CHAPTER 2

Electronic communications markets

A. Market figures and status

1. End-user market

1.1 The electronic communications market

1.1.1 Market revenue

End-user revenue

€ million	2003	2004	2005	2006	2007f	Evol.
Fixed services	15 927	15 395	15 217	15 117	15 571	3.0%
Fixed telephony	13 509	12 629	12 072	11 378	11 000	-3.3%
Internet	2 418	2 767	3 145	3 739	4 571	22.3%
Mobile services	13 243	14 868	16 203	16 853	17 818	5.7%
Total telephony and Internet	**29 171**	**30 264**	**31 420**	**31 970**	**33 389**	**4.4%**
Value-added services	2 139	2 359	2 638	2 633	2 577	-2.1%
Advanced services	1 864	2 143	2 415	2 480	2 415	-2.6%
Directory assistance	275	216	223	153	162	5.9%
Capacity services	4 556	4 264	3 467	3 391	3 233	-4.7%
Leased lines	2 272	2 160	1 467	1 518	1 416	-6.7%
Data transport	2 284	2 104	2 000	1 873	1 817	-3.0%
Total electronic communication services	**35 866**	**36 887**	**37 525**	**37 993**	**39 199**	**3.2%**
Other services	2 137	2 474	3 100	2 967	3 275	10.4%
Total operator end-market revenue	**38 003**	**39 361**	**40 625**	**40 961**	**42 474**	**3.7%**

Source: ARCEP, Electronic Communications (EC) Observatory – Annual survey, 1998 to 2006; quarterly surveys for 2007 (estimated figures).
Internet: ARCEP estimate (EC Observatory for 2000 to 2003 data).
Data transport: joint ARCEP/INSEE survey on electronic communications, for 2000 to 2003 data.

Notes :

- ***fixed telephony*** *includes access and subscription fees, calls originating on fixed lines (PSTN and Voice over Broadband, billed over and above the flat rate charged for bundled services), calls from public payphones and made with prepaid cards. ToIP calls originating on lines included in flat rate bundles are not counted;*
- ***mobile services*** *include mobile telephony (including SMS revenue), pagers and professional mobile networks up to 2002;*
- ***value-added services*** *are calculated in gross sums, excluding commission, in other words including the portion of revenue that operators pay back to enterprises providing the VAS;*
- ***"other services"*** *are not part of the electronic communications market, per se. Contributions from declared operators provide only a partial view of these market segments. This heading covers revenue generated by the sale and rental of terminals and equipment, including the rental of IP boxes, hosting and call centre management revenue, and revenue derived from print directories, advertising and the sale of databases*

Electronic communication operators' retail market revenue totalled €42.5 billion in 2007, a 3.7% increase compared to 2006. Revenue generated by electronic communications services alone totalled €39.2 billion , up 3.2% from the previous year. Revenue growth was much higher than in 2006 (+0.8% for the market as a whole) – a rebound that can be attributed to the increasing use of mobile services and Internet access, and particularly of broadband.

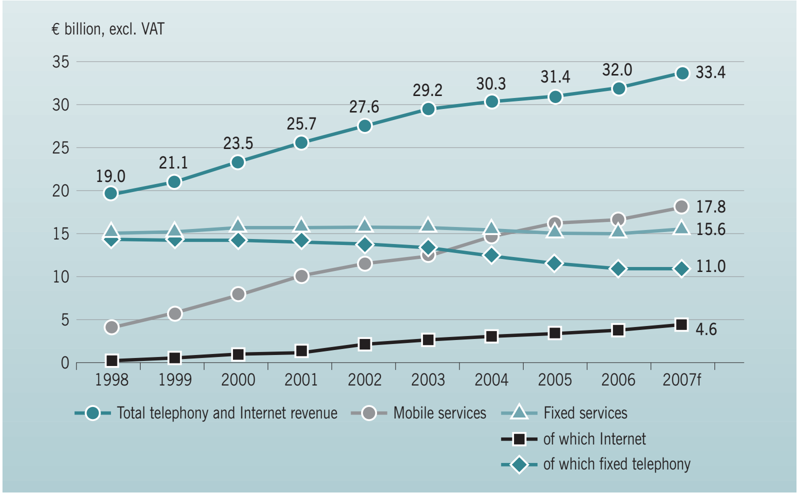
Mobile services revenue (€17.8 billion) rose by 5.7% in 2007 (compared to +4.0% in 2006), thanks to an increase in voice revenue (+3.9%) and in the income generated by data services (text messaging, multimedia services and mobile Internet access). Mobile services revenue accounted for 42% of retail market revenue, one point more than in 2006.

Fixed services revenue (telephony and Internet access) rose by 3.0%, after three successive years of decline. There are two reasons for this increase: the revenue generated directly by fixed telephony (€11 billion) decreased slightly less than in previous years (-3.3% in 2007 compared to -5.7% in 2006 and -4.4% in 2005) while Internet revenue (4.6 billion) continues to increase steadily (+22.3% in 2007 compared to +18.9% in 2006 and +13.7% in 2005). Combined, fixed services revenue accounted for 37% of operators' retail market revenue, of which 26% can be attributed directly to fixed telephony and 11% to Internet access.

Value-added services (VAS) revenue dropped by 2.1%, after remaining flat the year before. The over 10% decrease in revenue from services originating on fixed lines has not been entirely offset by the increase in the revenue generated by mobile VAS data services.

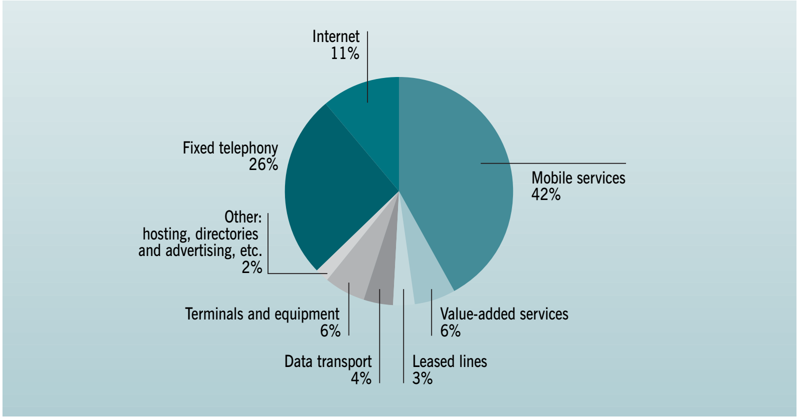
Meanwhile, capacity services revenue (leased lines and data transport on fixed lines) experienced a sharper decrease than in 2006 (-4.7% in 2007 compared to -2.2% the previous year) due to a larger decline in leased line services revenue.

Telephony and Internet service revenue



Source: ARCEP.

Breakdown of electronic communication service revenue in 2007



Source: ARCEP.

1.1.2 Mobile traffic exceeds fixed line traffic

Growth in end-user volume

Million minutes	2003	2004	2005	2006	2007f
Fixed telephony	108 931	105 100	106 176	105 716	105 241
Mobile services	63 469	74 248	81 711	94 026	99 633
Total "voice" services	**172 400**	**179 348**	**187 886**	**199 742**	**204 874**
Narrowband Internet	71 779	54 687	38 233	25 921	15 739
Number of SMS sent	8 188	10 335	12 597	15 050	18 777

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

End-user volume

Growth in %	2003	2004	2005	2006	2007f
Fixed telephony	-3.1%	-3.5%	1.0%	-0.4%	-0.4%
Mobile services	22.4%	17.0%	10.1%	15.1%	6.0%
Total "voice" services	**4.9%**	**4.0%**	**4.8%**	**6.3%**	**2.6%**
Narrowband Internet	7.4%	-23.8%	-30.1%	-32.2%	-39.3%
Number of SMS sent (million units)	48.3%	26.2%	21.9%	19.5%	24.8%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

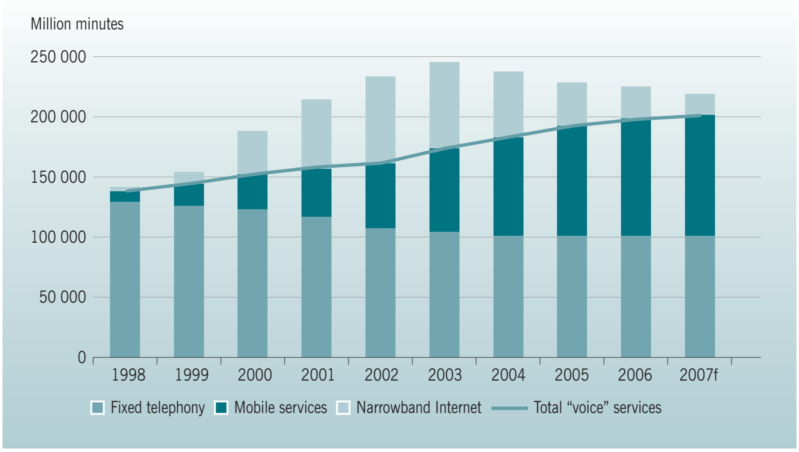
More than 200 billion minutes of fixed and mobile voice calls were made in 2007, despite which overall growth (+2.6%) was less than the 4% growth and over reported previous years. This is due to a less significant rise in mobile calling volumes in 2007. Traffic originating on mobile networks grew by 6% (compared to +15.1% in 2006). Growth began to slow considerably starting in the first quarter of 2007 – a trend that continued throughout the year – although, in Q3 2007, mobile traffic exceeded traffic originating on fixed networks for the first time ever.

