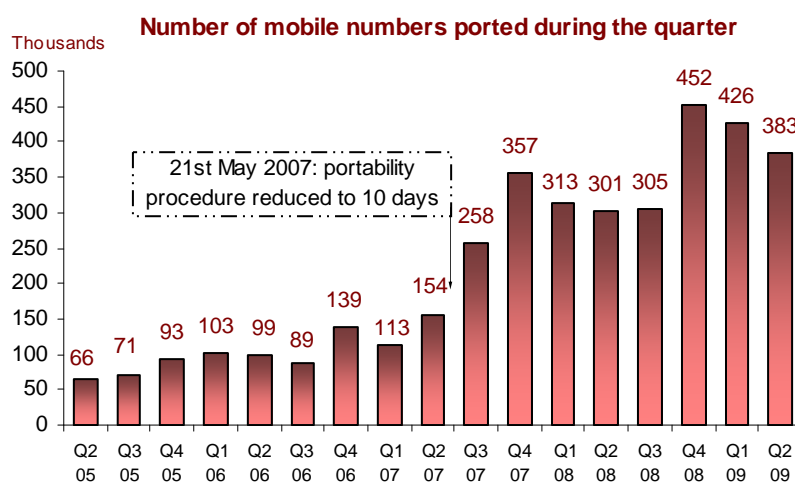




Portability (millions of units)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of mobile numbers ported during the quarter	0,301	0,305	0,452	0,426	0,383	27,2%

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 2009, 383,000 mobile numbers were ported from one operator to another, 82,000 more than a year earlier.



2.5.2 Revenue and volume indicators on the retail market

Revenue from mobile services (telephony and data transport) was €4.7 billion in the second quarter 2009. Annual growth of this revenue, which reached 6% in early 2008, has been slowing since then. However, it has still been holding above 2% since the start of 2009 (2.4% in the second quarter).

The share of revenue from mobile telephone calls shrank for the third quarter in a row (-2.1% over one year in the second quarter 2009). On the other hand, revenue from data transport services on mobile networks continued to grow strongly. At an annual rate, it has been greater than 20% since the end of 2007, and was 26.0% over one year in the second quarter 2009. This type of revenue, which reached €17 million in the second quarter 2009, now represents close to 20% of all mobile operator revenue.

Revenue (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Mobile telephony	3 903	3 930	3 844	3 724	3 823	-2,1%
of which outgoing internationals calls	173	194	191	180	206	19,1%
Data transport on mobile networks	728	798	834	888	917	26,0%
of which interpersonal messaging (SMS, MMS)	451	472	501	540	546	20,9%
of access to mobile Internet & to multimedia services	276	326	334	348	371	34,3%
Total mobile telephony and data transport	4 630	4 728	4 678	4 611	4 739	2,4%

adjusted figures are in italics

Note:

- These are revenues on the retail market. Revenues from the market between operators (interconnection, wholesale) are not included. Also excluded are retail revenues from value-added services.

In raw data, the volume of traffic originating on mobiles was down slightly for the third consecutive quarter (-1.3% over one year, for 25.6 billion minutes in the second quarter 2009). Still, in seasonally adjusted data, this volume has been holding steady at around 25.5 billion minutes since the end of 2007.

