LES ACTES DE L'ARCEP

RÉPUBLIQUE FRANÇAISE

February 2010

The electronic communications services market in France

Q3 2009

ARCEP Autorité de régulation des communications électroniques et des postes

www.arcep.fr

Introduction

Electronic communications operators' retail market sales totalled 11.1 billion euros in Q3 2009. Interconnection services and wholesale market sales between operators generated 1.9 billion euros in additional revenue over the course of the quarter.
The revenue earned solely on electronic communications in the retail market, after deducting operators' subsidiary income (device sales, directory services, advertising, call centre hosting, etc.) reached 10.2 billion euros in Q3 2009, which marks a slight decrease of -0.2% over the previous year.
Fixed and mobile telephony services generated a combined volume of 49.6 billion minutes in Q3 2009, or 1% more than in Q3 2008.

Fixed telephony and Internet

Revenue from fixed services (3.9 billion euros in Q3 2009) is down for the second consecutive quarter (-1.7% over the previous year after a 1.0% decrease in Q2). The healthy momentum which is being sustained by broadband and ultra-fast broadband services (broadband telephony and Internet access), whose income has increased by +13.6%, is not offsetting the 11.7% drop in income from narrowband services.

There were 41 million subscriptions to a telephone service in use at the end of Q3 2009, a number that continues to rise (+1.9% over the previous year) thanks to a swift uptake in the adoption of voice over broadband solutions. The number of VoBB subscriptions increased by 2.7 million compared to the previous year (+19.9%) to reach 16.2 million at the end of Q3 2009, equalling close to 40% of all subscriptions to a telephone service in France. At the same time, the number of narrowband telephony subscriptions has been shrinking steadily at a rate of 7% to 9% annually since the start of 2007. It stood at 24.8 million at the end of Q3 2009, or close to 2 million fewer than the previous year.

Some voice over broadband offers are created by alternative operators or the incumbent carrier using fully unbundled lines or via naked DSL/bitstream. The proportion of fixed lines that are used only for delivering a telephony over IP service has doubled in two years, accounting for 30% of all fixed lines at the end of Q3 2009. The percentage of lines on which two phone subscriptions co-exist, i.e. both a VoIP and a classic PSTN service, has changed very little over the past two years (16% at the end of Q3 2009), contrary to what we are seeing in the number of lines used only for a regular PSTN subscription, which is decreasing constantly – going from 61% in 2008 to 54% at the end of Q3 2009.

Income earned directly from fixed telephony (i.e. subscriptions and calls), which totalled 2.5 billion euros in Q3 (-6.9% over the previous year), has been declining steadily for several years, and at a slightly increased rate since the start of 2009. The growing contribution from VoIP subscriptions (+30.6% over the previous year) and billed IP calls (+19.8% over the previous year) is only partially compensating for the ongoing drop in revenue resulting from the rapid decrease in the number of "classic" phone subscriptions over the PSTN.
1.5 billion euros were generated by Internet access and fixed line subscriptions in Q3 2009, or just under 60% of total fixed telephony revenue. But income from access has been on a downwards slide since mid-2008 (-1.6% over the previous year as of Q3 2009), while income from phone calls over landline networks (916 million euros in Q3 2009) has been declining for several years now. The decrease in Q3 2009 was 14.2% greater than in the previous year.

The volume of calls originating fixed devices, excluding public payphones and prepaid cards, totalled 24.9 billion minutes in Q3 2009. Thanks to an increase of 1.9 billion minutes for IP-based calls, the volume of calling traffic rose once again in the third quarter of the year (+2.3% over the previous year or 0.6 billion minutes), after having decreased at an annual rate of around 2% in the first half of 2009. Meanwhile the volume of calls originating on the PSTN declined by 1.3 billion minutes during that same period.
IP-based calling traffic reached 12.6 billion minutes in Q3 2009, and now accounts for more than half of all traffic originating on fixed devices, while its annual rate of increase, which had been tending to slow since the start of 2008, was a very healthy 17.8% in the third quarter of 2009.
The increase in the number of VoIP minutes is being sustained to a large extent by the so-called "unlimited" calling offers included in operators' flat rates for service bundles and for national and international fixed calls. IP calling minutes to these destinations represented 52% and 71%, respectively, of total calling traffic, but only 24% of IP calling minutes to mobile phones.

There were 19.9 million Internet access subscriptions in use at the end of Q3 2009, of which 18.9 million were broadband accounts. The base of high-speed connections continues to expand (+10.2% over the previous year as of Q3 2009) but the annual increase in broadband subscriptions – which had totalled 2.1 to 2.6 million over the course of 2008 – has dropped below 2 million since the start of 2009: totalling +1.8 million in Q3. Meanwhile, the number of ultra-fast broadband (fibre) connections reached 252,000 in all.

Revenue generated by Internet access totalled 1.5 billion euros in Q3 2009, or 8.4% more than the previous year. Most of this income (close to 1.4 billion euros) is earned on broadband and ultra-fast broadband access, which is growing at a steady pace (+10.6% over the previous year as of Q3 2009), albeit at a slightly lesser rate since the end of 2008.
The average monthly invoice for broadband Internet access has remained relatively unchanged for more than two years, and stood at 24.20 euros, excl. VAT, in Q3 2009.
A sizeable percentage of ADSL subscribers (just over 45%, or 8.1 million at the end of Q3 2009) have the option of accessing an IPTV solution, and 2.5 million of them signed up for a TV over ADSL service between Q3 2008 and Q3 2009 – increasing the base by 44.1%.

Mobile telephony

There were 59.7 million mobile telephony users (number of SIM cards in service) in France at the end of Q3 2009, or 3.3 million more than the previous year – marking an increase of 5.8%. The vast majority of customers subscribe to a post-paid flat rate: 69.5% in Q3 2009, a percentage that has been growing at a rate of over 8% annually since mid-2007. The number of prepaid cards has risen slightly for the second quarter running (+0.4% over the previous year in Q3 2009).
A portion of the SIM cards sold by operators are used solely for mobile Internet access and cannot be used for making voice calls. There were 1.8 million of these cards in use at the end of Q3 2009, and their annual rate of increase has doubled for several quarters in a row.

The use of mobile phones and mobile networks continues to increase. The main driving forces at work here are the growing availability of data-centric offers, rather than voice-centric ones (unlimited access to the mobile Internet), along with the sale of new devices (touch-screen phones and netbooks). In September 2009, 20.8 million users, or more than a third of mobile operators' customers, used multimedia mobile services, i.e. accessed a mobile Internet service, sent a multimedia message, etc. We are also seeing a swift rise in the use of 3G networks: 15.4 million people made use of the services available on third generation (3G) mobile networks in Q3 2009, or a quarter of all mobile customers. The number of active 3G users has increased by 6.1 million (+64.8%) over the previous year.

The revenue generated by mobile services (calling and data transport) continues to increase, and totalled 4.8 billion euros in Q3 2009. After having slowed to 6% in mid-2008, the rate of growth for this revenue has nevertheless levelled off at just over +2% annually since the beginning of 2009. Mobile calling alone generated 3.9 billion euros in Q3 2009, or 80% of the total income from mobile services. But it has been shrinking at an annual rate of around 2% since the start of 2009.
The revenue generated by mobile data services, on the other hand, has been growing at an annual rate of over 20% since then end of 2007 – increasing by 22.8% in Q3 to 979 million euros.

Mobile telephony traffic represented 24.4 billion minutes in Q3 2009. While dropping slightly during the first two quarters of the year, it held steady in Q3. The growth in traffic volume nevertheless differs considerably depending on the destination of the calls, with on-net traffic shrinking at annual rate of around 4% to 6% since the end of 2008 (-3.7% over the previous year in Q3 2009). At 12 billion minutes in Q2 2009, it accounts for just under half (49.2%) of all traffic originating on mobiles. Mobile-to-fixed line calls have been on a downwards slide for several years now (-1.7% over the previous year in Q3 2009), whereas the volume of off-net mobile calls continues to increase steadily (+6.7% over the previous year). This is also true of the volume of mobile calls to international destinations, which increased by a tremendous +25.2% in Q3, no doubt because of the ordered decrease in the Eurotariff.
The growing number of offers that have become available since the end of 2008 which include unlimited text messages has given a tremendous boost to the SMS market: 15.5 billion text messages were sent in the third quarter of 2009, or 7 billion more than the year before. Customers sent an average 87 SMS a month in Q3 2009, compared to 50 in Q3 2008.

<u>Other market components</u>

Revenue from value-added services came to 529 million euros in Q3 2009, 12.3% less than the previous year. Income from voice and telematics services reached 381 million euros in Q3 2009, which marks a 16.2% drop from the year before. Close to nine out of ten calls to these services are over a fixed line. Meanwhile, the revenue generated by mobile operators' data services (148 million euros) held steady in Q3 (-0.4% over the previous year) and corresponds to a quarterly volume of 195 million surcharged text messages.

The number of calls to directory services has been declining steadily. The 25 million calls in Q3 2009 marks a 15.6% decrease over Q3 2008. Close to seven out of ten calls to directory services are from mobile phones. The revenue earned by directory services in Q3 2009 totalled 40 million euros, which is 5.1% below what it was in the third quarter of 2008.

Terminal sales and rental generated a total 760 million euros in Q3 2009, with more than three quarters of that sum, or 581 million euros, coming from terminal sales.

Note: The figures relating to a particular quarter may be revised from one issue to the next as a result of corrections made by operators to their reports. Any discrepancies between annual growth figures expressed as a percentage and the corresponding values are due to rounding off.

Contents

1 The electronic communications market as a whole

1.1 The end user market

Revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed services	*4 007*	*4 075*	*3 979*	*3 970*	3 939	-1,7%
Fixed telephony (1)	2 638	2 653	2 539	*2 511*	2 455	-6,9%
Internet	*1 369*	*1 423*	*1 440*	*1 460*	1 484	8,4%
Mobile telephony (2)	4 728	4 678	4 611	4 739	4 838	2,3%
All telephony and Internet	***8 735***	***8 754***	***8 591***	***8 710***	**8 777**	**0,5%**
Advanced services	603	598	*552*	*523*	529	-12,3%
Directory services. directories and advertising	42	40	38	40	40	-5,1%
Leased lines	381	389	381	*384*	390	2,2%
Data transport (3)	463	479	468	*471*	469	1,4%
Electronic communications services	***10 223***	***10 259***	***10 030***	***10 129***	**10 204**	**-0,2%**
Others revenues (4)	968	1 096	764	899	930	-3,9%
Entire market	***11 191***	***11 355***	***10 794***	***11 028***	**11 134**	**-0,5%**

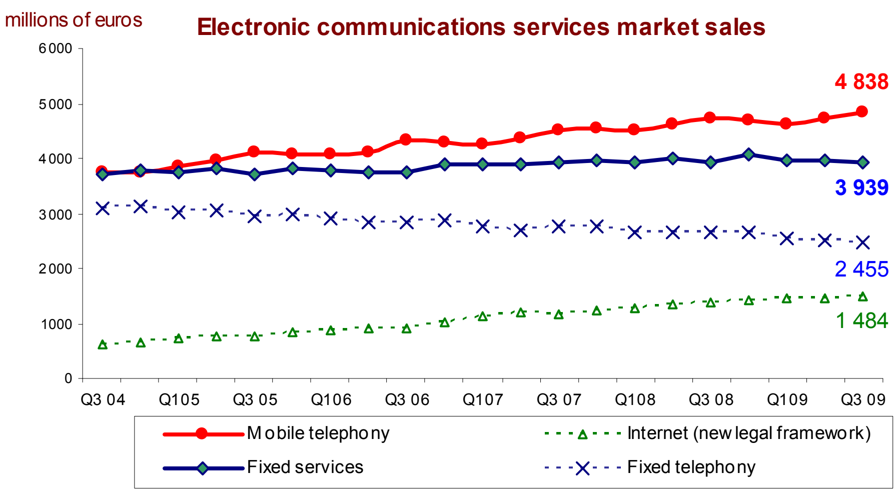
adjusted figures are in italics

(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.



The revenue that electronic communications operators earned from selling services in the retail market in Q3 2009, excluding subsidiary income, came to 10.2 billion euros, which marks a very slight decrease of -0.2% over the previous year.