As concerns traffic originating on fixed networks, the trend is the same as it has been over the past three years, with volume levelling off at 105 billion minutes. The introduction of voice over broadband in 2004 stopped the downward trend in fixed telephony that had prevailed until then. Services available via broadband (Internet access, as well as IP telephony and TV) have helped revive residential fixed telephony levels that have stopped decreasing since December 2005. IP traffic accounted for 32% of calls originating on fixed lines (excluding public payphones and prepaid cards) in 2007, or 14 points more than in 2006.

At close to 40%, the rate of decline for narrowband Internet connection minutes in 2007 surpassed the roughly 30% decrease reported during the two previous years. Internet traffic represents a total 15.7 billion minutes.

Use of text messaging continues to grow at a steady pace: 18.8 billion person-to-person SMS sent over mobile phones in 2007, or 3.7 billion more than in 2006. Growth picked up in the last quarter of the year, rising to +32.5%.

Growth of telephony and narrowband Internet volumes



Source: ARCEP.

1.1.3 Customer base continues to grow

Subscriptions

Million units	2003	2004	2005	2006	2007f
Subscriptions to a fixed telephony service	33.913	34.541	36.498	38.249	39.585
Carrier selection	7.514	7.676	8.220	6.893	4.891
Internet subscriptions	10.617	11.939	13.217	15.252	17.058
Number of mobile service customers	41.702	44.544	48.088	51.662	55.349

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Subscriptions

Growth in %	2003	2004	2005	2006	2007f
Subscriptions to a fixed telephony service	-0.6%	1.8%	5.7%	4.8%	3.5%
Carrier selection	17.0%	2.2%	7.1%	-16.1%	-29.0%
Internet subscriptions	16.4%	12.4%	10.7%	15.4%	11.8%
Number of mobile service customers	8.1%	6.8%	8.0%	7.4%	7.1%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

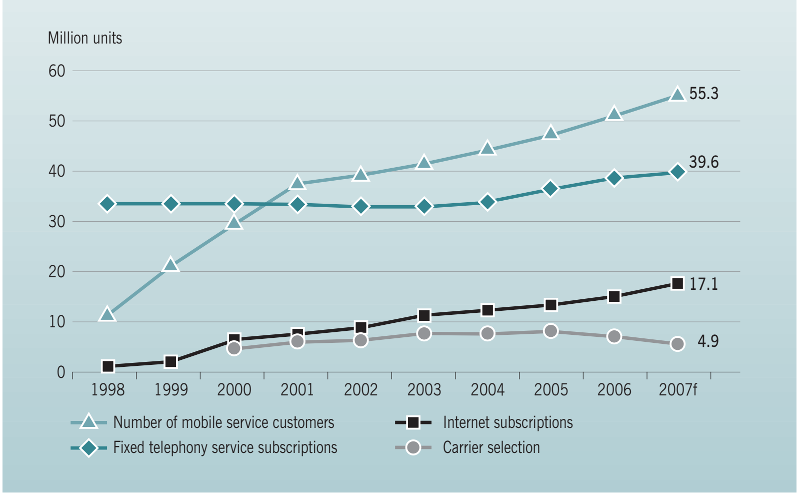
The number of fixed telephony subscriptions rose by 3.5% in 2007 to reach 39.6 million. The number of PSTN (“traditional” telephony) subscriptions shrank by 2 million during the year to 28.7 million, while the number of voice over broadband subscriptions continues to increase at a healthy pace: totalling 10.8 million at the end of 2007, or 4.2 million more than in 2006.

The state of competition in the fixed telephony market evolved considerably in 2007: while voice over broadband is enjoying increasing success, carrier selection has declined sharply, losing two million customers in a single year (-29%). IP telephony offers are being used by a majority of customers, while another portion of the user base – 700,000 customers in all – has migrated to offers marketed by alternative operators that include a phone subscription and calls over the PSTN from a fixed line (wholesale subscription reseller).

Growth of the Internet customer base also continues to enjoy a steady rise (+11.8%), with the number of subscriptions totalling 17.1 million at the end of December 2007. Accounting for 15.6 million subscriptions, broadband represents the lion's share of Internet connections.

Meanwhile, France was home to 55.3 million mobile customers at the end of 2007, 3.7 million more than the year before. The rate of increase is holding steady at around 7% a year but, in terms of actual numbers, 2007 marked the highest growth in customers since 2001.

Telephony and Internet subscriptions



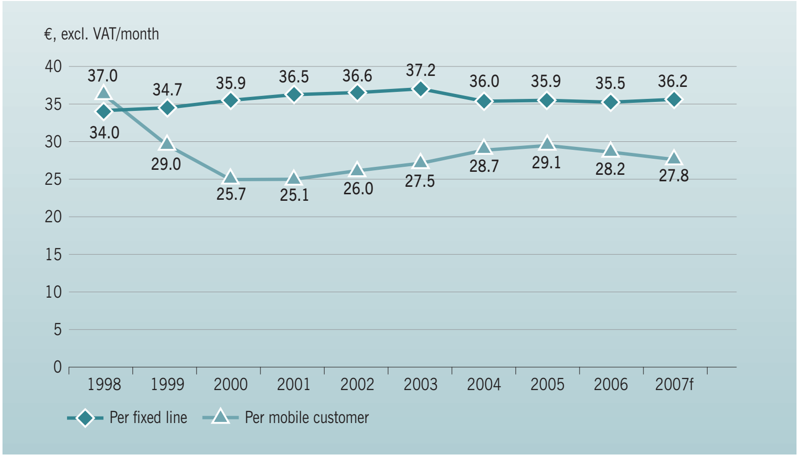
Source: ARCEP.

1.2 Average monthly mobile invoice lower than fixed services invoice

The average customer invoice for monthly spending on fixed telephony and Internet access totalled €36.2, excluding VAT, in 2007 – an increase of 70 eurocents compared to 2006. This increase is due to the rise in the number of broadband customers. The average monthly invoice for mobile customers of €27.8, excluding VAT, is around €10 less than average spending on fixed line services, and has dropped by 40 eurocents since the year before. This decrease is nevertheless smaller than the 90-eurocent decrease reported in 2006.

In terms of volume, average monthly traffic on fixed lines (4 hours and 9 minutes) is well above average monthly mobile traffic (2 hours and 35 minutes).

Customers' average monthly voice and data bill (excluding value-added services)



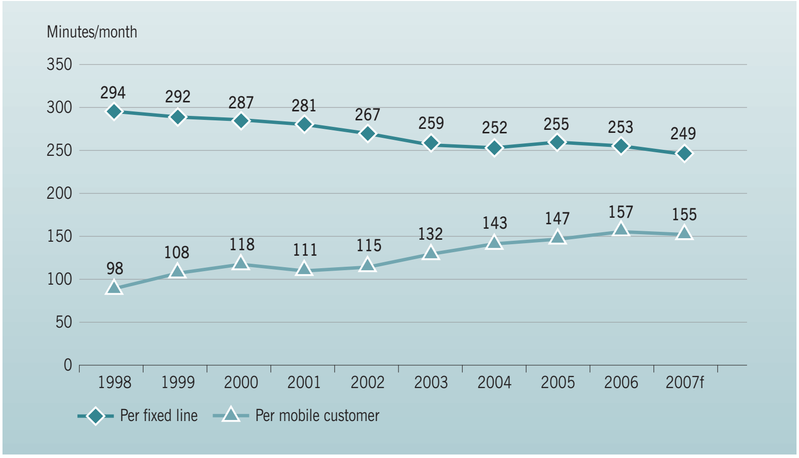
Source: ARCEP.

Note: *The average monthly fixed line bill is calculated by dividing the fixed line revenue (access, calls and Internet revenue) for year N by the estimated average customer base for Year N, then dividing the result by twelve.*

The average monthly mobile bill is calculated by dividing the mobile revenue (voice and data revenue, including roaming out, but excluding incoming call revenue) for year N by the estimated average customer base for Year N, then dividing the result by twelve. This figure, which does not include interconnection or VAS revenue, is to be distinguished from the traditional average revenue per user (ARPU) indicator.

Average customer base for Year N: [(total customer base at the end of Year N + total customer base at the end of Year N-1)/2.].

Average monthly volume of outbound voice calls



Source: ARCEP.