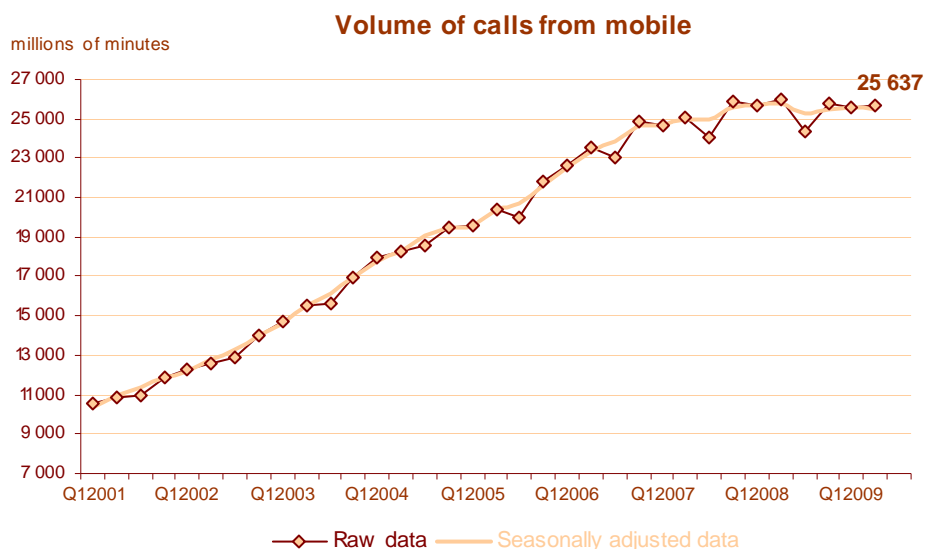
The change in traffic volumes originating on mobile networks is very different depending on the call destination:

- the volume of mobile traffic to the national fixed network (4.5 billion minutes), has been declining for several years. It was down 4.0% in the second quarter 2009
- the volume of calls between mobiles on the same network (on-net traffic) represented 13.0 billion minutes in the second quarter 2009, or just over half of all traffic originating on mobile phones. After slowing progressively throughout 2007 and 2008, this volume has been declining for the past three quarters, at an annual rate of 4 to 6% (-5.2% in the second quarter 2009).
- the volume of mobile calls to third-party mobile networks (7.4 billion minutes) has been growing constantly. This volume, which represented one-quarter of all traffic originating on mobiles in mid 2007, represented close to 29% in mid 2009. The annual growth rate was 8.3% in the second quarter 2009.
- the volume of mobile calls to international numbers has also been rising continuously (+8.7% over one year in the second quarter 2009), whereas roaming traffic for clients of French operators in foreign countries (roaming-out) was down 10.1% over the same period.

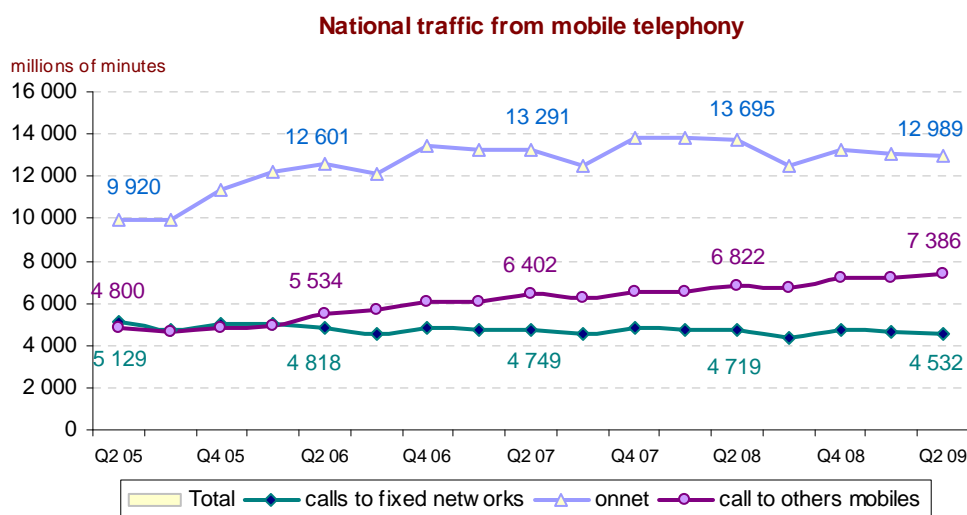
Volumes (millions of minutes)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Calls to national fixed lines	4 719	4 402	4 726	4 683	4 532	-4,0%
Calls to mobiles on the same network (1)	13 695	12 473	13 217	13 052	12 989	-5,2%
Calls to other networks	6 822	6 678	7 150	7 161	7 386	8,3%
Outgoing international calls	382	397	395	394	415	8,7%
Roaming out (2)	350	455	272	262	315	-10,1%
Total mobile telephony	25 967	24 406	25 761	25 552	25 637	-1,3%