Income from fixed services (fixed telephony and Internet) totalled 3.9 billion euros in Q3 2009, marking the second consecutive quarterly decrease: -1.7% over Q3 2008, on the heels of a 1% decrease in the second quarter. Close to 2.5 billion euros of this revenue is derived directly from telephony – i.e. income from subscriptions and phone calls originating on the fixed network – a proportion has been shrinking regularly for several years now, but has been especially acute since the start of 2009 (-6.9% compared to the previous year in Q3). Meanwhile, the income earned from Internet services (1.5 billion euros) is still growing at a healthy pace (+8.4% in Q3 2009), although annual growth has been below 10% for two quarters running, compared to increases of between 13% and 17% since the start of 2008.

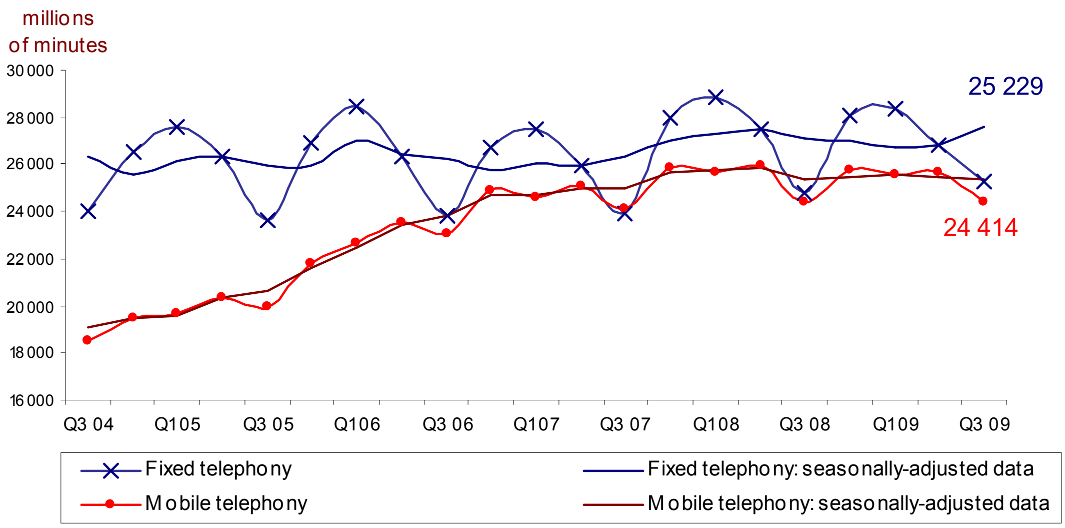
Mobile services revenue reached 4.8 billion euros, or more than 47% of total income from electronic communications services. After having decreased in the second half of 2008, the growth rate for this revenue has been slightly over 2% since the beginning of 2009, settling in at +2.3% in Q3 2009.

The volume of voice calls on fixed and mobile networks combined came to 49.6 billion minutes in Q3 2009, or 1% more than the previous year.
The volume of calls originating on fixed devices, including public payphones and prepaid cards, totalled 25.2 billion minutes in Q3 2009. Although it had been decreasing since the start of 2009, this traffic was back on an upwards trajectory in Q3 2009 (+1.9% over the previous year) thanks to a substantial increase in IP telephony calling volumes.
Calling traffic on mobile networks reached 24.4 billion minutes in Q3 2009, virtually identical to what it was in Q3 2008. Making adjustments for seasonal variations, where once it was rising steadily, this traffic appears to have levelled off since the end of 2007.
The number of person-to-person text messages being sent continues to increase at a tremendous rate: 15.5 billion SMS were sent during the third quarter of 2009, or 83.8% more than the year before.

Volumes *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed telephony	24 755	28 045	*28 313*	*26 813*	25 229	1,9%
Mobile telephony	24 406	*25 761*	*25 554*	25 637	24 414	0,0%
Total voice services	49 161	*53 806*	*53 866*	*52 450*	49 643	1,0%
Internet (dial-up)	2 258	2 165	1 722	1 524	1 375	-39,1%
Number of SMS sent *(millions of units)*	8 432	11 596	13 493	14 548	15 498	83,8%

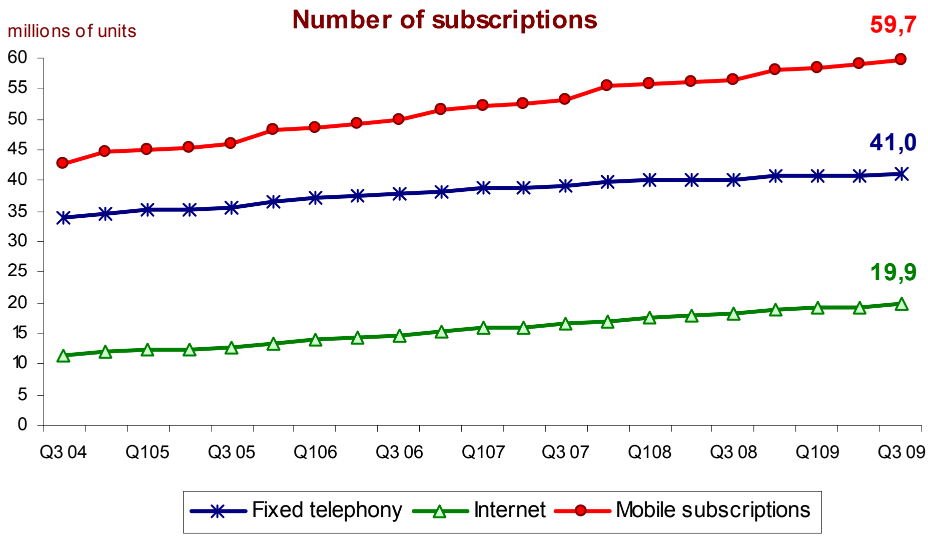
adjusted figures are in italics

Electronic communications services market volume



Number of subscriptions *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of subscription to telephone service	40,269	40,708	*40,659*	*40,910*	41,036	1,9%
Internet subscriptions	*18,394*	*18,803*	*19,186*	*19,375*	19,876	8,1%
Number of mobile customers	56,392	57,980	58,214	59,182	59,655	5,8%

adjusted figures are in italics



Details concerning the "fixed services" segment

The fixed services segment is made up of fixed telephony and Internet. As is generally the case, the segmentation applied in Observatory publications associates all of the revenue generated by bundled services to Internet and assigns to "fixed" only that revenue that can be attributed directly to it. The indicator tied to revenue that can be attributed directly to fixed telephony services includes income from access fees and subscriptions to the telephone service (PSTN and VoIP when billed separately from the Internet service), fixed line calling revenue that is billed on its own (PSTN and VoIP when billed over and above bundled service flat rates), and income from public payphones and prepaid cards. Access to VoIP services and IP telephony calls that are included in a broadband flat rate are therefore not factored into the fixed services indicator, but rather into the "broadband Internet access revenue" indicator and, at a broader level, in the "Internet revenue" indicator.

1.2 The intermediate market

1.2.1 The market as a whole

Revenue generated by interconnection services between operators in the intermediate market came to 1.9 billion euros in Q3 2009.
The revenue earned on services supplied by fixed network operators reached 1.1 billion euros in Q3 2009, which is 1.3% less than the previous year. Its main component is income from services tied to the telephone service, which totalled 696 million euros in Q3 2009. Including revenue from wholesale line rental (VGAST), this revenue is down by 2.7% compared to 2008. Meanwhile revenue from wholesale access services (unbundling, bitstream, etc.) reached 429 million euros for the quarter, or 1.4% more than the previous year – a very slight increase which is due in part to the drop in bitstream wholesale prices in 2009.
The revenue generated by mobile operators' interconnection services amounted to 821 million euros in Q3 2009, which marks an annual decrease of 19.7%. This can be attributed to the decrease in mobile call termination prices on 1 July 2009, which translated into a roughly 30% drop in the maximum mobile call termination price for all three mobile network operators.
The total volume of traffic involved in interconnection services between operators was 42 billion minutes in Q3 2009. Fixed operators' interconnection traffic is tending to decrease (-4.4% over the previous year as of Q3 2009), due in particular to the consolidation of the fixed market which means fewer operators in the intermediate market and a diminished volume of calling traffic being exchanged. The number of interconnection minutes between mobile operators, on the other hand, continues to increase slightly, rising by 1.4% over the previous year in Q3 2009.

Interconnection services *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed operators	1 144	1 199	1 135	*1 121*	1 129	-1,3%
of which telephony services	715	756	*690*	*694*	696	-2,7%
of which dial-up Internet	5	4	3	3	3	-37,1%
of which broadband services	424	439	443	424	429	1,4%
Mobile operators	1 022	995	978	1 034	821	-19,7%
Revenue	**2 166**	**2 194**	***2 114***	***2 154***	**1 949**	**-10,0%**

adjusted figures are in italics

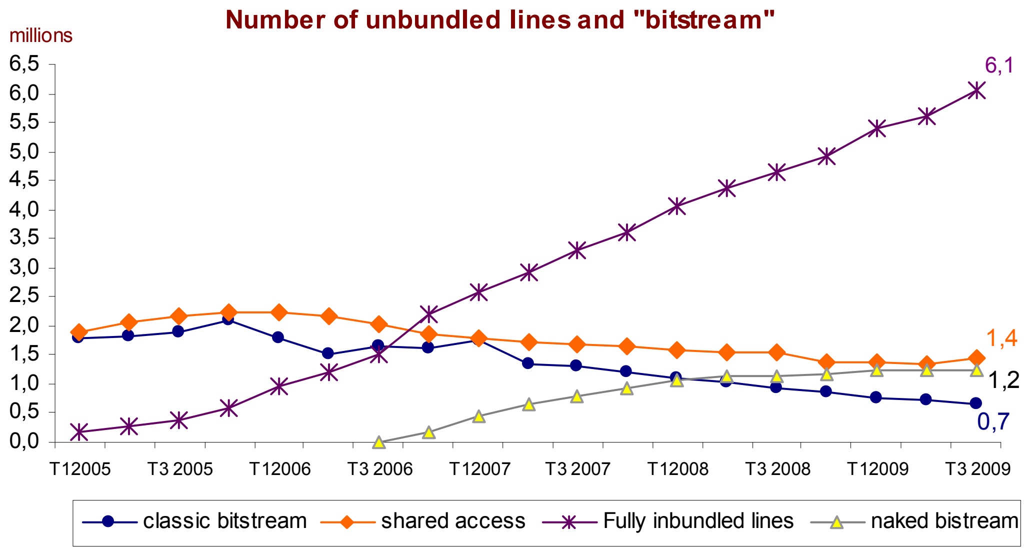
Interconnection services *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed operators	31 508	35 458	*32 688*	*31 224*	30 076	-4,5%
Internet (dial-up)	1 230	1 019	715	*604*	553	-55,0%
Mobile operators	11 246	11 447	11 203	11 534	11 408	1,4%
Volume	**43 984**	**47 924**	***44 605***	***43 362***	**42 037**	**-4,4%**

adjusted figures are in italics

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

There were 7.5 million unbundled lines in France at the end of Q3 2009, representing 21% of all fixed lines. The number of fully unbundled lines (6.1 million) continues to rise rapidly, increasing by 1.3 million, or 31.1%, in the year. On the flipside, shared access has been on the decline since mid-2006, with the number of shared access lines shrinking to 1.4 million at the end of the quarter, which translates into a 6.8% decrease in a single year, or 105,000 fewer lines.

Unbundling *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Partially unbundled lines	1,535	1,376	1,378	1,353	1,430	-6,8%
Fully unbundled lines	4,631	4,922	5,408	5,611	6,070	31,1%
Number of unbundled lines	**6,166**	**6,299**	**6,786**	**6,964**	**7,500**	**21,6%**



"Bitstream" lines *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
"naked bistream"	1,137	1,186	1,232	1,250	1,232	8,4%
"classic bitstream"	0,913	0,844	0,765	0,734	0,652	-28,6%

Alternative carriers bought 1.2 million naked DSL/bitstream connections from the incumbent carrier in Q3 2009, or 8.4% more than the year before. This wholesale solution allows operators to offer their customers broadband services in parts of the country where full unbundling is not available, and notably a telephone service that does not require customers to have a subscription with the incumbent carrier. Meanwhile, the number of classic bitstream connections being used in Q3 stood at 652,000, a number which is decreasing steadily (-28.6% over the previous year).