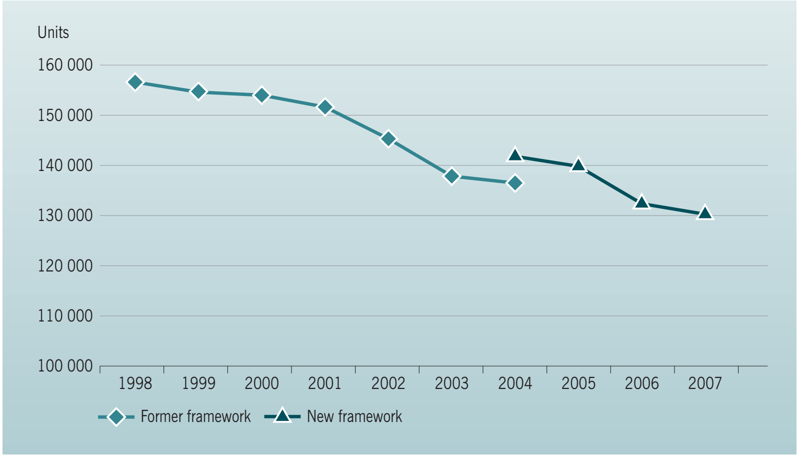
Note: *Average monthly volume per fixed line is calculated by dividing the traffic volume (PSTN and IP) for Year N by the estimated average customer base for Year N, then dividing the result by 12.*

Average monthly volume per mobile customer is calculated by dividing the mobile traffic volume (including roaming out) for Year N by the estimated average customer base for Year N, then dividing the result by 12.

2. Investment and employment

There were 130 000 people working in the telecommunications sector in France at the end of 2007, a 2.5% decrease compared to the previous year, but smaller than the 5.2% drop in 2006. In 2007, 13% of the sector's employees worked for a mobile operator.

Electronic communications operator employees



Source: ARCEP.

Direct employment (as of 31/12)

Units	2003	2004	2005	2006	2007f
Jobs (former regulatory framework)	**138 716**	**136 547**	**134 066**		
Growth, in %	-4.7%	-1.6%	-1.8%		
Jobs (new regulatory framework)		**142 137**	**140 410**	**133 114**	**129 809**
Growth, in %			-1.2%	-5.2%	-2.5%

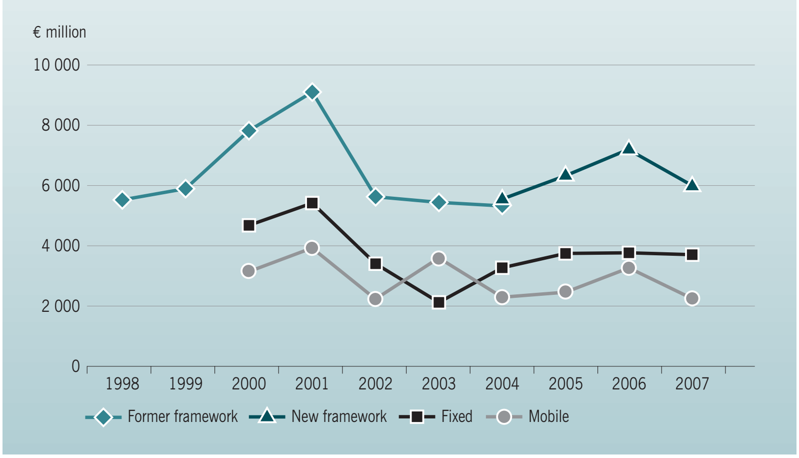
Source: ARCEP, EC Observatory – Annual surveys 1998 to 2006; quarterly surveys for 2007 (estimated figures).

***Note:** these figures include only operators declared with ARCEP, and not the entire electronic communications economic sector. Excluded are distributors/retailers, service providers (consultants, market research firms, call centres…) and equipment manufacturers. Enterprises declared with ARCEP and which are involved only marginally in the electronic communication sector are not included in sector employment figures.*

After close to two years of increase, electronic communications operators' investments in their telecommunications business shrank considerably in 2007 to €6 billion, down from €7 billion in 2006.

Mobile operator investments are the main source of the decline – having dropped by close to 30% – on the heels of a 26% increase in spending in 2006. Fixed carriers' investments have remained relatively unchanged since 2005, in large part due to their constant spending on broadband access networks.

Telecommunications activity investment levels



Source: ARCEP.

Annual investments

€ millions	2003	2004	2005	2006	2007f
Investment (under former regulatory framework	**5 437**	**5 343**	**6 037**		
% change	-4.6%	-1.7%	13.0%		
Investment (under new regulatory framework)		**5 493**	**6 342**	**7 015**	**5 961**
% change			15.5%	10.6%	-15.0%

Source: ARCEP, EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

Note: *investment figures refer to the gross investments made by operators declared with ARCEP in their electronic communications business during the fiscal year in question.*

3. Intermediate market: interconnection and wholesale services

3.1 Revenue and volume

Interconnection market revenue totalled 8.5 billion in 2007, a 2.4% drop on the year before, with revenue generated by fixed operators (€4.4 billion) exceeding mobile operators' income (€4.1 billion) in this market. Broadband-related services are the main source of the increase for fixed operators, while other services such as unbundling and bitstream maintained a healthy momentum in 2007, with the revenue they generated increasing by more than 30%. Mobile operator revenue decreased by 11%, comparable to the decline in 2006 – the main reasons being the ordered reduction in call termination prices on 1 January 2007 for voice calls (by 21% for Orange France and SFR, and by 18% for Bouygues Telecom) and the 30% decrease in the price of SMS termination in September 2006.

Traffic was down by 11.6% – falling back below 200 million minutes, to where it was in 2004. Fixed and mobile operators experienced opposite growth trajectories for their interconnection traffic: a 12.8% decrease for fixed operators, for which interconnection accounts for three-quarters of their total traffic, compared to a 19.3% increase for mobile operators.

Inbound international traffic is increasing at a higher rate than in previous years (between 7% and 11% from 2004 to 2006 compared to +33.2% in 2007), most likely due to the similar rise in outbound international traffic in 2007. Growth is higher for traffic to mobile networks (+45.6%) than for calls to fixed networks (+30.2%).

Interconnection revenue, including Internet interconnection services

€ millions	2003	2004	2005	2006	2007f	Evol.
Fixed operator interconnection and access services	2 898	3 783	3 980	4 132	4 427	7.1%
Mobile operator interconnection services	2 949	2 807	5 120	4 606	4 106	-10.9%
Total interconnection services	**5 847**	**6 590**	**9 100**	**8 738**	**8 533**	**-2.4%**
of which inbound international calls	894	566	521	509	586	15.2%

Source: ARCEP, EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

Interconnection volume, including narrowband Internet interconnection services

Million minutes	2003	2004	2005	2006	2007f	Evol.
Services d'interconnexion des opérateurs fixes	114 565	131 463	169 753	166 438	145 175	-12.8%
Services d'interconnexion Internet bas débit	47 988	33 720	29 948	19 786	8 522	-56.9%
Services d'interconnexion des opérateurs mobiles	27 680	30 150	31 106	35 301	42 126	19.3%
Ensemble des services d'interconnexion	**182 059**	**195 333**	**230 806**	**221 525**	**195 823**	**-11.6%**
dont international entrant	6 132	6 812	7 288	8 086	10 768	33.2%

Source: ARCEP EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

Notes:

- *Interconnection refers to all of the services offered between operators as a result of interconnection agreements. In cases of corporate mergers or takeovers, a portion of this traffic disappears.*
- *Interconnection revenue and volumes are not calculated using the same parameters, which makes it inappropriate to compare the two when seeking to estimate average prices (interconnection revenue includes fixed revenue such as payments for connection links as well as operator-to-operator services).*
- *Readers should note that the interconnection figures presented above may include overlaps, particularly in fixed operators' accounts.*
- *Broadband access wholesale services include revenue generated by unbundling and bitstream, or bitstream equivalent.*

3.2 Fixed interconnection

The revenue generated by the interconnection services sold by fixed operators rose by 7.1%, thanks to a 31.2% increase in broadband services revenue in 2007. Meanwhile, income from the telephone service, which includes access, call termination and collection dropped by 1.1%. Wholesale subscription sales, which accounted for 700,000 subscriptions in December 2007, helped offset this decline.

The revenue generated by narrowband Internet has been declining steadily for several years now. In 2007, operators reported a close to 50% drop in revenue and even greater decrease in volume (-56.9%).

The volume of interconnection minutes was down by 12.8% to 145.2 billion minutes.

Fixed operator interconnection services

Revenue, € millions	2003	2004	2005	2006	2007f	Growth
Telephone-related services (including wholesale subscription sales)	2 612	2 764	2 889	2 916	2 886	-1.1%
Narrowband Internet interconnection services	218	174	105	69	36	-47.6%
Broadband wholesale services	68	845	987	1 147	1 505	31.2%
Fixed operator interconnection and access services	**2 898**	**3 783**	**3 980**	**4 132**	**4 427**	**7.1%**
of which inbound international calls	682	408	362	356	409	14.9%
Volume, million minutes						
Narrowband Internet interconnection services	**47 988**	**33 720**	**29 948**	**19 786**	**8 522**	**-56.9%**
Fixed telephony interconnection services	**114 565**	**131 463**	**169 753**	**166 438**	**145 175**	**-12.8%**
of which inbound international calls	5 146	5 792	6 064	6 539	8 515	30.2%

Source: ARCEP EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

3.3 Unbundling

There were 5.2 million unbundled lines in France at the end of 2007, a 29.3% increase from the year before. The rise is due to an increase in the number of fully unbundled lines (+1.6 million), which have been the prime source of growth since the end of 2005, now accounting for 73% of LLU lines.