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

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



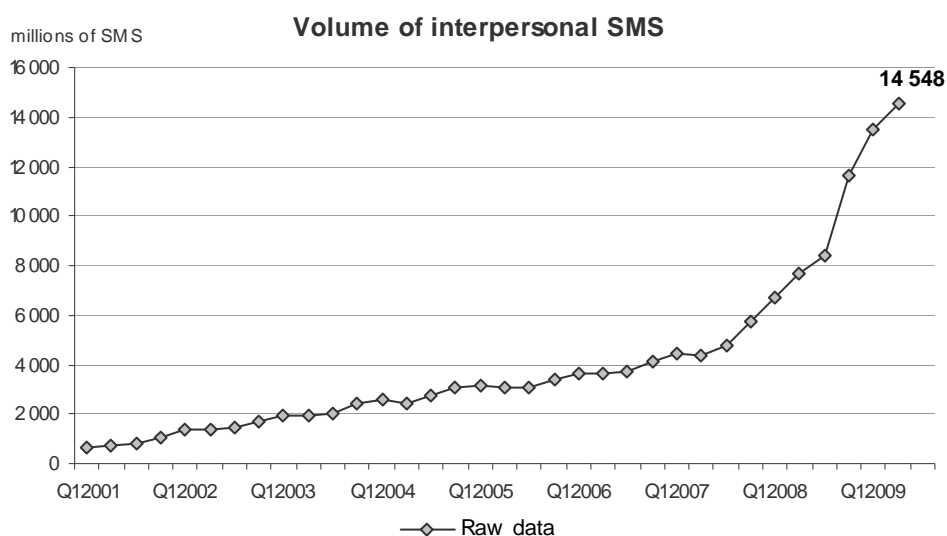
(The seasonally adjusted values for this data can be found in the “Séries chronologiques” spreadsheets available on the ARCEP website)



The number of interpersonal messages (SMS and MMS) sent during a quarter by mobile operators' clients continues to grow at a very strong annual rate. This increasingly intensive use is encouraged by “unlimited texting” offers mobile operators have been proposing since the end of 2007. Text messages (SMS) represent almost all of these messages. The number of text messages sent rose to 14.5 billion in the second quarter 2009, close to 7 billion more messages than the second quarter 2008.

On average, customers sent 83 text messages per month in the second quarter 2009, compared with 46 SMS in the second quarter 2008. On average, clients having a flat-rate package send twice as many text messages each month than do clients using a pre-paid package (99 and 48 text messages per month, respectively).

Volumes of interpersonal messages (millions of units)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of interpersonal SMS	7 680	8 432	11 596	13 493	14 548	89,4%
of witch from contract subscribers	6 046	6 635	9 103	10 854	11 886	96,6%
of witch from prepaid cards	1 633	1 797	2 493	2 640	2 662	63,0%
Number of interpersonal MMS	87	95	101	113	111	27,6%
Number of messages sent	7 767	8 527	11 697	13 606	14 659	88,7%



2.6 Revenue and voice traffic of metropolitan mobile operators

Until now, total recurring revenue and total recurring voice traffic indicators were published in the Mobile Indicator Monitor (MIM) one quarter after other indicators in this publication. In order to protect the coherence of the indicator publications for the same quarter, revenue and recurring traffic now appear in this Observatory with the current quarter. Furthermore total revenue and total traffic indicators for the residential retail market are now published on geographic and service perimeters, equivalent to recurring revenue and traffic indicators (indicators for Metropolitan France and including VAS).