1.2.2 Incoming international interconnection[1]

Operators' income from incoming international interconnection services totalled 118 million euros in Q3 2009.
Inbound international interconnection traffic reached 2.7 billion minutes in Q3 2009, with international traffic terminating on fixed networks in France accounting for 2.1 billion minutes or more than three quarters of this volume. This traffic has been on a downwards trajectory since the start of the year (-9.0% in Q3), while incoming international traffic terminating on French mobile networks has also decreased. It has declined for three quarters running (-12.2% compared to Q3 2008), after having increased at a substantial annual rate in previous years.

Revenue of incoming international interconnection services *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed operators	110	96	92	96	87	-21,3%
Mobile operators	50	47	43	43	31	-37,7%
Revenue	**160**	**142**	**134**	**139**	**118**	**-26,4%**

Volume of incoming international interconnection services *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed operators	2 312	2 224	2 138	*2 200*	2 103	-9,0%
Mobile operators	687	657	614	609	603	-12,2%
Volume	**3 000**	**2 882**	**2 752**	***2 809***	**2 707**	**-9,8%**

adjusted figures are in italics

1.2.3 Mobile operators' roaming-in[2]

Since June 2007, European regulation has imposed a price cap on international roaming calls inside the European Union on mobile operators, along with a multi-annual tariff decrease. The price of roaming calls, referred to as the Eurotariff, has therefore decreased from €0.46 excluding VAT to €0.43 excluding VAT, as of 1 July 2009 for calls made to another EU country (roaming-out), and from €0.22 excluding VAT to €0.19 excluding VAT for calls received from another EU country (roaming-in). This has led to 24% decrease in roaming-in revenue compared to the year before, while the number of minutes is up slightly (+1.7% over the previous year in Q3), after having decreased significantly early in the year.

Roaming in	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Revenue *(millions of euros)*	211	147	127	147	168	-20,4%
Volume *(millions of minutes)*	596	405	385	454	606	1,7%

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

[1] *This market segment is a subset of the overall market (cf. 1.2.1)*
[2] *This market segment is a subset of the overall market (cf. 1.2.1)*

2 Market segments

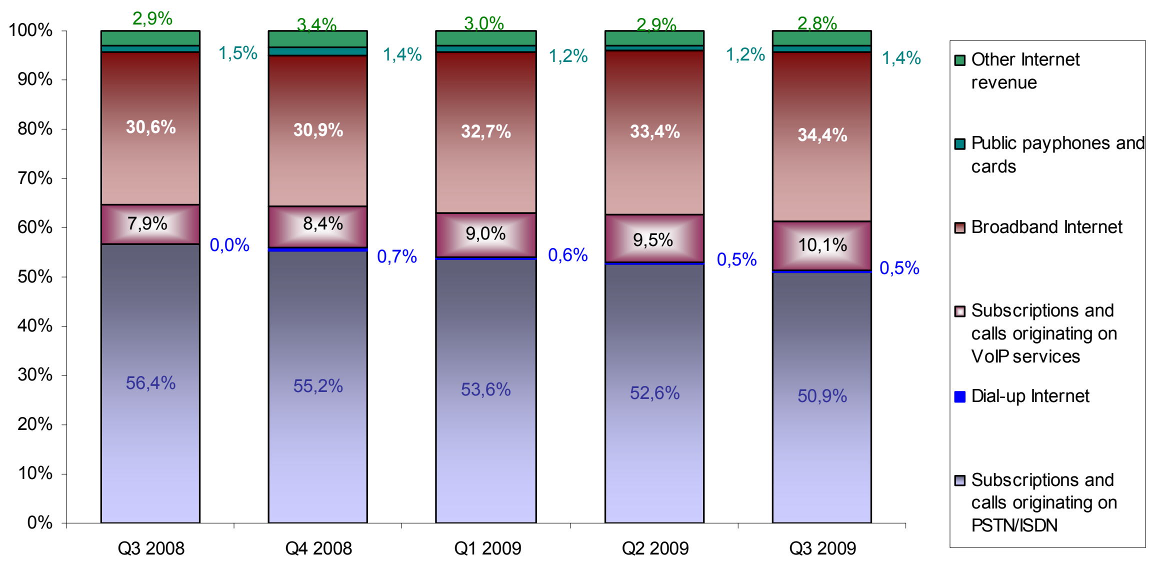
2.1 Fixed network services

Broadband and ultra-fast broadband services (fixed telephony over broadband and Internet access) account for an increasingly large share of fixed service revenue. The income generated by broadband services rose by an annual rate of 13.7% in Q3 2009 and represents 44.5% of the total revenue earned on fixed services, compared to 38.5% the year before. At the same time, income from narrowband services on fixed networks (telephony over the PSTN and dial-up Internet access) is tending to shrink at a comparable rate (-11.7% over the previous year). The revenue generated by services linked to Internet access (advertising, e-commerce or website hosting) is down by 2.8% compared to the previous year. Public payphone and prepaid card sales are also down, decreasing by 12% compared to Q3 2008.

Revenue of fixed networks services *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Narrowband Revenue	**2 289**	**2 276**	***2 152***	***2 106***	**2 021**	-11,7%
Subscriptions and calls originating on PSTN/ISDN	2 260	2 251	2 131	*2 088*	2 003	-11,4%
Dial-up Internet	29	25	21	18	17	-39,7%
Broadband Revenue	***1 541***	***1 600***	***1 659***	***1 702***	**1 752**	13,7%
Subscriptions and calls originating on VoIP services	316	342	359	*376*	397	25,5%
Broadband Internet	*1 225*	*1 258*	*1 301*	*1 326*	1 355	10,6%
Other revenue	**177**	**199**	**168**	**163**	**166**	-6,0%
Public payphones and cards	62	59	49	47	54	-12,0%
Other Internet revenue	115	140	118	116	112	-2,8%
Revenue of fixed lines services	***4 007***	***4 075***	***3 979***	***3 970***	**3 939**	-1,7%

adjusted figures are in italics

Revenue of fixed networks services



2.2 Fixed telephony

2.2.1 Access, subscriptions and fixed lines

There were 41 million subscriptions to a telephone service at the end of Q3 2009, a number that continues to increase (+1.9% over the previous year) thanks to a swift rise in the adoption voice over broadband solutions. VoBB subscriptions increased by 2.7 million compared to the previous year (+19.9%) to reach 16.2 million at the end of Q3 2009, or close to 40% of all subscriptions to a telephone service in France.

At the same time, the number of narrowband telephony subscriptions, over analogue or digital lines or via cable, has been shrinking steadily at a rate of 7% to 9% annually since the start of 2007. It stood at 24.8 million at the end of Q3 2009, or close to 1.9 million fewer than the previous year.

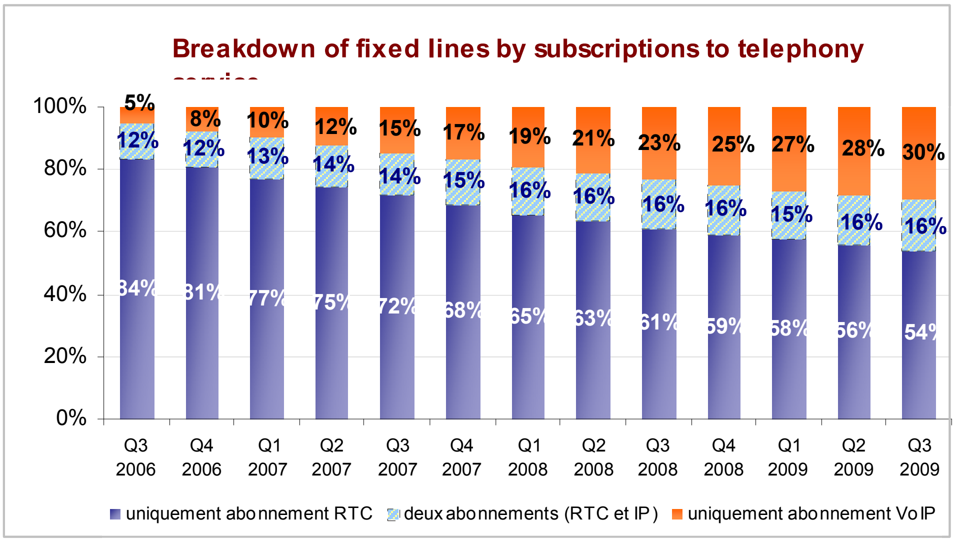
Since the introduction of a wholesale line rental offer, called VGAST, alternative operators have been able to invoice their customers directly for subscriptions to a phone service on the PSTN. There were close to one million subscriptions to this type of offer at the end of Q3 2009, which represent 3.9% of all PSTN subscriptions.

Number of subscriptions to telephone service *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Subscription on narrow band access (analogue or digital lines, cable)	26,765	26,309	25,806	*25,320*	24,841	-7,2%
Access resales	0,835	0,853	0,862	0,901	0,969	16,0%
Subscription on broadband access (IP DSL,cable)	13,512	14,396	*14,853*	*15,590*	16,195	19,9%
DSL lines without narrowband access	7,410	8,049	8,741	9,180	9,718	31,1%
Number of subscriptions to telephone service	**40,269**	**40,708**	***40,659***	***40,910***	**41,036**	**1,9%**

adjusted figures are in italics

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

Although decreasing steadily, at the end of Q3 2009 the majority of phone lines (54%) are still used to deliver only a subscription to a classic telephone service on the PSTN, although the percentage has dropped from 61% in Q3 2008. More and more lines carry a telephony over IP service. These voice over broadband solutions are created by operators:
- on fully unbundled lines or via naked DSL/bitstream solutions, in which case customers only have a subscription to a voice over broadband service and no longer to a “classic” PSTN account. A steadily increasing proportion of lines is being used like this, their number having doubled in two years to reach 30% of all fixed lines in France at the end of Q3 2009;
- on shared access lines or using wholesale shared access solutions. Here, the subscription to a VoIP service coexists with the customer’s regular PSTN subscription. The proportion of lines used in this way has changed very little over the past two years, and stood at 16% in Q2 2009.



Details on the indicators for IP telephony services

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

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

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

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

Revenue taken into consideration

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

Fixed number portability was applied to 781,000 numbers in Q3 2009, i.e. customers who switched operators during the quarter and kept their original phone number.

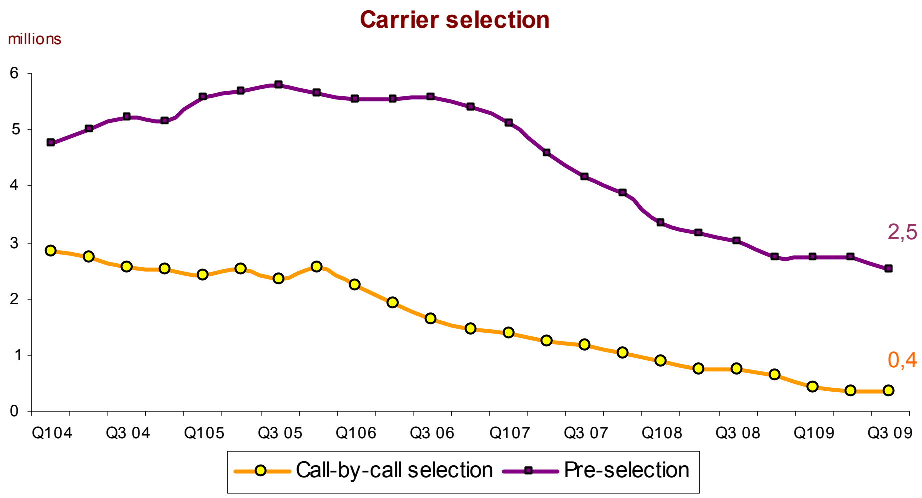
Portability *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of fixed numbers ported during the quarter	0,545	0,674	0,724	*0,687*	0,781	43,2%

adjusted figures are in italics

The number of subscriptions based on carrier selection has been declining since the start of 2006, chiefly because of increased competition from IP telephony offers. These offers had lost 23.6% of their base, or 0.9 million customers as of Q3 2009, compared to the year before.
The number of call preselection subscriptions (2.5 million at the end of Q3 2009) is shrinking less rapidly than it was earlier in the year: at an annual rate of -16.2% in Q3 compared to roughly -30% throughout 2008. The number of subscriptions to a call-by-call selection offers in use stood at a mere 350,000 at the end of Q3 2009, and has been decreasing at especially high rate since the start of 2009: dropping by more than 50% compared to the year before.

Carrier selection *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Call by call selection	0,752	0,656	0,439	0,370	0,350	-53,5%
Pre-selection	3,027	2,746	2,721	*2,743*	2,536	-16,2%
Number of indirect connections	**3,779**	**3,402**	**3,161**	***3,112***	**2,886**	**-23,6%**

adjusted figures are in italics



Note: the call-by-call selection base includes only active subscriptions; the preselection base includes only subscriptions that are in service, minus cancellations.