Shared access lines have been on a steady decline over the last two years, totalling only 1.4 million at the end of 2007, with a substantial number of them having been replaced by fully unbundled lines.

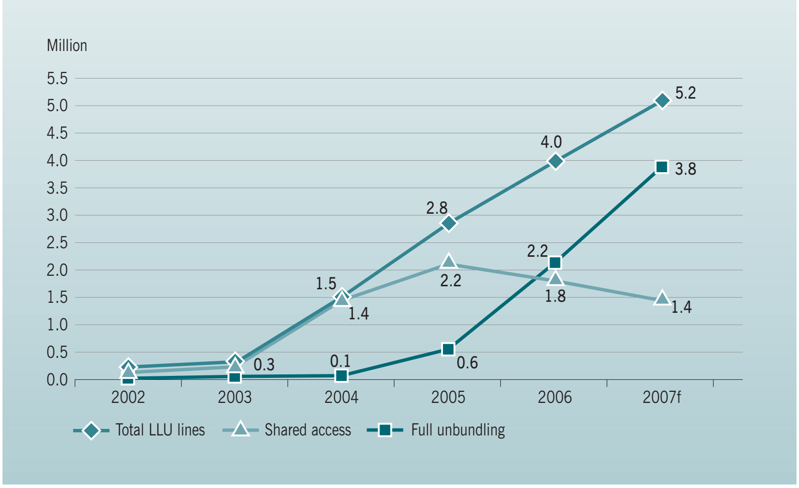
The other broadband wholesale services are also on an upward trajectory, growing by 10% during the year. The number of bitstream lines reached 2.3 million at the end of 2007 compared to 2.1 million in December 2006, with naked DSL proving a particularly popular form of bitstream access. In December 2007, close to a million naked ADSL had been sold to alternative operators, compared to 200,000 one year earlier.

Unbundling

Millions	2003	2004	2005	2006	2007f	Growth
Number of shared access lines	0.269	1.443	2.248	1.826	1.369	-25.0%
Number of fully unbundled lines	0.004	0.093	0.592	2.160	3.787	75.3%
Total LLU lines as of 31/12	**0.273**	**1.536**	**2.840**	**3.986**	**5.156**	**29.3%**

Source: ARCEP, EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

Number of unbundled lines



Source: ARCEP.

3.4 Mobile interconnection

Mobile operator interconnection services

Revenue € million	2003	2004	2005	2006	2007f	Growth
Interconnection services	**2 949**	**2 807**	**5 120**	**4 606**	**4 106**	**-10.9%**
of which inbound international calls	212	158	159	153	177	15.9%
of which foreign user roaming in	776	874	839	799	702	-12.2%
Volume, million minutes						
Interconnection services	**27 680**	**30 150**	**31 106**	**35 301**	**42 126**	**19.3%**
of which inbound international calls	985	1 020	1 224	1 547	2 253	45.6%
of which foreign user roaming in	1 294	1 350	1 393	1 521	1 656	8.8%

Source: ARCEP EC Market Observatory, annual surveys 1998-2006; quarterly surveys for 2007 (estimated figures).

***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, or to any price that is billed to customers.*

The revenue generated by mobile operators' interconnection services totalled €4.1 billion in 2007, which includes voice call and incoming SMS revenue, for which decreased termination prices drove a 10.9% drop in revenue during the year. In 2006, incoming SMS accounted for 6.7% of mobile interconnection revenue, or €309 million, for 6.5 billion messages.

Traffic requiring interconnection services rose by close to 20% to reach 42.1 billion minutes. The slight drop in fixed-to-mobile traffic is being offset by the rise in interconnection traffic between mobile operators, and by a sharp rise in inbound international (+45.6%) and roaming in (+8.8%) calls.

Added to these services are those that derive from the wholesale market. In terms of revenue, the sale of access and call origination services to MVNOs generated €215 million in 2007 (compared to 100 million in 2006). In terms of volume, calling minutes sold to MVNOs virtually doubled, going from 475 million minutes in 2006 to 885 million in 2007.

B. The different market segments

1. Fixed telephony

1.1 Acces

1.1.1 Subscriptions

Subscriptions to fixed telephony services, as of 31/12

Million units	2003	2004	2005	2006	2007f	Growth
Narrowband fixed line subscriptions (analogue and digital lines, and via cable)	33.908	33.610	33.106	31.598	28.747	-9.0%
of which subscriptions from wholesale subscription sales	–	–	–	–	0.703	–
IP-based subscriptions (xDSL, cable)	–	0.931	3.392	6.651	10.838	62.9%
of which naked DSL	–	0.101	0.601	2.379	5.856	146.2%
Total subscriptions	**33.913**	**34.541**	**36.498**	**38.249**	**39.585**	**3.5%**

Source : ARCEP, Observatoire des CE - Enquêtes annuelles de 1998 à 2006, enquête trimestrielle pour 2007, estimation provisoire.

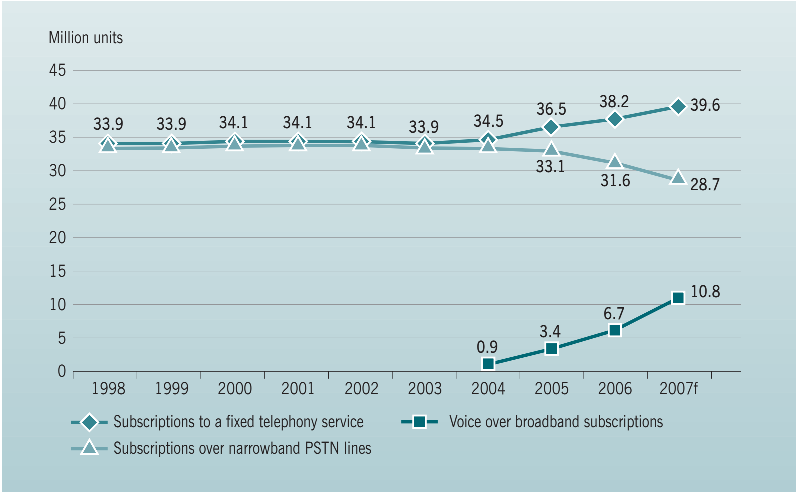
The number of phone subscriptions continues to increase, totalling 39.6 million at the end of 2007, or 3.5% more than the previous year. The number of narrowband line subscriptions dropped even more sharply than in 2006, losing close to three million customers. On the other hand, the number of voice over broadband subscriptions rose by more than four million: totalling 10.8 million. IP-based subscriptions account for 27% of fixed telephony accounts and 31% of fixed phone lines.

In 2007, the increasingly swift growth of full unbundling and naked ADSL was a major contributor to the rise in the number of voice over broadband subscriptions over DSL (with no PSTN phone service). These represented 5.9 million subscriptions. In all, i.e. by adding VoIP over cable, 17% of all lines support only a single subscription to a VoIP phone service.

The majority of lines (69%) are still used to deliver only a PSTN subscription, but this percentage is shrinking year after year at increasing speed, having gone from 97% of lines in 2004, to 90% in 2005 and 81% in 2006. Initially, wholesale offers that allowed customers to do away with their phone subscription were uncommon, leading to a trend of multiple subscriptions on the same line: customers kept their ‘traditional’ subscription and the ability to make and receive calls over the PSTN and added a second, VoIP subscription. Based on shared access or bitstream (excluding naked ADSL), these offers continue to increase – representing 4.7 million subscriptions, or 14% of all lines in 2007, compared to 4.1 million in 2006. However, they are now being overtaken by VoIP-only subscriptions.

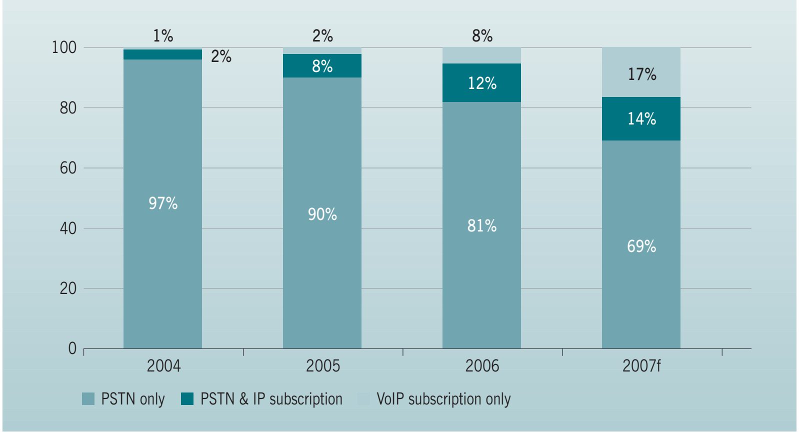
Launched in 2006, wholesale telephone subscription sales by alternative operators began to make real strides in 2007, with 700,000 subscriptions sold at the end of 2007, or 2.5% of all PSTN subscriptions.