2.6.1 Residential retail market of metropolitan mobile operators (mobile services and value-added services)

Total revenue of the residential retail market in millions of euros / as a %	T2 2008	T3 2008	T4 2008	T1 2009	T2 2009
Voice and data revenue (including value added services)	-	4 052	3 985	3 892	3 987
- Year-on-year growth	-	-	-	-	-
o/w revenue from post-paid customers	-	3428	3401	3334	3432
- Year-on-year growth	-	-	-	-	-

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

- Revenue from mobile services (telephony and data). This is the “residential” part of the retail market revenue appearing in item 2.5.2.
- Revenue from value-added services (including directory services). This is the “residential” part of the retail market revenue appearing in items 2.7.1 and 2.7.2.

Trafic sortant total du marché de détail résidentiel (en millions de minutes / en %)	T2 2008	T3 2008	T4 2008	T1 2009	T2 2009
Trafic voix y compris services à valeur ajoutée	-	20 135	20 879	20 715	20 447
- croissance en glissement annuel	-	-	-	-	-

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

- Mobile telephony services traffic. This is the “residential” part of the retail market revenue appearing in item 2.5.2.
- Value-added services traffic (including directory services). This is the “residential” part of the retail market revenue appearing in items 2.7.1 and 2.7.2.

2.6.2 Total recurring sales and recurring voice traffic of mobiles networks operators (Metropolitan)

Revenu récurrent total des opérateurs de réseaux (en millions d'euros / en %)	T2 2008	T3 2008	T4 2008	T1 2009	T2 2009
Revenu récurrent	5 556	5 649	5 632	5 529	5 662
- croissance en glissement annuel	5,6%	4,9%	3,2%	4,0%	1,9%
- dont revenu récurrent des clients en post-payé	4 799	4 827	4 921	4 845	4 982
- croissance en glissement annuel	5,6%	5,5%	3,9%	4,2%	3,8%
- dont revenu récurrent des clients en prépayé	756	823	711	684	680
- croissance en glissement annuel	5,5%	1,8%	-1,1%	2,0%	-10,0%

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

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

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

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

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

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

Total recurring voice traffic in millions of minutes	T2 2008	T3 2008	T4 2008	T1 2009	T2 2009
Recurring voice traffic	35 785	33 713	35 680	35 403	35 476
- Year-on-year growth	3,3%	0,9%	0,3%	0,0%	-0,9%
- o/w per post-paid customer	31 697	30 118	31 760	31 540	31 871
- Year-on-year growth	2,9%	2,2%	0,7%	0,6%	0,6%
- o/w per active pre-paid customer	4 089	3 596	3 920	3 862	3 605
- Year-on-year growth	6,3%	-8,8%	-2,9%	-4,8%	-11,8%

Note: Mobile network operators' recurring traffic (in circuit mode) covers all voice traffic, both incoming and outgoing, generated by, or to, the operator's customers and MVNOs. Recurring traffic does not include roaming in. It includes:

- outgoing calls to fixed telephones
- calls to third-party mobiles
- calls to mobiles on the same network, in particular calls to check voice messages, including to virtual mobile operators
- incoming calls from telephony and mobile telephony networks, including traffic to hosted MVNOs
- roaming out

Total recurring revenue is the total recurring revenue of the various network operators. Total recurring voice traffic includes double accounting; outgoing minutes to an operator's third-party mobiles are also counted by other operators as incoming minutes. On the other hand, outgoing minutes to mobiles on the same network, or to fixed telephones, are counted just once.

2.7 Other market components

2.7.1 Value added services (excluding directory services)

Revenue from value-added services reached €19 million in the second quarter of 2009, down 15.7% with respect to the first quarter 2008. Revenue from “voice and telematic” services was down 17.3%, while the share of revenue from data services shrank 10.8% in the second quarter 2009. At €139 million, revenue from data services declined for the first time with respect to the previous year, representing close to 27% of all value-added services revenue. During the quarter, 1.1 billion calls were made to “voice and telematic” services, generating traffic volume of 2.7 billion minutes. Close to nine-tenths of these calls were made on fixed phones. The volume of calls to these services declined by 14.4% in the second quarter 2009. The drop is particularly sharp for calls by mobile operators’ customers (-20.4%). There were 179 million premium messages (SMS+, MMS+) sent in the second quarter 2009 (+3.7% over one year).