Revenue earned on Internet access totalled 1.5 billion euros in Q3 2009, or 60.4% of all fixed telephony revenue. Income from access has nonetheless been tending to diminish since mid-2008 (-1.6% over the previous year in Q3 2009) due to a swift decline in the number of regular telephone subscriptions over the PSTN, which has shrunk by close to 2 million compared to Q3 2008. An increase in VoIP subscription revenue, which totalled 217 million euros in Q3 2009, has not been enough to fully offset losses in other areas.

Access revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Access fees, subscriptions and additional services	1 508	1 508	*1 489*	*1 495*	1 484	-1,6%
of which from IP subscriptions	166	178	*193*	*210*	217	30,6%

adjusted figures are in italics

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

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

Landline calling generated 916 million euros in direct revenue in Q3 2009, a figure that has been declining steadily for several years now (-14.2% over the previous year in Q3 2009) as traditional telephony is generating less and less income. The decline in revenue from calls made over the PSTN has accelerated over the past year, reaching an annual rate of -19.8% in Q3 2009. The correlative and steady increase in revenue from invoiced calls over an IP connection (+19.8% over the previous year in Q3 2009) has nevertheless helped offset dwindling income from classic phone calls to a degree. Revenue from invoiced IP calls totalled 180 million euros in Q3, accounting for 20% of total income from fixed line calling. Note that VoIP calls included in vendors' broadband flat rates are not factored into this calculation.

Revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
National calls	522	538	484	450	418	-19,8%
International calls	146	*143*	*128*	133	127	-13,0%
Calls to mobiles	401	*404*	*388*	*386*	372	-7,4%
All calls from fixed lines	**1 068**	***1 085***	***1 001***	***969***	**916**	**-14,2%**
Of which calls originating on PSTN/ISDN	918	921	835	803	736	-19,8%
Of which calls originating on VoIP services	150	165	*166*	*166*	180	19,8%

adjusted figures are in italics

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

A total 24.9 billion minutes in calling traffic originated on fixed lines (PSTN and IP) in Q3 2009. This volume, which has been decreasing at an annual rate of around 2% since the start of 2009, began to rise once again in Q3 (+2.3% over the previous year) due to a rise in IP-based calls.

VoIP calls in fact increased by 1.9 billion minutes in Q3 2009, compared to the third quarter of 2008, whereas the volume of calls originating on the PSTN shrank by 1.3 billion minutes.
"Unlimited" IP telephony offers are helping to increase primarily the volume of calls to national fixed lines (20 billion minutes and a 2.3% increase over the previous year as of Q3 2009) and to international destinations. Thanks to a rise in the number of VoIP calling minutes, the volume of international calls is growing at a sturdier pace (+10.1% over the previous year in Q3 2009). Meanwhile, fixed-to-mobile calls, which benefit very little from these unlimited calling offers, have been on the decline for more than a year (-3.2% over the previous year as of Q3 2009).

Volumes *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
National calls	*19 585*	*22 674*	*23 121*	*21 489*	20 044	2,3%
International calls	*1 903*	*2 090*	*2 058*	*2 160*	2 096	10,1%
Calls to mobiles	*2 836*	*2 907*	*2 793*	*2 830*	2 744	-3,2%
All calls from fixed lines	***24 324***	**27 671**	***27 972***	***26 479***	**24 884**	**2,3%**
Of which calls originating on PSTN/ISDN	13 642	14 630	14 467	*13 641*	12 301	-9,8%
Of which calls originating on VoIP services	*10 682*	*13 041*	*13 505*	*12 837*	12 584	17,8%

adjusted figures are in italics

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

a) Calls over the PSTN

Revenue of calls originating on PSTN/ISDN *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
National calls	513	527	470	436	400	-22,0%
International calls	99	93	82	86	74	-25,3%
Calls to mobiles	306	300	283	281	262	-14,3%
All calls originating on PSTN/ISDN	**918**	**921**	**835**	**803**	**736**	**-19,8%**

Volumes of calls originating on PSTN/ISDN *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
National calls	10 644	11 601	11 561	*10 667*	9 585	-10,0%
International calls	696	696	670	*737*	618	-11,2%
Calls to mobiles	2 302	2 333	2 236	*2 237*	2 098	-8,9%
All calls originating on PSTN/ISDN	**13 642**	**14 630**	**14 467**	***13 641***	**12 301**	**-9,8%**

adjusted figures are in italics

Calling volume and revenue generated by the public switched telephony network (PSTN) have been shrinking for several years due to the parallel and swift development of voice over broadband solutions. The revenue generated by calls over the PSTN (736 million euros in Q3 2009) is down by 19.8% compared to the previous year, while the volume of PSTN calls in Q3 2009 (12.3 billion minutes) is 9.8% below what it was in the third quarter of 2008, which translates into a decrease of 1.3 billion minutes during that period. Traffic on the PSTN is shrinking in similar proportions for all calling destinations, whether national calls (-10%), calls to mobiles (-8.9%) or international calls (-11.2%).

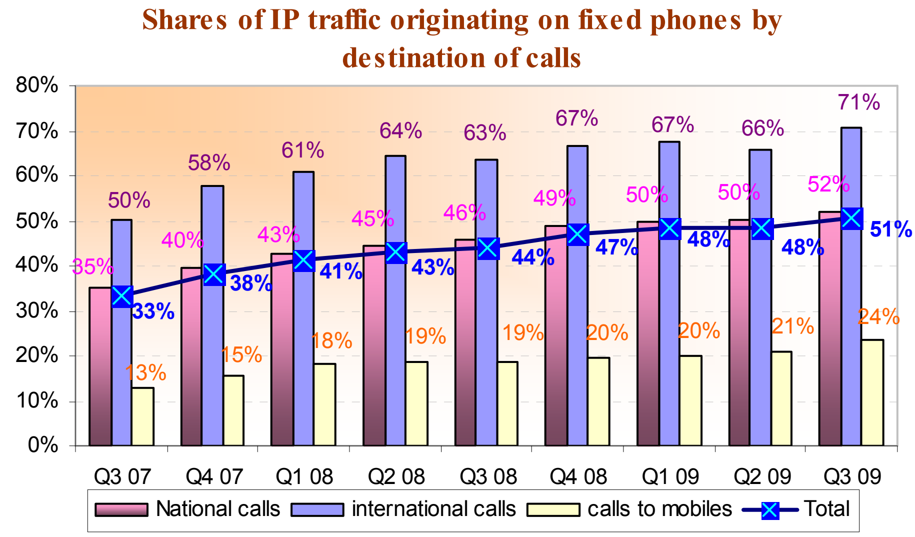
b) Calls over IP originating on fixed networks

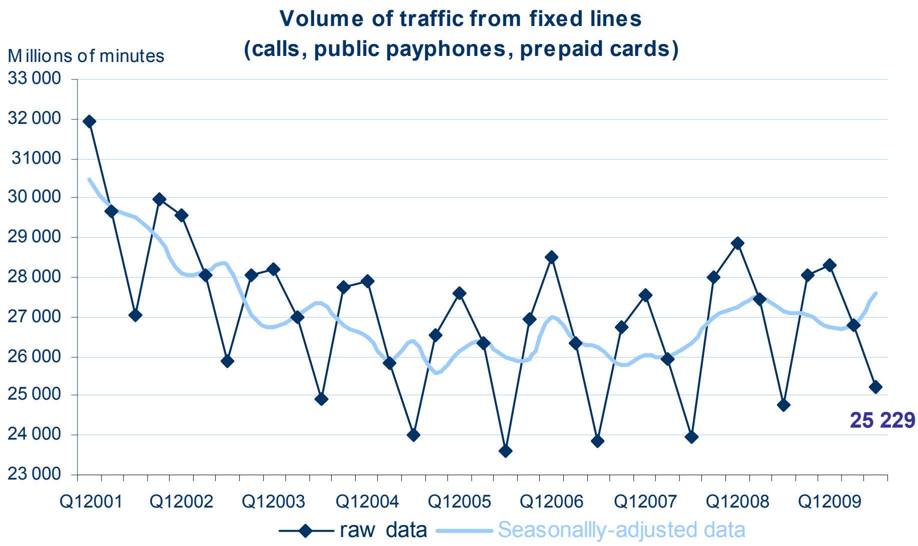
Volumes (IP trafic) *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
National calls	8 941	11 073	*11 561*	*10 822*	10 459	17,0%
International calls	1 207	1 394	*1 387*	*1 422*	1 479	22,5%
Calls to mobiles	533	574	*557*	*593*	646	21,1%
All IP calls	**10 682**	**13 041**	***13 505***	***12 837***	**12 584**	**17,8%**

adjusted figures are in italics

IP-based calling traffic reached 12.6 billion minutes in Q3 2009. Generating 50.6% of calling minutes originating on fixed devices, IP telephony accounted for the majority of calling traffic for the first time ever in the third quarter of 2009: 71% of international calling minutes, 52% of calls to national fixed lines and 24% of fixed-to-mobile calling minutes were made over IP.

Although it had been tending to slow since the start of 2008, IP traffic picked up again in Q3 2009. The annual increase in IP-based traffic went from 4.5 billion minutes in Q1 2008 to 1.2 billion minutes in Q2 2009, and stood at 1.9 billion minutes in Q3.
This steady rise in the number of VoIP minutes is being sustained to a large extent by the so-called "unlimited" calling offers included in operators' flat rates for service bundles, which are helping to boost the development of IP telephony, especially for calls to national fixed lines and international calls.





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

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

Making adjustments for seasonal variations, the volume of traffic originating on fixed lines has been holding steady since the end of 2007 at an overall volume of around 27 billion minutes – rising slightly in Q3 2009 to 27.6 billion minutes.

2.2.3 Fixed telephony cards and public payphones

Charge and prepaid cards	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Revenue *(millions of euros)*	32	35	30	25	33	3,3%
Volume *(millions of minutes)*	340	312	282	267	278	-18,1%

Public telephony	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of public payphones at end of quarter *(units)*	153 744	152 075	150 545	147 433	147 275	-4,2%
Revenue *(millions of euros)*	30	24	20	22	21	-28,6%
Volumes *(millions of minutes)*	91	62	59	67	66	-27,1%

The use of public payphones has been declining steadily for several years. There were 147,275 public payphones in service at the end of Q3 2009, a 4.2% decrease compared to the year before. Corresponding revenue and calling volumes are also dropping: by -28.6% and -27.1%, respectively, compared to 2008.