Subscriptions to fixed telephony services



Source: ARCEP.

Breakdown of the number of subscriptions for fixed lines with telephony service



Source: ARCEP.

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.*

Number of lines supporting telephony service on fixed networks, as of 31/12

Million	2003	2004	2005	2006	2007f	Growth
Total number of lines	33.912	33.710	33.717	34.125	34.860	2.2%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

In 2007, the number of fixed lines increased by 740,000 to reach 34.9 million – a rise that is probably due to growth of the number of households and the parallel levelling-off of residential fixed telephony equipment levels since the end of 2006, at around 82%.

Revenue from access charges, subscriptions and additional services

€ million	2003	2004	2005	2006	2007f	Growth
Access, subscriptions and additional services	**5 505**	**5 439**	**5 651**	**5 783**	**6 094**	**5.4%**
Of which VoIP subscription revenue	–	–	–	199	508	155.3%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

***Note:** in addition to telephone service access revenue, total access revenue includes income from access to IP telephony subscriptions and from additional services (caller ID, etc.).*

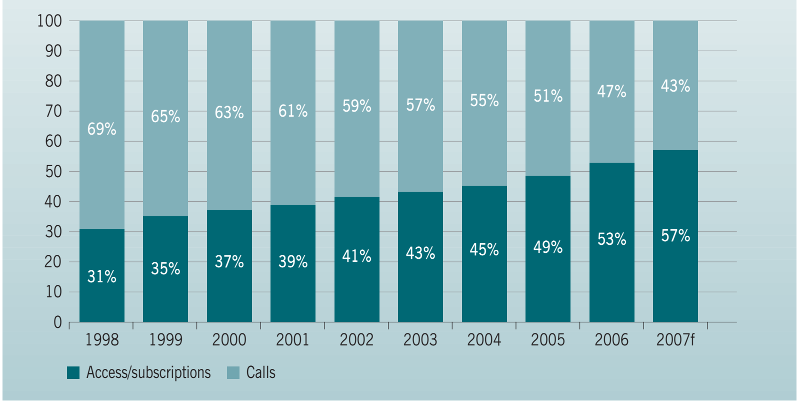
Revenue generated by fixed line telephone access fees and subscriptions rose by 5.4% in 2007 to €6.1 billion, or 57% of the total revenue that can be attributed directly to fixed telephony (€10.7 billion, excluding public payphones and prepaid cards).

The two successive increases in phone subscriptions (+7.2% as of 1 July 2006 and +6.7% as of 1 July 2007) helped offset the drop in the number of PSTN subscriptions (close to 3 million in 2007).

Some operators bill the VoIP service as a separate subscription from the Internet access flat rate. The revenue generated by these subscriptions more than doubled during the year, going from €199 million in 2006 to €508 million in 2007, accounting for just over 8% of total access revenue.

Meanwhile, the revenue generated by “traditional” telephony subscriptions remained unchanged in 2007 at €5.6 billion.

Breakdown of fixed line telephone service revenue



Source: ARCEP.

1.1.2 Fixed portability

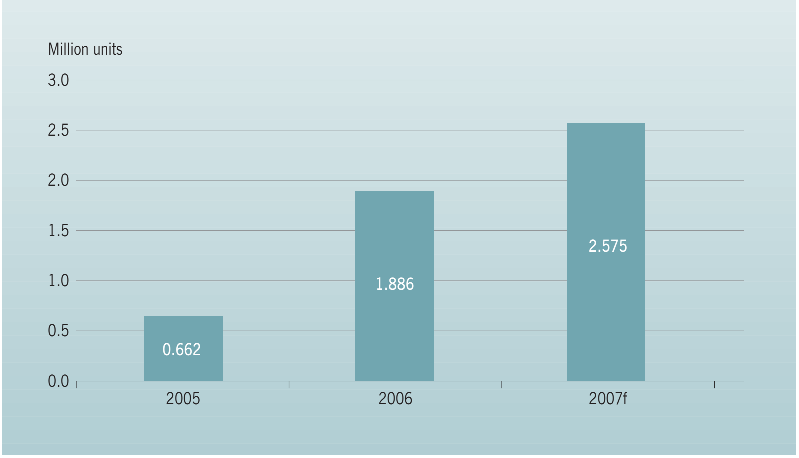
Number retention

Million units	2003	2004	2005	2006	2007f	Growth
Total numbers ported during the year	–	–	0.662	1.886	2.575	36.5%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

There were 700,000 more fixed numbers ported in 2007 than in 2006, marking a 36.5% increase during the year. The volume of numbers involved was very high, particularly in the last three months of 2006 and the first three months of 2007, with 750,000 numbers ported during each of those two quarters.

Number Retention



Source: ARCEP.

1.1.3 Carrier selection

Carrier selection subscriptions

Million units	2003	2004	2005	2006	2007f	Growth
Call-by-call selection subscriptions	2.991	2.513	2.533	1.471	1.041	-29.2%
Preselection subscriptions	4.523	5.163	5.687	5.423	3.850	-29.0%
Total carrier selection subscriptions	**7.514**	**7.676**	**8.220**	**6.893**	**4.891**	**-29.0%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

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

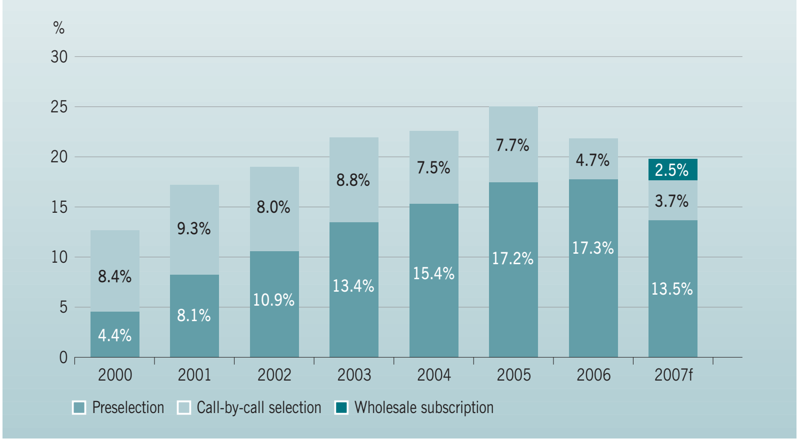
Facing stiff competition from increasingly popular VoIP offers, carrier selection subscriptions decreased sharply for the second year in a row (-29%). At the end of 2007, there were just under 5 million customers using carrier selection, or two million less than one year earlier. Call-by-call selection is used by only one million customers while preselection, which has also suffered from the likely migration of a portion of its base to offers that include a PSTN subscription (wholesale subscription sales, which accounts for 700,000 subscriptions), represents 3.9 million accounts, 1.5 million fewer than in December 2006.

In terms of its share of the entire PSTN subscriber base, carrier selection is used by less than one in five customers with a PSTN subscription.

Number of carrier selection subscriptions

Source: ARCEP.

Carrier selection subscriptions as a percentage of total telephone service subscriptions (excluding cable)



Source: ARCEP.

1.1.4 Public payphones and prepaid cards

The public payphone and prepaid card market totalled €300 million and 2.2 billion minutes in 2007. The revenue and volume tied to public payphones, which have been on a downward slide for several years now, dropped by a further 20%. The number of public payphones has been shrinking at a rate of 10,000 units a year.

Operators' prepaid card business has been declining by around 25% annually, in terms of both value and volume.

Public payphones

	2003	2004	2005	2006	2007f	Growth
Call revenue (€ million)	333	277	219	177	142	-19.7%
Call volume (million minutes)	1 383	1 092	821	627	508	-19.0%
Number of public payphones as of 31 December (unités)	192 275	189 298	179 770	169 788	159 799	-5.9%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Public pay phones

Source: ARCEP.

Prepaid and post-paid fixed telephone cards

	2003	2004	2005	2006	2007f	Growth
Fixed telephone card revenue	244	248	241	207	155	-25.2%
Million calling minutes used via cards	1 741	1 941	2 173	2 170	1 671	-23.0%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

1.2 Fixed telephony calls

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 VoIP 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 that have not declared their activity and which support PC-to-PC VoIP. 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).

1.2.1 Revenue and volume

In 2007, revenue generated by calls originating on a fixed line totalled €4.6 billion, a decrease of 11.6% compared to 2006. This drop of just over 10% annually has been a steady trend in the market since 2004, but has increased in recent years when looking only at PSTN revenue, which declined by around 15% in both 2006 and 2007, due to an equivalent decrease in the volume of traffic on the PSTN.

Revenue from national calls has experienced the sharpest decline (-19.8%), while income from international calls and calls to mobile is down only slightly (-1.9% and -0.2% for the year, respectively).

The way that fixed line traffic is evolving differs considerably from the revenue growth trajectory, with overall calling volumes remaining relatively unchanged in 2007: the volume of national calls dropped slightly (-1.1%) as did the volume of calls to mobiles (-3.9%) which has not changed much since 2004, despite the ever-increasing number of mobiles in use. International traffic shot up by 32% in 2007, following a significant rise in 2006 (+19.3%).