Value-added services revenue* <i>(millions of euros)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Value-added "voice" services	461	450	447	403	381	-17,3%
From fixed telephony network	285	262	266	232	224	-21,5%
From mobile telephony network	175	188	180	171	157	-10,5%
Value-added "data" services	155	148	147	147	139	-10,8%
Value-added services	616	599	594	549	519	-15,7%

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 <i>(millions of minutes)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
From fixed telephony network	2 705	2 613	2 583	2 465	2 337	-13,6%
From mobile telephony network	428	452	438	392	341	-20,4%
Number of calls	3 134	3 065	3 021	2 857	2 678	-14,5%

adjusted figures are in italics

Number of calls to value-added "voice" and "télématique" services <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
From fixed telephony network	1 055	1 050	1 044	1 031	994	-5,8%
From mobile telephony network	163	167	165	165	149	-8,9%
Volumes	1 218	1 217	1 208	1 196	1 143	-6,2%

Value-added "data" service volumes <i>(millions of units)</i>	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of messages (SMS+, MMS+)	173	180	181	180	179	3,7%

* 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.

2.7.2 Directory services

Revenue from telephone directory services was €40 million in the second quarter 2009, up 3.7% over the second quarter 2008.

The number of calls to directory services numbers (27 million) and the volume of minutes they represent (58 million minutes) were down by about 15% at an annual rate during the second quarter 2009. Seven-tenths of calls to directory services were made from mobile phones.

Revenue from directory services (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Directory services operators	39	42	40	38	40	3,7%

Directory services	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of calls (millions of units)	31	30	29	26	27	-15,1%
Volume of calls (millions of minutes)	69	69	65	58	58	-15,5%

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, and 3200) or international directory services (3212).

2.7.3 Leased lines and data transport (fixed operators)

Revenue from leased lines on the end market was €387 million in the second quarter 2009 and rose 3.8% over on year. Over half of this revenue (€211 million) comes from leased line sales made by operators with other operators.

Revenue from data transport was €469 million in the second quarter 2009 and has been rising at a moderate rate since the beginning of 2008 (0.5% in the second quarter 2009).

Revenue (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Leased lines	373	381	389	381	387	3,8%
Data transport	467	463	479	468	469	0,5%

adjusted figures are in italics

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

2.7.4 Hosting and call centre management services

Revenue (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Hosting and call centre management	7	4	3	4	5	-33,5%

adjusted figures are in italics

2.7.5 Terminals and equipments

Revenues from terminal sales and rentals reached €712 million in the second quarter 2009 and grew 11.8% over one year. Mobile operators generated three-quarters of this revenue (€531 million) through mobile terminal sales.

Revenue from terminals and equipment (millions of euros)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed & Internet operators	180	181	209	200	181	0,7%
Mobile operators	458	599	714	449	531	16,2%
Terminals and equipment	637	781	923	649	712	11,8%

* adjusted figures

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

2.8 Indicators per customer

Average monthly revenue (value added services exclude) (in euros -VAT excluded)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Per fixed line : access, communications and Internet	36,8	36,6	36,9	36,1	36,0	-2,2%
Mobile telephony user	27,6	28,0	27,3	26,5	26,9	-2,5%