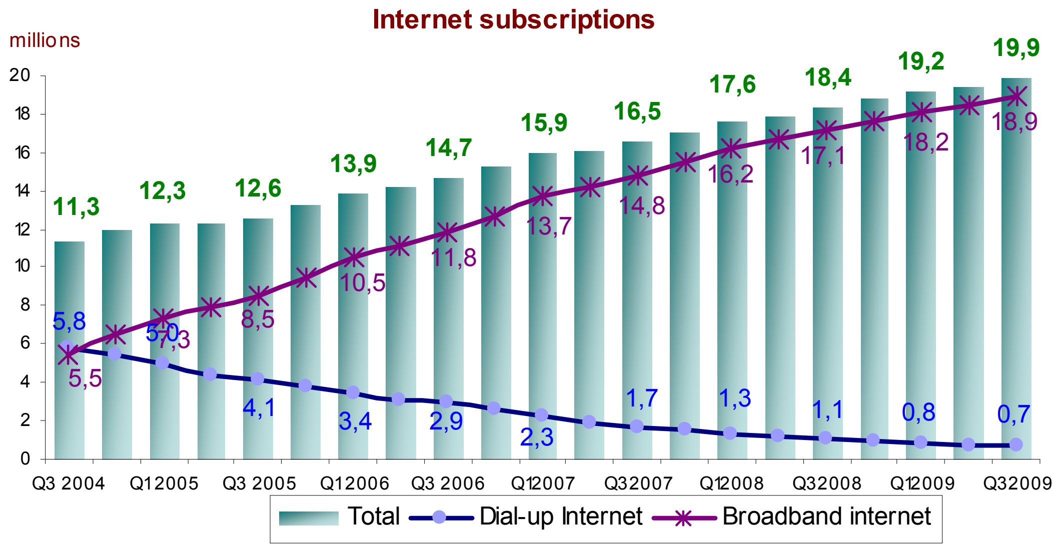
2.3 Internet on fixed networks

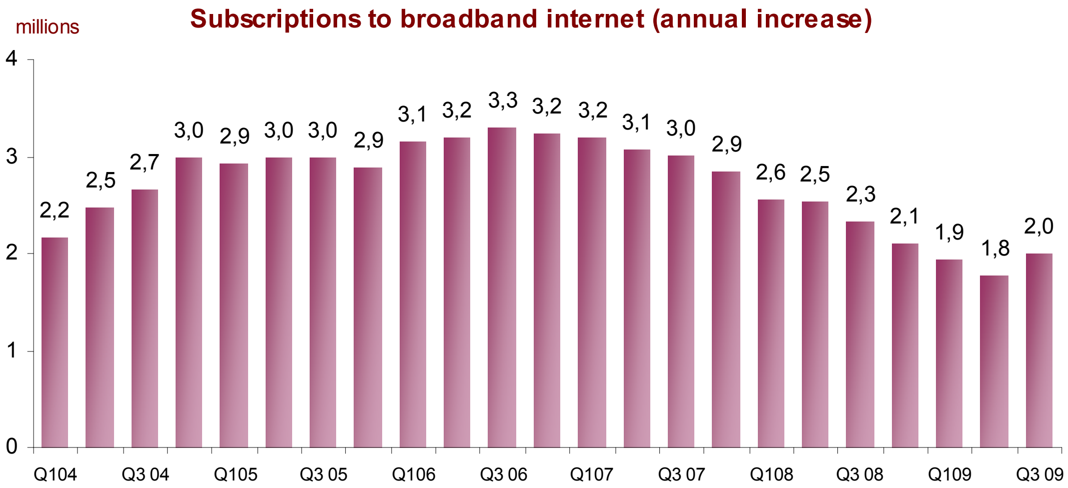
There were 19.9 million Internet access subscriptions in use at the end of Q3 2009, of which 18.9 million were broadband accounts (ADSL, cable and other technologies). The base of high-speed connections continues to expand regularly (+10.2% over the previous year as of Q3 2009) but the annual increase in broadband subscriptions – which had totalled 2.1 to 2.6 million over the course of 2008 – has dropped below 2 million since the start of 2009: totalling +1.8 million in Q3. Meanwhile, the number of ultra-fast broadband connections reached 252,000 at the end of Q3 2009.

Internet subscriptions *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Dial-up	1,105	0,983	0,820	0,677	0,734	-33,6%
Broadband	17,147	17,654	18,164	18,472	18,890	10,2%
Fiber (FTTx)	0,141	0,165	0,202	0,227	0,252	77,9%
Internet subscriptions	**18,394**	**18,803**	**19,186**	**19,375**	**19,876**	**8,1%**

adjusted figures are in italics

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





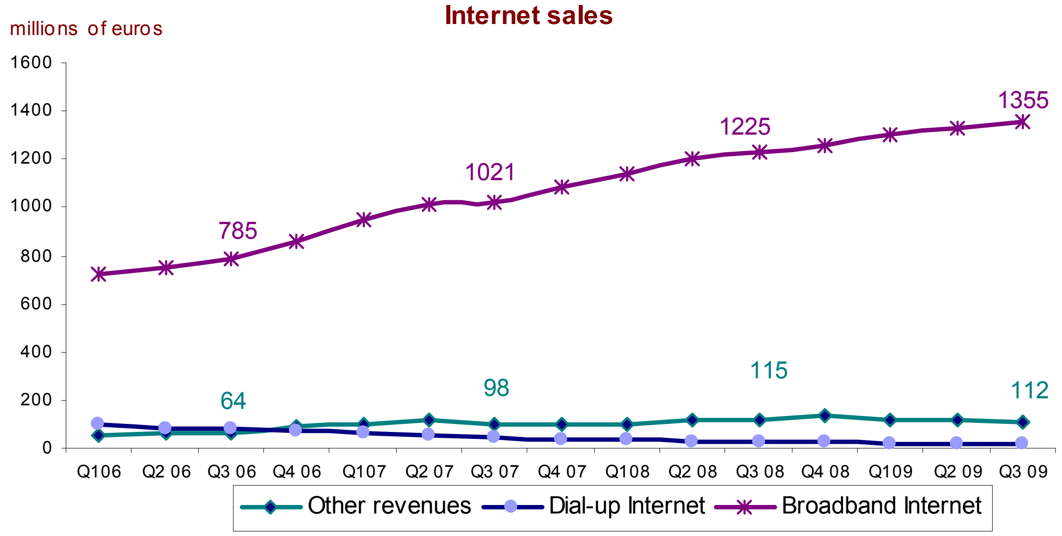
Revenue generated by all Internet access services totalled 1.5 billion euros in Q3 2009, or 8.4% more than the previous year. Most of this income (close to 1.4 billion euros) is earned on broadband and ultra-fast broadband access, which is growing at a steady pace: +10.6% over the previous year as of Q3 2009, albeit at a slightly lesser rate since the third quarter of 2008 when annual growth stood at 20%.

ISPs' subsidiary income, earned on services such as website hosting and online advertising, totalled 112 million euros.
The average monthly invoice for broadband Internet access has remained relatively unchanged for two years, and stood at 24.20 euros, excl. VAT, in Q3 2009.

Total Internet revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Dial-up	29	25	21	18	17	-39,7%
Broadband and FTTx	*1 225*	*1 258*	*1 301*	*1 326*	1 355	10,6%
Other revenue	115	140	118	116	112	-2,8%
Total Internet revenue	***1 369***	***1 423***	***1 440***	***1 460***	**1 484**	**8,4%**

adjusted figures are in italics

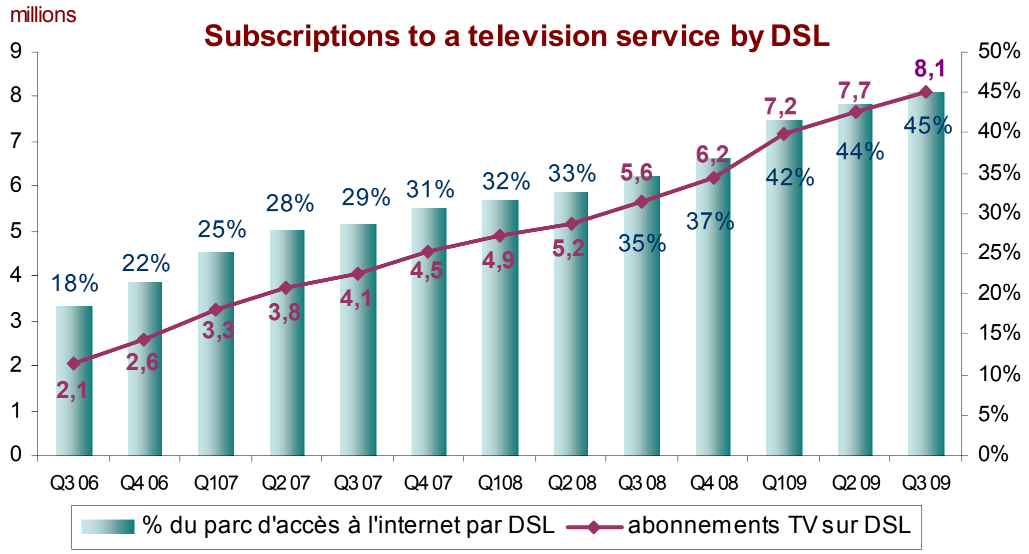
Note: "Other services" refers to related income earned by ISPs on services such as hosting and online advertising revenue. Revenue generated by terminal sales and rental is included under "fixed operator and ISP terminal sales and rental".



Volumes of dial-up Internet *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Volumes of dial-up Internet	2 258	2 165	1 722	1 524	1 375	-39,1%

2.4 Internet and television over ADSL

The were 18 million ADSL-based Internet access subscriptions in France at the end of Q3 2009, 1.7 million more than a year before. Close to half of these accounts, or 8.1 million of them at the end of Q3 2009, also have the option of accessing a TV service over their DSL connection. More and more customers are taking advantage of this option, their numbers having grown by 2.5 million, or by 44.1%, in a single year as of Q3 2009.



Subscriptions *(millions)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Subscriptions to Internet on DSL	16,323	16,804	17,309	17,614	18,026	10,4%
Subscriptions to television services on DSL	5,643	6,200	7,194	7,673	8,130	44,1%
% of subscriptions to television services	34,6%	36,9%	41,6%	43,6%	45,1%	

adjusted figures are in italics

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

2.5 Services on mobile networks

2.5.1 subscriptions

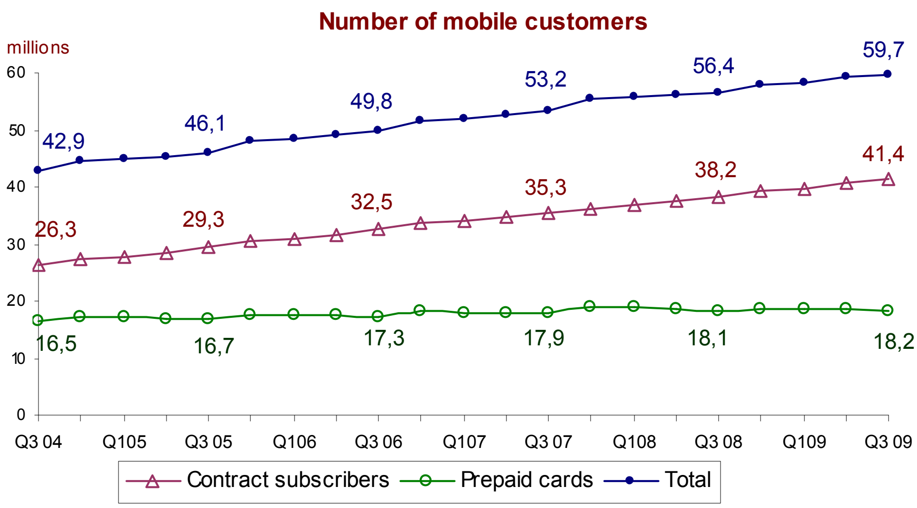
Number of mobile customers *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Contract subscribers	38,249	39,246	39,790	40,530	41,437	8,3%
Prepaid cards	18,143	18,734	18,424	18,651	18,218	0,4%
*of which active prepaid cards **	16,797	16,999	16,922	16,582	16,592	-1,2%
Mobile Telephonie	**56,392**	**57,980**	**58,214**	**59,182**	**59,655**	**5,8%**

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

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

There were 59.7 million mobile telephony customers (number of SIM cards in service) in France at the end of Q3 2009, or 3.3 million more than the previous year. After having declined in late 2008, falling below 5%, mobile customer growth has been a little more steady for the past two quarters, rising to +5.8% in Q3 2009. Close to half of this growth can be attributed to sales of non-voice SIM cards, i.e. Internet-only cards and cards used solely by Internet-ready devices.

The vast majority of customers subscribe to a post-paid flat rate: 69.5% as if Q3 2009. This percentage that has been growing at a rate of over 8% annually since mid-2007 (8.3% in Q3 2009).
The number of prepaid cards in use has risen slightly for the second quarter running (+0.4% over the previous year in Q3 2009), while the activity rate for these cards stood at 91% at the end of the quarter.



Multimedia users, 3G users and Internet SIM cards *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Active mobile multimedia users	17,449	19,143	19,505	20,177	20,755	18,9%
Active mobile 3G users	9,356	11,439	13,023	14,199	15,416	64,8%
Number of Internet data SIM cards	0,821	0,997	1,201	1,467	1,756	114,0%

Notes :

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

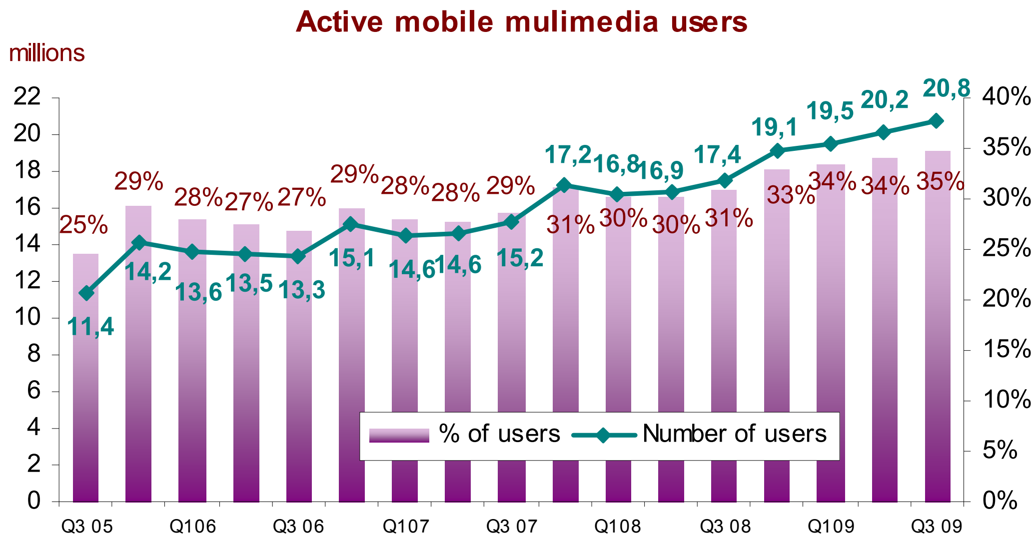
- The active 3G base is defined as the number of customers who have accessed a mobile service (voice, videophony, mobile TV, data transfer, etc.) that uses 3G radio access technology, some time in the past three months (either transmission or reception).