The volume of voice over broadband traffic accounts for a growing share of calls originating on fixed lines. Coming chiefly from services that are replacing the PSTN, this traffic has nevertheless made it possible to maintain a constant volume of around 103 billion minutes a year for calls originating on fixed lines.

Outbound fixed line calling revenue

€ million	2003	2004	2005	2006	2007f	Growth
National calls	3 850	3 567	3 264	2 971	2 383	-19.8%
International calls	819	673	632	562	551	-1.9%
Calls to mobiles	2 758	2 425	2 065	1 678	1 675	-0.2%
Total fixed-line revenue	**7 427**	**6 666**	**5 961**	**5 211**	**4 609**	**-11.6%**
of which calls originating from VoIP services	–	19	96	226	411	82.2%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note: *revenue generated by calls originating on an IP connection includes only the sums 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.*

Outbound fixed line calling volume

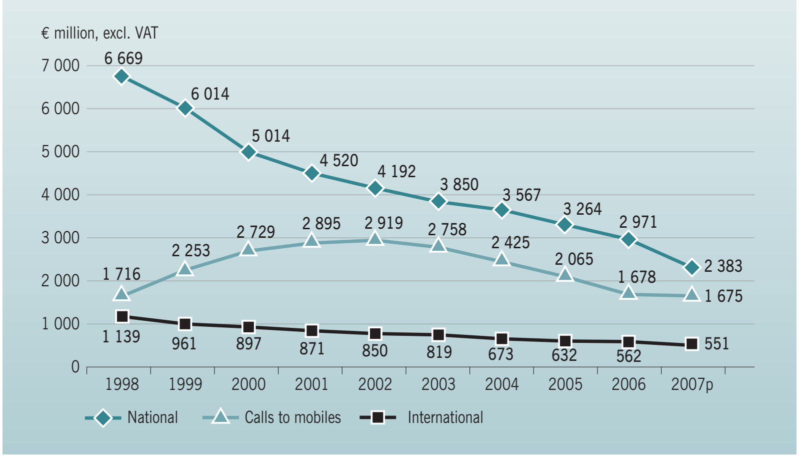
Million minutes	2003	2004	2005	2006	2007f	Growth
National calls	89 536	86 149	86 838	85 633	84 683	-1.1%
International calls	4 907	4 281	4 116	4 910	6 481	32.0%
Calls to mobiles	11 365	11 638	12 227	12 375	11 898	-3.9%
Total outbound fixed-line calls	**105 807**	**102 067**	**103 181**	**102 918**	**103 062**	**0.1%**
of which calls originating from VoIP services	–	1 453	8 440	18 663	33 080	77.2%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note:

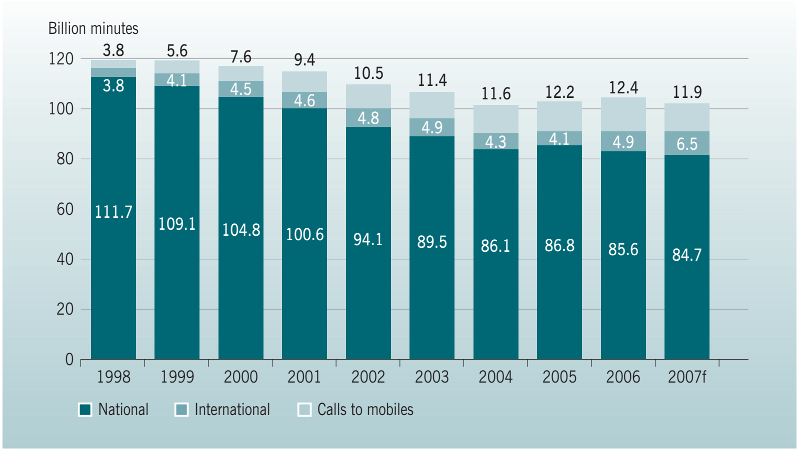
- *The Observatory draws a distinction between calls originating on an IP telephony service and other voice calls. Nevertheless, although the volume of VoIP calls refers to all end-market traffic, the revenue covers only invoiced VoIP traffic (e.g. over and above bundled service flat rates).*
- *Volume and revenue for calls originating on a VoIP service is calculated for each market segment (national, international and to-mobile calls).*

Outbound fixed line call revenue



Source: ARCEP.

Volume of outbound fixed line calls



Source: ARCEP.

1.2.2 Calls over the PSTN ("traditional" telephony)

Having to contend with fierce competition from voice over broadband, the market segment for strictly PSTN calls continues to shrink dramatically, in terms of both value and volume (-15.7% and -16.9%) – with a comparable change in revenue and traffic occurring for each category of call destination. National calls over the PSTN decreased by roughly 20%, close to double the drop in international calls and calls to mobiles.

Revenue generated by PSTN calls totalled €4.2 billion, accounting for 91% of the income earned on calls originating on a fixed network. In terms of volume, 68% of minutes originated on the PSTN in 2007 (or 70 billion minutes) compared to 82% one year earlier.

Revenue from PSTN calls originating on a fixed line

€ million	2003	2004	2005	2006	2007f	Growth
National calls	3 850	3 563	3 256	2 952	2 347	-20.5%
International calls	819	667	606	496	448	-9.7%
Calls to mobiles	2 758	2 417	2 003	1 538	1 410	-8.3%
Total PSTN fixed-line revenue	**7 427**	**6 647**	**5 865**	**4 986**	**4 205**	**-15.7%**

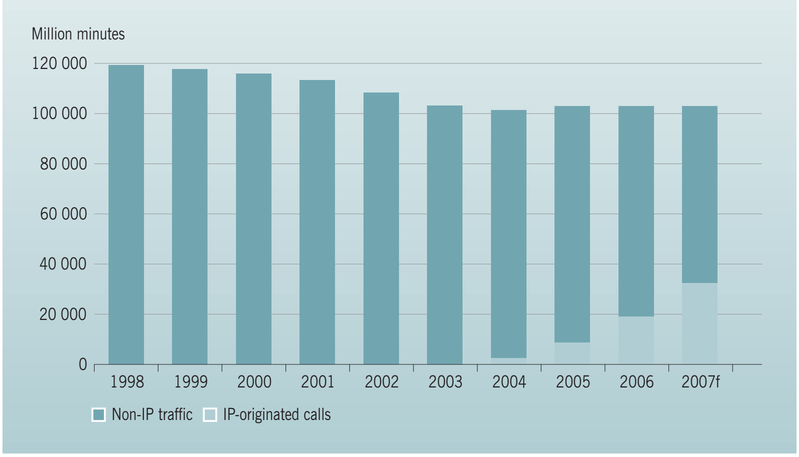
Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Volume of PSTN calls originating on a fixed line

Millions de minutes	2003	2004	2005	2006	2007f	Growth
National calls	89 536	84 826	78 984	68 933	56 215	-18.5%
International calls	4 907	4 210	3 862	3 699	3 339	-9.7%
Calls to mobiles	11 365	11 579	11 895	11 623	10 428	-10.3%
Total PSTN fixed-line calls	**105 807**	**100 615**	**94 742**	**84 255**	**69 982**	**-16.9%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Volume of calls originating on a fixed line (excluding public payphones and cards)



Source: ARCEP.

1.2.3 IP calls on a fixed line (via IP boxes)

IP traffic continues to grow at a steady pace: rising in volume by 77.2% in 2007 after having more than doubled in 2006. National traffic, which accounts for 87% of voice over broadband traffic, rose by 70.5% during the year. Meanwhile, the volume of calls to mobiles doubled, going from 750 million minutes in 2006 to 1.5 billion minutes in 2007, while international traffic increased by two billion minutes to reach 3.2 billion minutes in 2007.

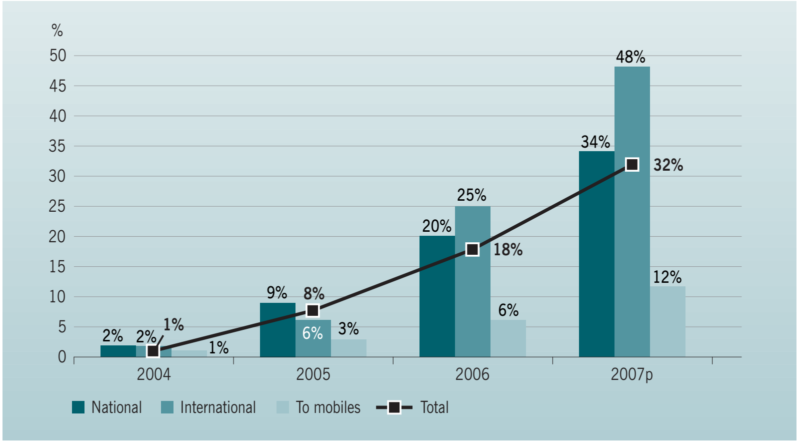
Because of the swift and widespread adoption of voice over broadband solutions, IP-based calling traffic has increased substantially, accounting for 32% of traffic to all call destinations combined. For international calls, which users can now make for free to a number of destinations, the share of IP calls doubled in 2007, accounting for 48% of overseas calling traffic, which itself accounted for 57% of traffic. The share of fixed-to-mobile calls over IP is still low (12%).