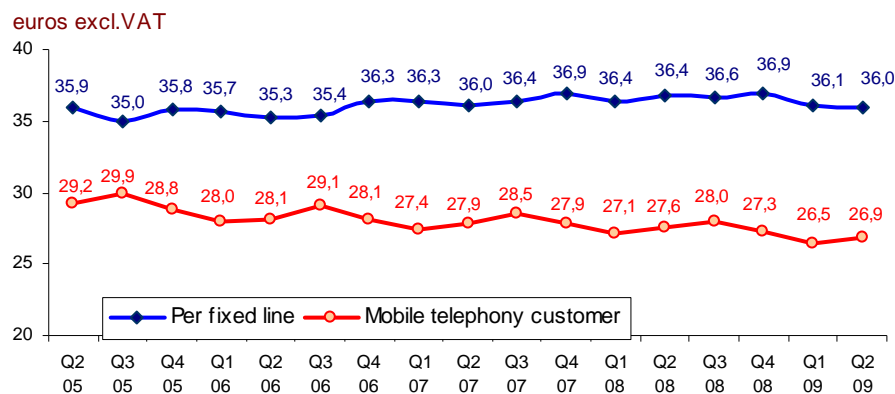
adjusted figures are in italics

The average monthly invoice per fixed line is calculated by dividing the income from calls originating on fixed lines (line rental, call charges and Internet service charges) for quarter N by the estimated average number of fixed lines in existence for quarter N, and then by the number of months. (See the box on page 36 for an explanation of the concept of a "line")

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

Average monthly revenue (voice and data)

(value-added services excluded)



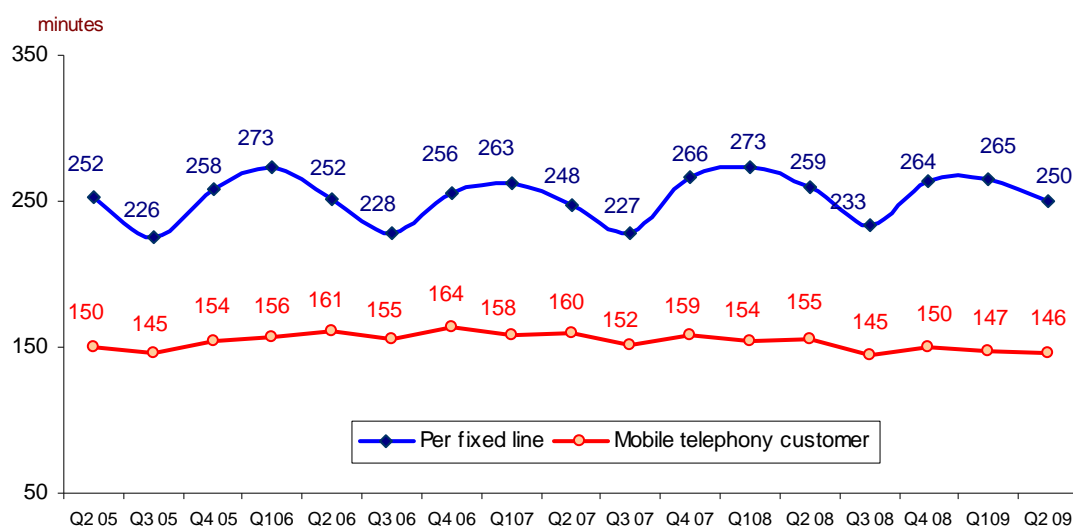
Average monthly outgoing traffic (in hours)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Per fixed lines	4h19	3h53	4h24	4h25	4h10	-3,8%
Mobile telephony user	2h35	2h25	2h30	2h27	2h26	-6,0%