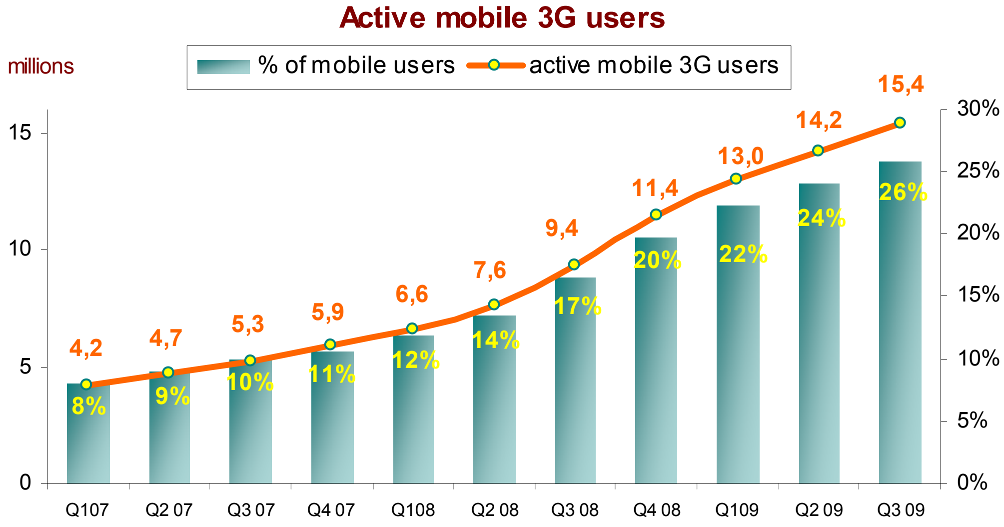
- The number of exclusive Internet SIM cards is defined as the number of SIM cards sold by mobile operators (in the form of subscriptions, flat rates or prepaid cards), to be used solely for accessing the Internet (PCMCIA cards, 3G/3G+ USB keys). These cards cannot be used to make voice calls.

The use of mobile phones and mobile networks continues to increase with the growing availability of data-centric offers, rather than voice-centric ones (unlimited access to the mobile Internet), along with the sale of new devices designed to accommodate these new applications (touch-screen phones and netbooks). In the month of September 2009, 20.8 million users, or 35% of mobile operators' customers, used multimedia mobile services, i.e. accessed a mobile Internet service, sent a multimedia message, etc.

15.4 million people in France made use of the services available on third generation (3G) mobile networks in Q3 2009, or 26% of all mobile customers. The number of active 3G users is increasing swiftly: by 6.1 million, or +64.8%, over the previous year as of Q3 2009.

A portion of the SIM cards sold by mobile operators are used only to access the Internet when on the move, using PCMCIA cards, a 3G or 3G+ USB key, etc., and cannot be employed to make voice calls. Close to 1.8 million of these cards were being used at the end of Q3 2009, and their annual rate of increase has been doubling for several quarters.

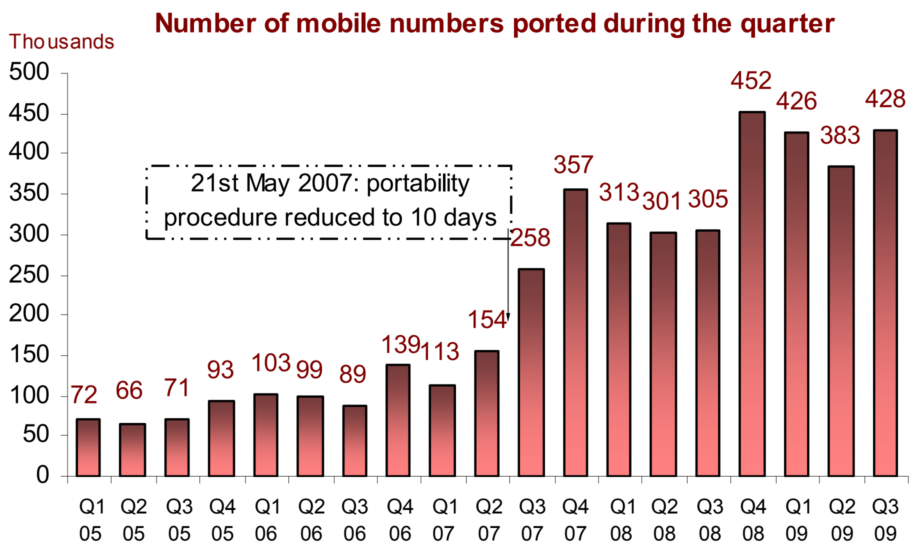




Portability *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of mobile numbers ported during the quarter	0,305	0,452	0,426	0,383	0,428	40,3%

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

428,000 mobile numbers were ported from one operator to another in Q3 2009, or 120,000 more than in Q3 2008.



2.5.2 Income and volumes indicators on the retail market

The revenue generated by mobile services (calling and data transport) continues to increase, and totalled 4.8 billion euros in Q3 2009. After having slowed to 6% in mid-2008, the rate of growth for this revenue has nevertheless levelled off at just over +2% annually since the beginning of 2009, and stood at 2.3% in Q3.
Mobile calling revenue has been shrinking at an annual rate of around 2% since the start of 2009 (-1.8% over the previous year in Q3). The revenue generated by mobile data services, on the other hand, has been growing at an annual rate of over 20% since then end of 2007 – increasing by 22.8% in Q3. Totalling 979 million euros in the third quarter of 2009, data transport on mobile networks generates 20% of mobile operators' total income, compared to just under 17% one year earlier.

Revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Mobile telephony	3 930	3 844	3 724	3 823	3 859	-1,8%
of which outgoing internationals calls	194	191	180	206	214	10,1%
Data transport on mobile networks	798	834	888	917	979	22,8%
of which interpersonal messaging (SMS, MMS)	472	501	540	546	556	18,0%
of access to mobile Internet & to multimedia services	326	334	348	371	423	29,7%
Total mobile telephony and data transport	**4 728**	**4 678**	**4 611**	**4 739**	**4 838**	**2,3%**

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

Mobile telephony traffic represented 24.4 billion minutes in Q3 2009. While dropping slightly during the previous three quarters, it held steady in Q3.
Making adjustments for seasonal variations, this volume has levelled off at around 25.5 billion minutes since the end of 2007.
The growth in traffic volume nevertheless differs considerably depending on the destination of the calls:

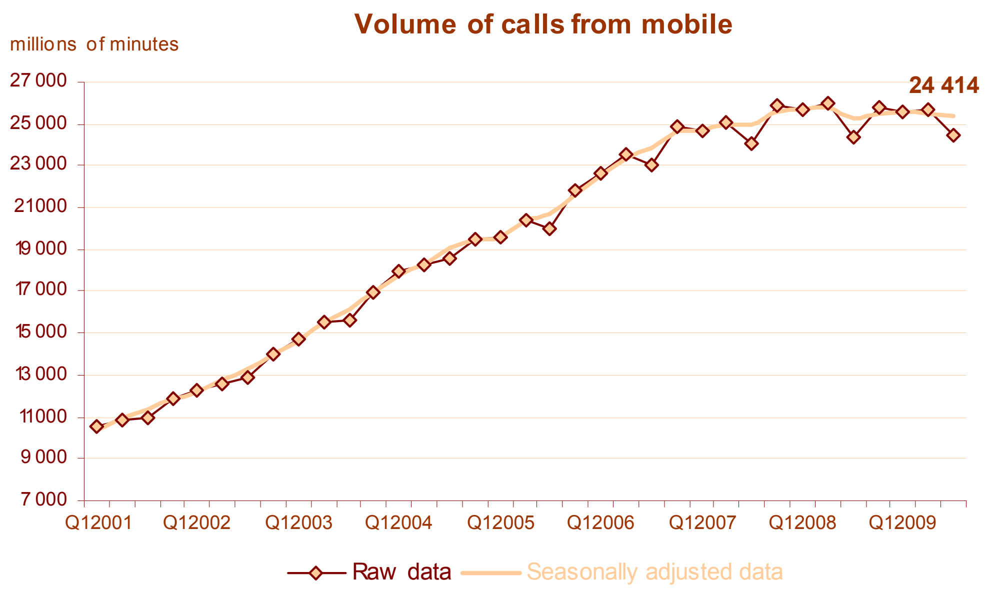
- at 4.3 billion minutes, mobile calls to national fixed lines have been decreasing for several years, and dropped by a further 1.7% in Q3 2009;
- on-net traffic totalled 12 billion minutes in Q3 2009, accounting for just under half (49.2%) of all traffic originating on mobiles. It has been shrinking at annual rate of around 4% to 6% since the end of 2008 (-3.7% over the previous year in Q3 2009);
- the volume of off-net mobile calls, which totalled 7.1 billion minutes in Q3 2009, continues to increase steadily. Rising by +6.7% over the previous year, they account for 29% of traffic originating on mobile networks;
- the volume of mobile calls to international destinations is also growing at a steady clip. The increase in Q3 2009 was particularly significant: +25.2% over the previous year. At the same time, French operators' roaming-out traffic (i.e. calls abroad) shrank by 2.5%.

Volumes *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Calls to national fixed lines	4 402	4 726	4 683	4 532	4 329	-1,7%
Calls to mobiles on the same network (1)	12 473	13 217	*13 054*	12 989	12 018	-3,7%
Calls to other networks	6 678	7 150	7 161	7 386	7 126	6,7%
Outgoing internationals calls	397	395	394	415	497	25,2%
Roaming out (2)	455	272	262	315	444	-2,5%
Total mobile telephony	**24 406**	**25 761**	***25 554***	**25 637**	**24 414**	**0,0%**