Volume of IP calls originating on a fixed line

Million minutes	2004	2005	2006	2007f	Growth
National calls	1 323	7 853	16 700	28 468	70.5%
International calls	71	254	1 211	3 142	159.5%
Calls to mobiles	59	333	752	1 470	95.5%
Total calls originating on an IP connection	**1 453**	**8 440**	**18 663**	**33 080**	**77.2%**

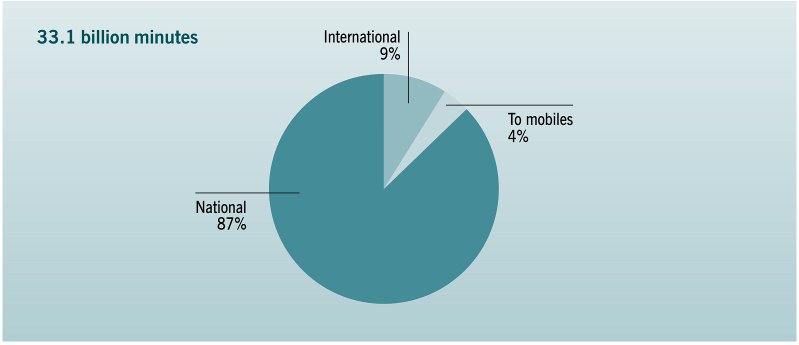
Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Share of fixed line calls originating on an IP connection, by call destination



Source: ARCEP.

Breakdown of VoIP traffic in 2007, by call destination



Source: ARCEP.

Customers equipped with an IP box make more international calls and national calls to fixed lines that those using a traditional phone service (PSTN): of calls originating on an IP connection, 9% are to international destinations and 87% to national fixed lines, whereas the proportions for calls originating on the PSTN are 6% to international destinations and 82% to national fixed lines. On the other hand, only 4% of calls made from IP boxes are to mobiles, compared to 12% of calls originating on the PSTN.

1.3 Average consumption

Details on indicators related to 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, but this does not mean that their consumption has doubled as well. Average traffic and average revenue per subscription are thus dropping automatically. To be able to track consumption and average customer spending indicators in a more meaningful way, the notion of "line" needs to be introduced.

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

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

The invoice per line corresponds, on average, to what customers pay in total each month for access to the fixed network – whether or not they have narrowband or broadband Internet access – either via the PSTN or ToIP or both. This invoice has remained more or less stable over time, at around €36, excluding VAT, a month. The 1.8% increase in 2007 is due chiefly to the rise in the number of people with Internet access, and the ongoing migration from narrowband to broadband.

Telephony traffic per line has also remained more or less unchanged, at just over four hours a month: in 2007 it totalled 4 hours and 9 minutes a month per fixed line, four minutes less than in 2006.

The average monthly invoice for a PSTN customer decreased slightly (€-0.2) in 2007 after a considerable drop in 2006 (€-1.6). PSTN customers spend an average €27, excluding VAT, for their subscription and calls made from their "traditional" line, while their average consumption totalled 3 hours and 13 minutes a month in 2007, or 24 minutes less than in 2006.

The average invoice for voice over broadband calls that are billed over and above multi-play service bundle flat rates totalled €3.90, a 4.6% increase over the previous year. Average traffic for a ToIP customer increased by 5 minutes to 5 hours and 15 minutes a month, per customer.

Average monthly consumption per fixed line

€ excl. VAT, or minutes per month	2003	2004	2005	2006	2007f	Growth
Average monthly invoice: access and calls over the phone service and the Internet (€, excl. VAT)	37.2	36.0	35.9	35.5	36.2	1.8%
Volume mensuel moyen voix sortant	259.2	251.6	255.0	252.8	249.0	-1.5%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

***Note:** The average monthly fixed line bill is calculated by dividing the fixed line call revenue (access, calls and Internet revenue) for year N by the estimated average customer base for Year N, then dividing the result by twelve. (See inset for the definition of "line").*

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 twelve.

Average monthly fixed line consumption per customer

PSTN subscription	2003	2004	2005	2006	2007f	Growth
Average monthly invoice per customer (€, excl. VAT)	31.7	29.8	28.8	27.2	27.0	-0.7%
Average monthly volume per customer (minutes)	259.2	248.3	236.7	217.0	193.3	-10.9%
VoIP calls						
Average monthly invoice per customer (€, excl. VAT)	–	3.3	3.7	3.7	3.9	4.6%
Average monthly volume per customer (minutes)	–	-	325.4	309.7	315.2	1.8%

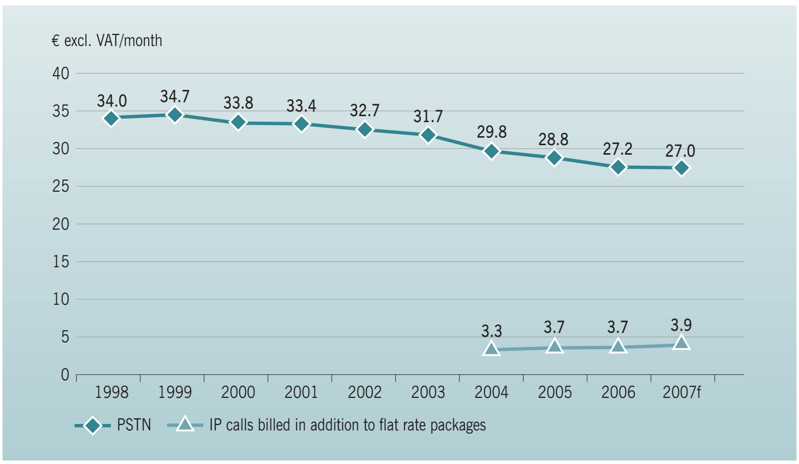
Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note: *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 quarter N by the estimated customer base for Year N, then dividing the result by four.

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

Average monthly voice bill per fixed-line subscription (excl. VAS)



Source: ARCEP.

Average monthly voice traffic per fixed-line subscription (excl. VAS)

Source: ARCEP.

2. Internet

2.1 Internet market

2.1.1 Subscriptions

At the end of 2007, Internet subscriptions in France totalled 17.1 million (+11.8% compared to 2006), with broadband representing 15.6 million or 91.2% of those subscriptions, and continuing to increase at a steady pace. Growth was down in 2007 (+3.3 million mid-2006 compared to +2.9 million at the end of 2007) but the number of broadband subscriptions did increase by around 3 million for the fourth year in a row.

Meanwhile, the inexorable decline of the narrowband base continues, losing another million subscriptions during the year, leaving a total 1.5 million narrowband subscriptions in service in December 2007.

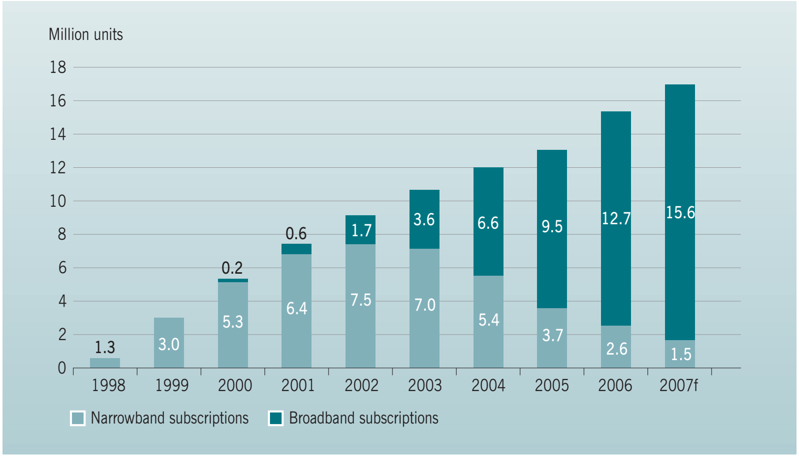
Internet subscriptions as of 31/12

Million units	2003	2004	2005	2006	2007f	Growth
Narrowband *	7.048	5.377	3.746	2.557	1.508	-41.0%
Broadband	3.569	6.561	9.471	12.695	15.550	22.5%
dont accès xDSL	3.172	6.103	8.902	12.019	14.805	23.2%
Total Internet subscriptions *	**10.617**	**11.939**	**13.217**	**15.252**	**17.058**	**11.8%**

** Source: AFA up to and including 2002. Thereafter, statistics supplied by the following ISPs: 9 Online, AOL France, Club Internet, Free (dial-up only), InterPC, NC, Noos, Tiscali France, UPC France, and Wanadoo. Includes free access, otherwise known as metered use, accounts that have connected at least once in the past 40 days plus all accounts that pay a monthly flat rate (regardless of whether flat-rate telephony is included or whether the account is residential or business).*
Source: ARCEP, EC Market Observatory, Annual Surveys 1998-2006 and quarterly surveys for 2007 (estimated figures).

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

Number of Internet subscriptions



Source: ARCEP.

2.1.2 Revenue

Revenue generated by Internet access totalled €4.6 billion in 2007, of which €4.1 billion for broadband. Narrowband experienced an identical 40% decline in subscription volume, revenue and traffic.