adjusted figures are in italics

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

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

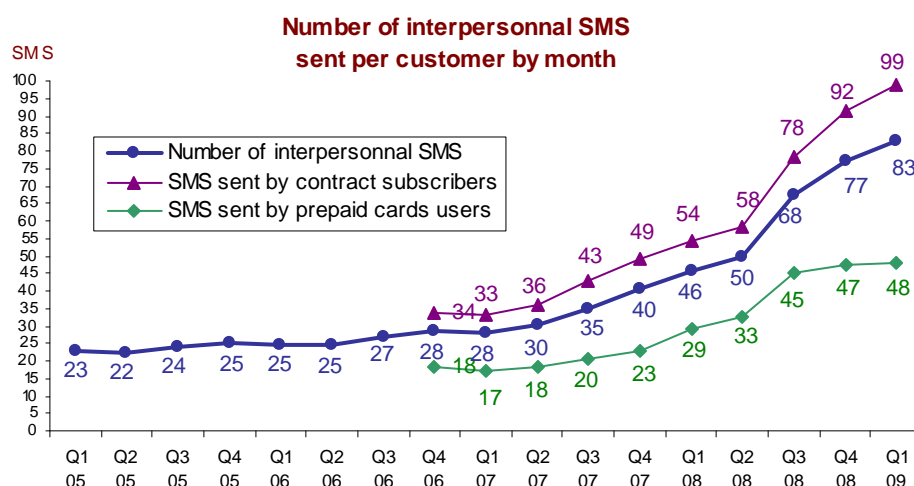
Average monthly outgoing traffic



Number of interpersonnal SMS sent per user (units)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of SMS sent per user during the quarter	45,8	50,0	67,6	77,4	82,6	80,4%
of witch for contract subscribers	54,2	58,4	78,3	91,6	98,7	81,9%
of witch for prepaid cards	29,1	32,6	45,1	47,4	47,9	64,7%

adjusted figures are in italics

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.



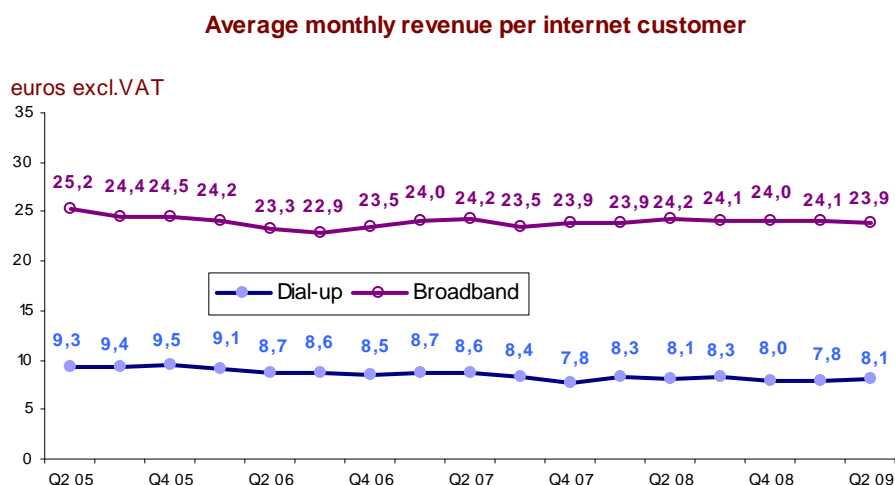
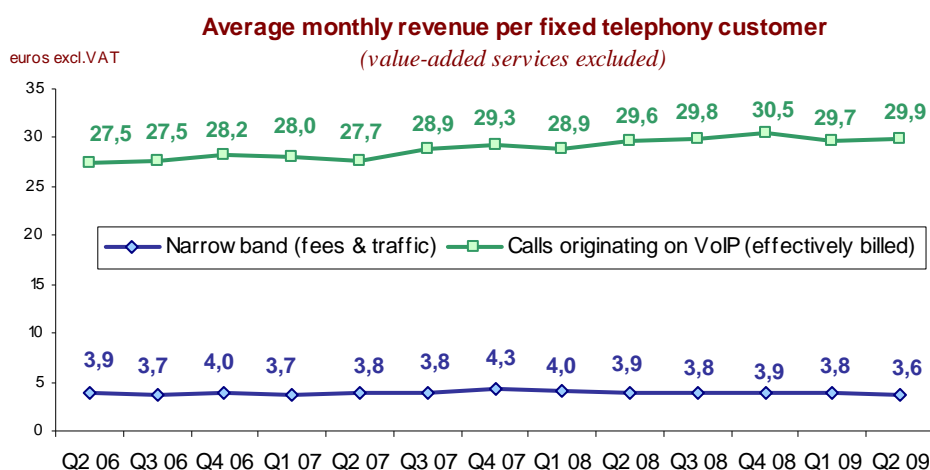
Average monthly revenue per customer (in euros -VAT excluded)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed PSTN/ISDN telephony user	29,6	29,8	30,5	29,7	29,9	1,0%
Fixed IP telephony user	3,9	3,8	3,9	3,8	3,6	-5,8%
Dial-up Internet user	8,1	8,3	8,0	7,8	8,1	0,0%
Broadband Internet user	24,2	24,1	24,0	24,1	23,9	-1,3%

adjusted figures are in italics

The average monthly invoice 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 just 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 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.