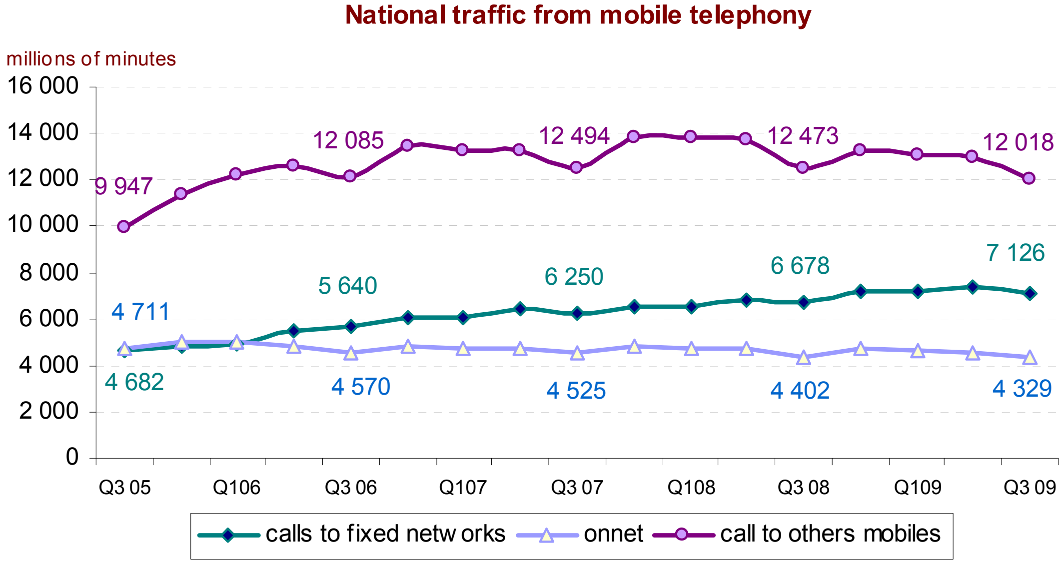
adjusted figures are in italics

(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



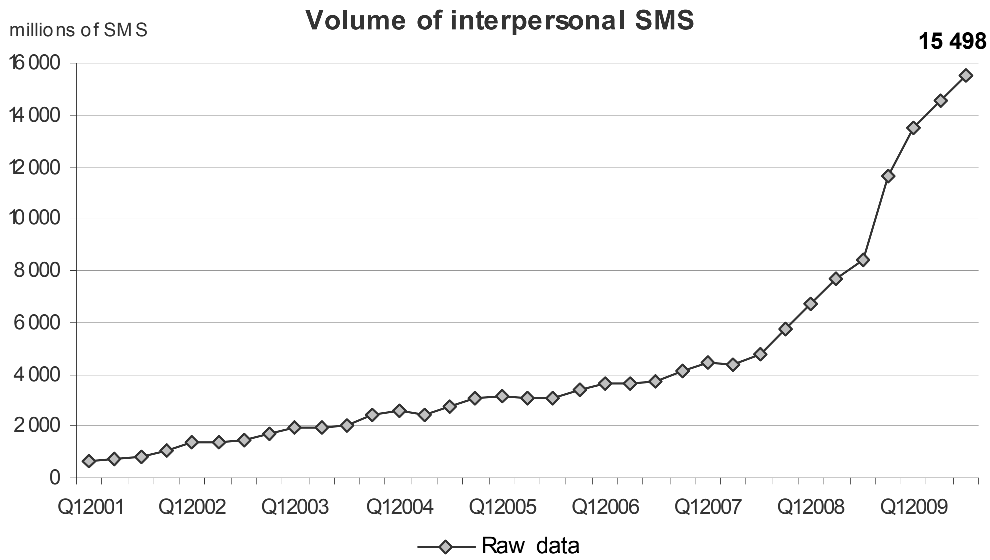
(The seasonally adjusted values for this data can be found in the "Séries chronologiques" spreadsheets available on the ARCEP website)



The number of quarterly person-to-person messages, either text or multimedia, being sent has been increasing sharply since late 2007, which is when mobile operators introduced their high volume and “unlimited SMS” offers. 15.6 billion person-to-person messages were sent in the third quarter of 2009, 15.5 billion of which were text messages – marking an increase of 7 billion compared to Q3 2008.

Customers sent an average 87 SMS a month in Q3 2009, compared to 50 in Q3 2008. Users who subscribe to a flat rate formula send twice as many messages as those who have a prepaid formula: sending an average 104 and 49 messages a month, respectively.

Volumes of interpersonnal messages *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of interpersonnal SMS	8 432	11 596	13 493	14 548	15 498	83,8%
of witch from contract subscribers	6 635	9 103	10 854	11 886	12 810	93,1%
of witch from prepaid cards	1 797	2 493	2 640	2 662	2 688	49,6%
Number of interpersonnal MMS	95	101	113	111	118	24,2%
Number of messages sent	**8 527**	**11 697**	**13 606**	**14 659**	**15 616**	**83,1%**



2.6 Revenue and voice traffic for mobile operators in Metropolitan France

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 %	T3 2008	T4 2008	T1 2009	T2 2009	T3 2009
Voice and data revenue (including value added services)	**4 052**	**3 985**	**3 892**	***3 977***	**4 015**
- Year-on-year growth	-	-	-	-	-0,9%
o/w revenue from post-paid customers	3428	3401	3334	*3423*	3491
- Year-on-year growth	-	-	-	-	1,8%

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.

Total traffic of the residential retail market in millions of minutes / as a %	T3 2008	T4 2008	T1 2009	T2 2009	T3 2009
Voice traffic including value added services	**20 135**	**20 879**	***20 719***	***20 450***	**19 444**
- Year-on-year growth	-	-	-	-	-3,4%

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 on mobiles operators' networks (Metropolitan France)

Data on recurring sales and recurring voice traffic in Q3 2009 were not available as of this writing.

Total recurring sales of mobile networks operators en millions of euros / as a %	T3 2008	T4 2008	T1 2009	T2 2009	T3 2009
Recurring sales	***5 614***	**5 632**	**5 529**	***5 673***	**nd**
- Year-on-year growth	4,3%	3,2%	4,0%	2,1%	nd
- o/w per post-paid customer	4 827	4 921	4 845	4 982	nd
- Year-on-year growth	5,5%	3,9%	4,2%	3,8%	*nd*
- o/w per active pre-paid customer	*788*	711	684	*691*	nd
- Year-on-year growth	-2,5%	-1,1%	2,0%	-8,6%	*nd*

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

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

Any promotions and discounts granted to customers are deducted from recurring revenue. On the other hand, unpaid invoices are not deducted (in accordance with the IFRS standard).
Connection fees, terminal sales and roaming-in are not included. Recurring revenue excludes repayments to third parties for the quarter and geographic area in question, linked in particular to value-added services (special numbers, SMS+, etc.) or directory services.
***Total recurring revenue** is the total recurring revenue of the various network operators. It is the total of all revenue received from end customers (residential and business) and the total of intermediate revenue exchanged between operators on the wholesale market for call termination.*
Total recurring revenue of network operators does not include revenue received by MVNOs from their customers.

Total recurring voice traffic in millions of minutes	T3 2008	T4 2008	T1 2009	T2 2009	T3 2009
Recurring voice traffic	***34 103***	**35 680**	**35 403**	**35 476**	**nd**
- *Year-on-year growth*	2,0%	0,3%	0,0%	-0,9%	nd
- o/w per post-paid customer	*30 139*	31 760	31 540	31 871	nd
- *Year-on-year growth*	2,2%	0,7%	0,6%	0,6%	*nd*
- o/w per active pre-paid customer	*3 964*	3 920	3 862	3 605	nd
- *Year-on-year growth*	0,5%	-2,9%	-4,8%	-11,8%	*nd*

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 traffic** is the total recurring traffic 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 came to 529 million euros in Q3 2009, 12.3% less than the previous year. Income from voice and telematics services has been dropping for three years in a row, and reached 381 million euros in Q3 2009 or 16.2% below what it was in Q3 2008. Meanwhile, the revenue generated by mobile operators' data services held relatively steady in the quarter, totalling 148 million euros or only -0.4% less than the previous year.

Voice and telematics services generated close to 2.8 billion minutes in the third quarter of 2009, which corresponds to 1.1 billion calls, or 11.8% less than the year before. Close to nine out of ten calls to these services are over a fixed line. 195 million surcharged messages (SMS+, MMS+) were sent in 2009, or +8.3% more than the previous year.

Value-added services revenue* *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Value-added "voice" services	455	450	*406*	*385*	381	-16,2%
From fixed telephony network	266	270	*235*	*228*	219	-17,7%
From mobile telephony network	188	180	171	157	162	-14,1%
Value-added "data" services	148	147	147	139	148	-0,4%
Value-added services	**603**	**598**	***552***	***523***	**529**	**-12,3%**

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 "télématic" services volumes *(millions of minutes)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
From fixed telephony network	2 678	2 628	*2 502*	*2 350*	2 345	-12,4%
From mobile telephony network	452	438	392	341	415	-8,3%
Number of calls	**3 130**	**3 066**	***2 894***	***2 690***	**2 759**	**-11,8%**

adjusted figures are in italics

Number of calls to value-added "voice" and "télématic" services *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
From fixed telephony network	1 065	1 055	*1 041*	*993*	985	-7,5%
From mobile telephony network	167	165	165	149	149	-10,8%
Volumes	**1 232**	**1 220**	***1 205***	***1 142***	**1 134**	**-8,0%**

adjusted figures are in italics

Value-added "data" service volumes *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of messages (SMS+, MMS+)	**180**	**181**	**180**	**179**	**195**	**8,3%**

2.7.2 Directory services

Revenue from directory services reached 40 million euros in Q3 2009, which marks a 5.1% decrease compared to the third quarter of 2008.
The number of calls to directory services has been declining steadily since the start of 2009, as has the number of minutes they generate – down to 25 million calls and 58 million minutes in Q3, or 15.6% less than in Q3 2008. Close to seven out of ten calls to directory services are from mobile phones.

Revenue from directory services *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Directory services operators	42	40	38	40	40	-5,1%

Directory services	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of calls *(millions of units)*	30	29	26	27	25	-15,6%
Volume of calls *(millions of minutes)*	69	65	58	58	58	-16,6%

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

2.7.3 Leased lines and data transport (fixed operators)

Leased line revenue in the retail market came to 390 million euros in Q3 2009, which marks a 2.2% increase over the previous year. A substantial portion of this revenue, i.e. 171 million euros or 44% of it, comes from leased line sales between operators.
Data transport generated 469 million euros in revenue in Q3 2009, and has been increasing slightly since the start of the year – rising by +1.4% in Q3 2009.

Revenue *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Leased lines	381	389	381	*384*	390	2,2%
Data transport	463	479	468	*471*	469	1,4%

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)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Hosting and call centre management	4	3	4	5	4	5,8%

2.7.5 Terminals and equipments

The revenue earned on terminal sales and rental totalled 760 million euros in Q3 2009, or 2.6% less than the previous year. 581 million euros, or three quarters of this revenue, comes from terminal sales.

Revenue from terminals and equipment *(millions of euros)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed & Internet operators	182	210	201	182	180	-1,0%
Mobile operators	599	714	449	531	581	-3,1%
Terminals and equipment	**781**	**924**	**650**	**713**	**760**	**-2,6%**

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

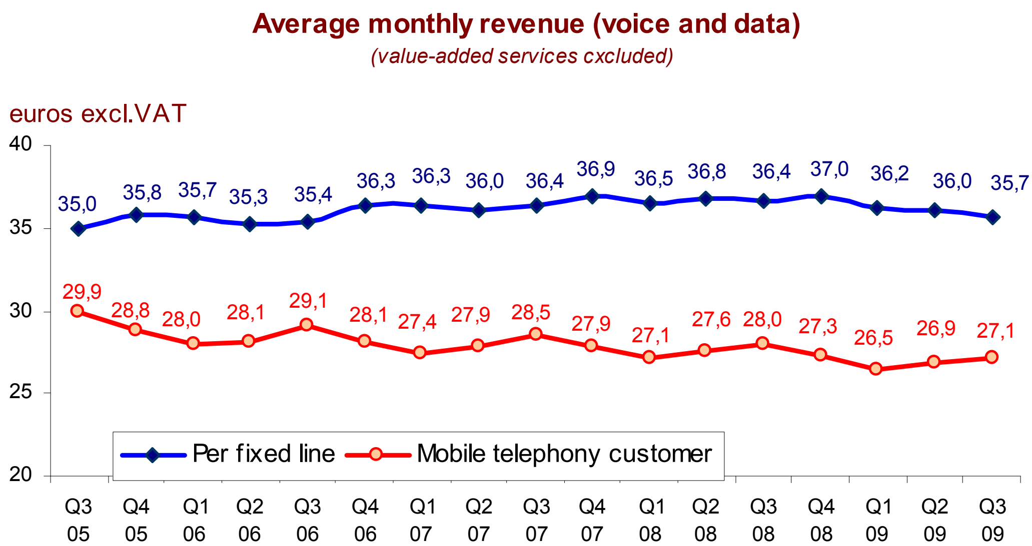
2.8 Indicators per customer

Average monthly revenue (value added services exclude) *(in euros -VAT excluded)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Per fixed line : access, communications and Internet	*36,7*	*37,0*	*36,2*	*36,0*	35,7	-2,8%
Mobile telephony user	28,0	27,3	26,5	26,9	27,1	-3,2%