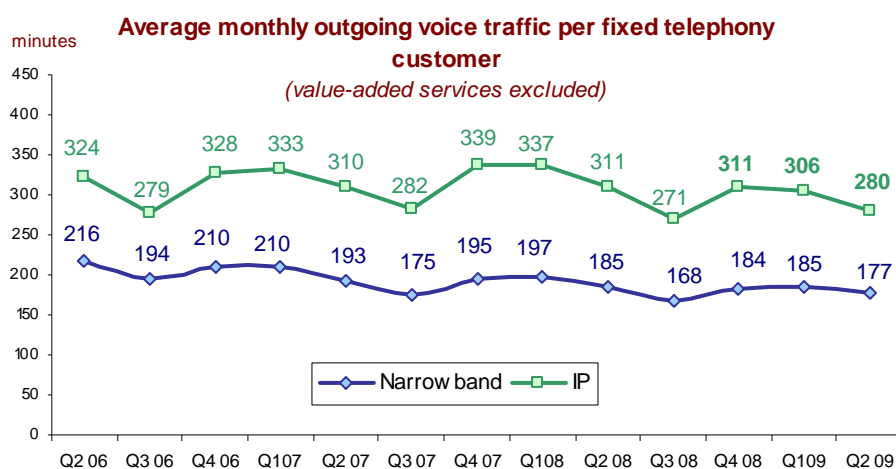


Average monthly traffic per customer (in hours)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Fixed PSTN/ISDN telephony user	3h05	2h48	3h04	3h05	2h57	-4,2%
Fixed IP telephony user	5h11	4h31	5h11	5h06	4h40	-9,9%
From dial-up Internet	11h17	10h52	11h31	10h37	11h18	0,2%

adjusted figures are in italics

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]

Fixed networks -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. So naturally, the average volume of traffic and average bill per subscription is 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. For digital lines, it was accepted practice to take the number of channels subscribed for as the number of fixed lines, i.e. two for BRI lines and up to 30 for PRI lines. In practice, the business customer pays as many monthly line rental charges as the number of channels subscribed for, i.e. two for BRI lines and up to 30 for PRI lines. This convention has been retained.

With the implementation of broadband voice services, operators can provide an IP telephone service over an analogue line 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 number of 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 (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 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 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Change 2Q09/2Q08
Number of fixed lines	34,796	34,829	35,056	35,295	35,270	1,4%

adjusted figures are in italics

Mobile networks: average monthly invoice per subscription and ARPU

The market Observatory publishes indicators for the **average monthly invoice per subscription for fixed telephony, mobile telephony and Internet**. These indicators correspond to the average subscription and call charges (voice and data) billed by operators to customers.

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 revenue 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* revenues from incoming calls (interconnection). It may or may not include revenue from roaming, depending on the operator.

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

As with the ARPU, the indicator of average traffic per customer or **AUPU** (Average Usage Per User) is used by certain financial firms and the operators. It covers some or all of the incoming calls in order to create a figure for volume which is comparable to 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.

Average monthly recurring sales per active customer in euros per month / in %	T2 2008	T3 2008	T4 2008	T1 2009	T2 2009
Average monthly recurring sales per customer	35,3	35,7	35,0	33,8	34,5
- Year-on-year growth	0,4%	-0,2%	0,4%	0,1%	-2,4%
- o/w per post-paid customer	44,3	43,7	43,6	42,1	42,6
- Year-on-year growth	-2,4%	-2,7%	-2,0%	-2,0%	-3,9%
- o/w per active pre-paid customer	15,4	17,1	14,8	14,2	14,4
- Year-on-year growth	6,6%	3,5%	2,8%	3,7%	-6,9%

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