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")***

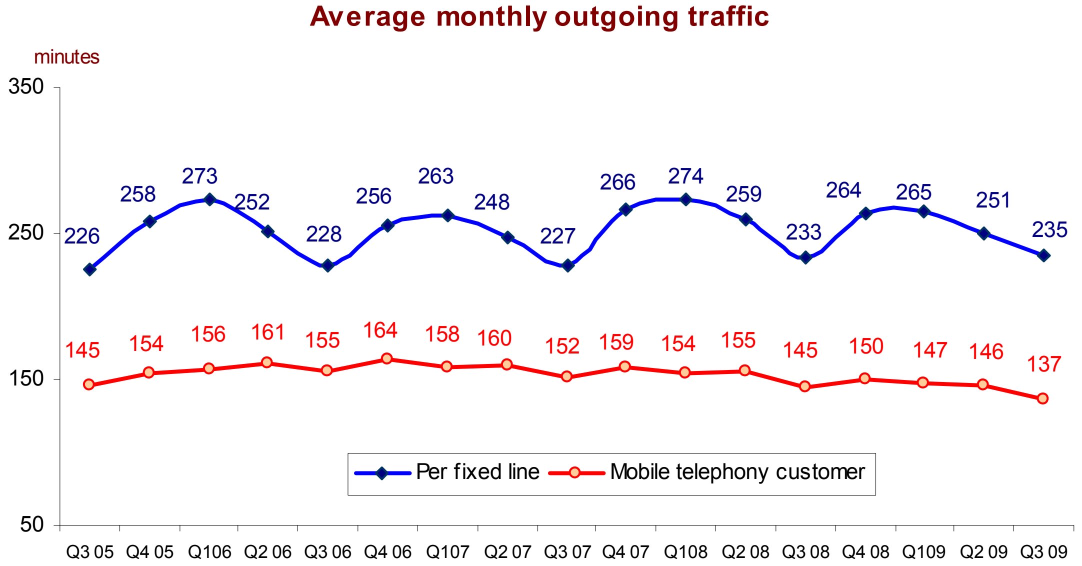
The average monthly invoice per mobile customer is calculated by dividing the income from mobile telephony (voice and data revenues, including roaming-out, excluding revenue from incoming calls) for quarter N by the estimated average number of mobile customers for quarter N, and then by the number of 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 outgoing traffic *(in hours)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Per fixed lines	3h53	4h24	4h25	4h11	3h55	1,0%
Mobile telephony user	2h25	2h30	2h27	2h26	2h17	-5,4%

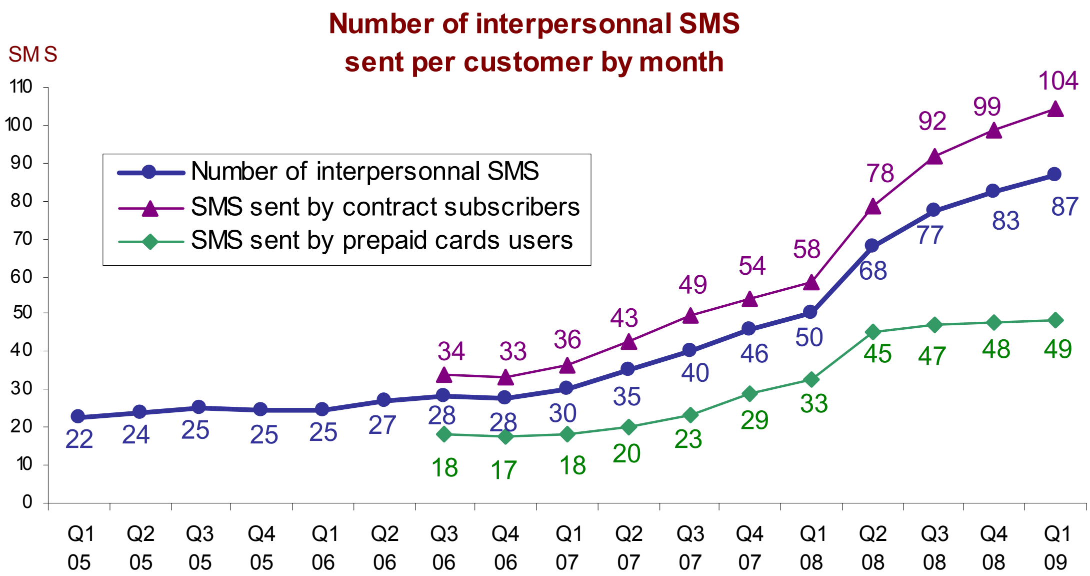
The average monthly volume of traffic per fixed line is calculated by dividing the volume of traffic (PSTN and IP) for quarter N by the estimated average number of fixed lines in existence for quarter N, and then by the number of months.

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



Number of interpersonnal SMS sent per user *(units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of SMS sent per user during the quarter	50,0	67,6	77,4	82,6	86,9	73,9%
of witch for contract subscribers	58,4	78,3	91,6	98,7	104,2	78,4%
of witch for prepaid cards	32,6	45,1	47,4	47,9	48,6	48,9%

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.



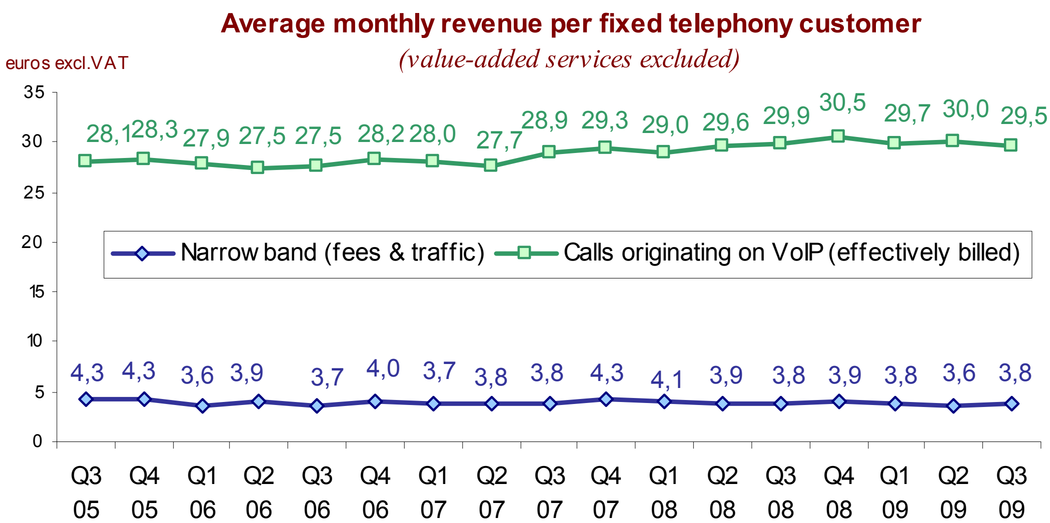
Average monthly revenue per customer *(in euros -VAT excluded)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed PSTN/ISDN telephony user	*29,9*	30,5	29,7	*30,0*	29,5	-1,2%
Fixed IP telephony user	3,8	3,9	3,8	3,6	3,8	-0,8%
Dial-up Internet user	8,3	8,0	7,8	8,1	8,2	-1,4%
Broadband Internet user	*24,1*	*24,1*	*24,2*	*24,1*	24,2	0,2%

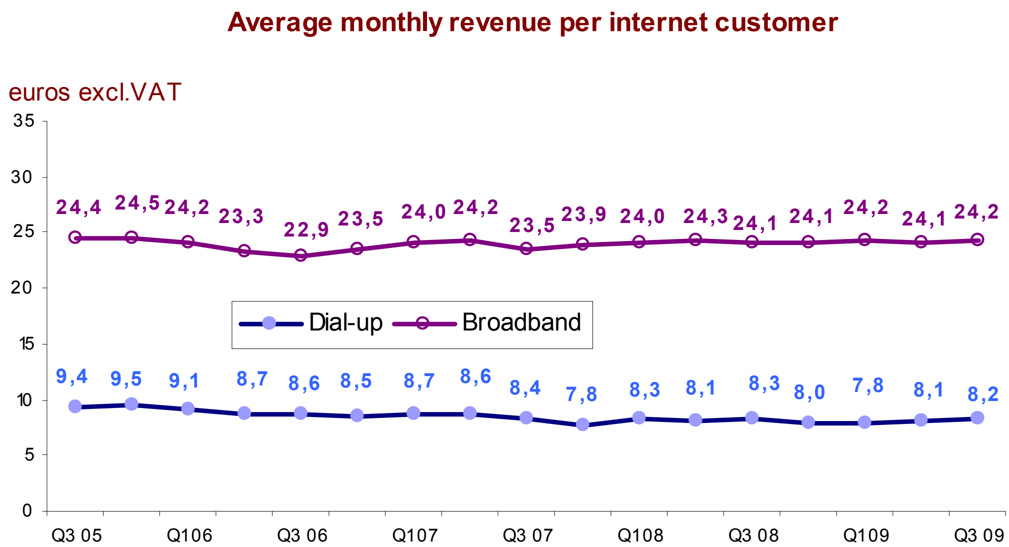
adjusted figures are in italics

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

The average bill for an IP telephony service is calculated by dividing the revenue earned on calls made over IP on a fixed line (billed over and above a service bundle flat rate) for year N by the estimated average customer base for Year N, then dividing the result by twelve.

The average bill for a narrowband (or broadband) subscription is calculated by dividing the revenue earned on narrowband (or broadband) subscription in year N by the estimated customer base for Year N, then dividing the result by 12.



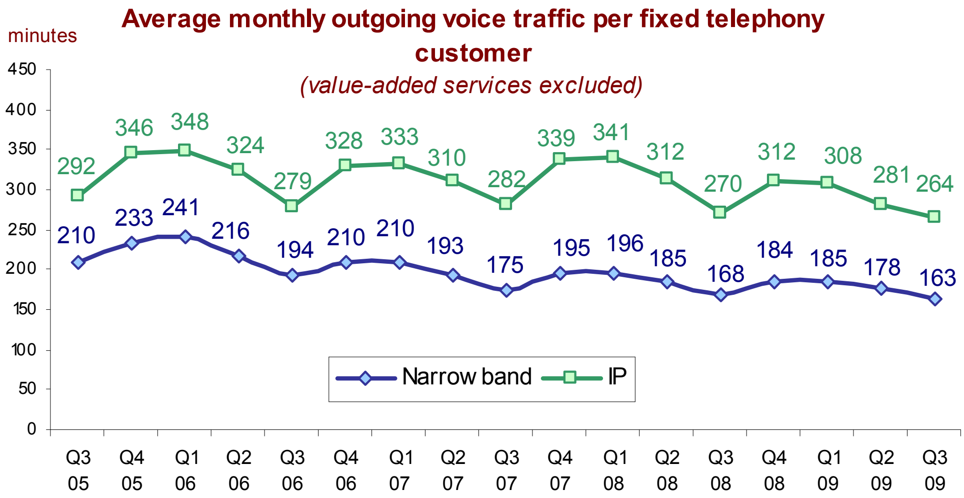


Average monthly traffic per customer *(in hours)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Fixed PSTN/ISDN telephony user	2h48	3h04	3h05	*2h58*	2h44	-2,7%
Fixed IP telephony user	4h301	*5h12*	*5h08*	*4h41*	4h24	-2,4%
From dial-up Internet	10h52	11h31	10h37	11h18	10h50	-0,3%

adjusted figures are in italics

Average monthly volume per fixed line is calculated by dividing the traffic volume (PSTN and IP) for Year N by the estimated average customer base for Year N, then dividing the result by 12.

Average monthly volume per narrowband subscription is calculated by dividing narrowband volume for Year N by the estimated narrowband customer base for Year N, then dividing the result by 12.



<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]

Fixed networks: details on indicators used for customer invoices and average monthly volume

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

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

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

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

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

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

The average invoice per line now refers to what customers pay each month for their telephony and Internet services. The revenue included is thus:
- revenue generated by access to subscriptions and additional services;
- revenue from calls originating on fixed lines, including IP traffic revenue billed over and above the bundled service flat rate;
- narrowband and broadband Internet access revenue.

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

Number of fixed lines *(millions of units)*	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Change 3Q09/3Q08
Number of fixed lines	34,829	*35,051*	*35,215*	*35,230*	35,320	1,4%

Mobile networks: average monthly invoice per subscription and ARPU

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

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

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

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

Average monthly recurring sales per active customer in euros per month / in %	T3 2008	T4 2008	T1 2009	T2 2009	T3 2009
Average monthly recurring sales per customer	***35,5***	**35,0**	**33,8**	**34,5**	**nd**
- *Year-on-year growth*	-0,8%	0,4%	0,1%	-2,3%	nd
- o/w per post-paid customer	43,7	43,6	42,1	42,6	nd
- *Year-on-year growth*	-2,7%	-2,0%	-2,0%	-3,9%	*nd*
- o/w per active pre-paid customer	*16,4*	14,8	14,2	*14,6*	nd
- *Year-on-year growth*	-0,9%	2,8%	3,7%	-5,4%	*nd*

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).