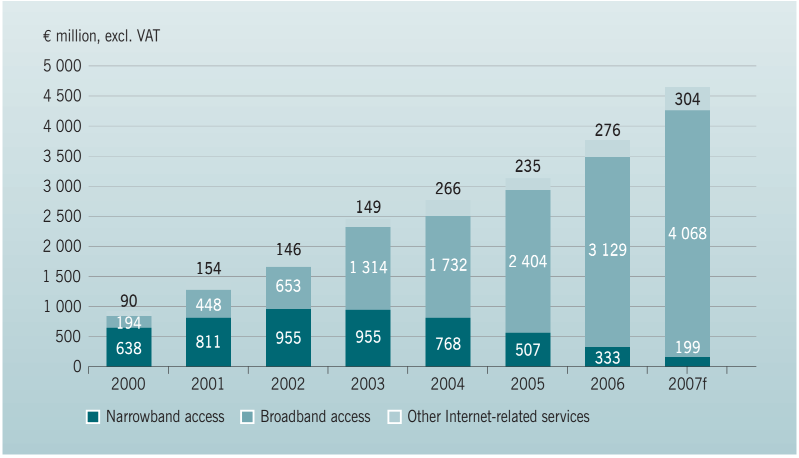
Total Internet revenue

€ million	2003	2004	2005	2006	2007f	Growth
Narrowband access	955	768	507	333	199	-40.3%
Broadband access	1 314	1 732	2 404	3 129	4 068	30.0%
Other Internet-related services	149	266	235	276	304	10.1%
Total Internet	**2 418**	**2 767**	**3 145**	**3 739**	**4 571**	**22.3%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

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".*

Internet revenue



Source: ARCEP.

Narrowband volumes

Million minutes	2003	2004	2005	2006	2007f	Growth
Total narrowband volumes	**71 779**	**54 687**	**38 233**	**25 921**	**15 739**	**-39.3 %**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

2.2 Average consumption

The average monthly bill for an Internet subscriber in France increased by €0.5, excluding VAT, in 2007, after years of steady decrease. It is now at 24, excluding VAT, a month.

The average monthly bill for a narrowband subscriber dropped by 7.4%, even though the average monthly volume is decreasing by only 4%.

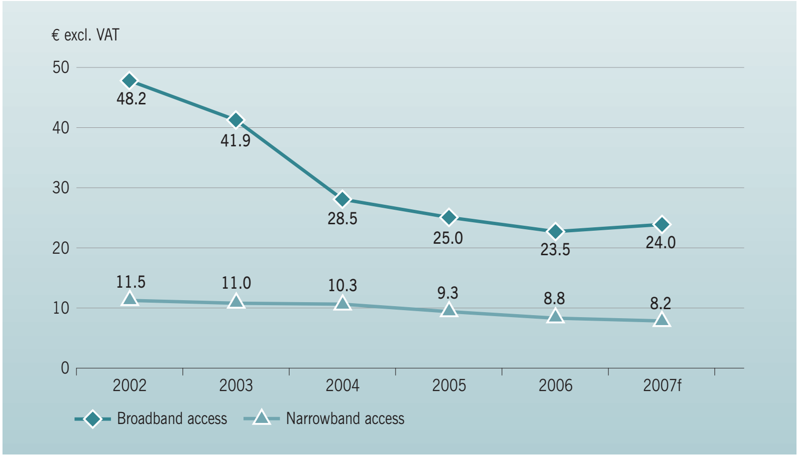
Average monthly Internet bill

€ excl. VAT	2003	2004	2005	2006	2007f	Growth
Average monthly bill per narrowband customer	11.0	10.3	9.3	8.8	8.2	-7.4 %
Average monthly bill per broadband customer	41.9	28.5	25.0	23.5	24.0	2.0 %

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

***Note:** 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 Internet bill



Source: ARCEP.

Average monthly consumption per narrowband customer

Hours/month	2003	2004	2005	2006	2007f	Growth
Average monthly volume per narrowband customer	13h44	12h14	11h38	11h25	10h45	-4.0%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note : *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.*

2.3 Voice over IP

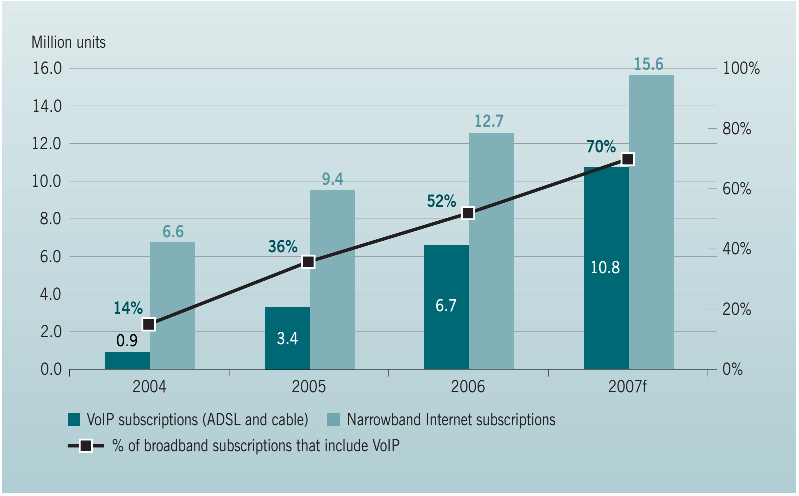
The success of VoIP is due in part to the rapid spread of broadband access and especially of triple play bundles that include Internet access, telephony and TV. At the end of 2007, 70% of all broadband subscriptions in France were combined with a Voice over IP telephone service.

Broadband and VoIP subscriptions

Million units	2003	2004	2005	2006	2007f	Growth
VoIP subscriptions (ADSL and cable)	–	0.931	3.392	6.651	10.838	62.9%
Narrowband Internet subscriptions	–	6.563	9.448	12.695	15.550	22.5%
% of broadband subscriptions that include VoIP	–	14%	36%	52%	70%	33.0%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Broadband and VoIP subscriptions



Source: ARCEP.

2.4 TV over ADSL

In 2007, the number of TV subscriptions rose by close to two million, to reach 4.5 million at the end of the year, or close to a third of all ADSL-based Internet access subscriptions.

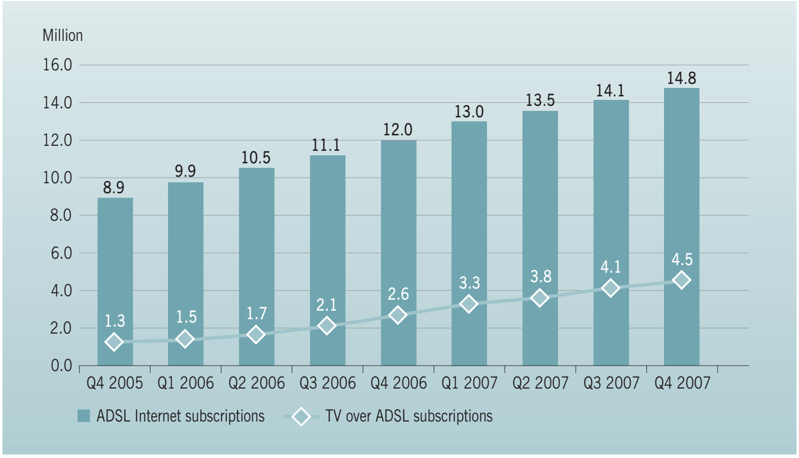
TV over ADSL subscriptions

Million units	2004	2005	2006	2007f	Growth
TV over ADSL subscriptions	0.145	1.318	2.596	4.534	74.7%
Internet over ADSL subscriptions	6.561	8.882	12.018	14.794	23.1%
% ADSL subscribers with TV over ADSL	2%	15%	22%	31%	41.9%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

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).*

ADSL and TV over ADSL subscriptions



3. Mobile

3.1 Mobile market

3.1.1 Customers

Mobile operators' customer bases continued to grow at a steady pace in 2007. The growth rate has remained above 7%, representing an additional 3.7 million customers during the year.

Of the 55.3 million mobile customers in France, 47.6 million are consumer segment subscribers.

Number of mobile service users, by type of customer

Million units	2003	2004	2005	2006	2007f	Growth
Number of customers	**41.702**	**44.544**	**48.088**	**51.663**	**55.349**	**7.1%**
Consumer	36.522	38.720	41.680	44.625	47.590	6.6%
Business	5.179	5.824	6.408	7.038	7.759	10.2%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

17.2 million mobile customers used multimedia services in the month of December 2007, two million more than in December 2006. This means that close to a third of all mobile customers employ these services (e-mail, MMS, operator and fixed-website mobile portals), regardless of type of connection, compared to 2006 when proportions remained stagnant.

Breakdown by type of subscription: flat rate/prepaid

Flat rate subscriptions are growing at a faster rate than prepaid card sales. The mobile subscriber base totalled 36.3 million in December 2007, an 8.1% increase over the year before, while the mobile base as a whole grew by 7.1%, with subscribing customers still on the rise and accounting for 66% of the total base.

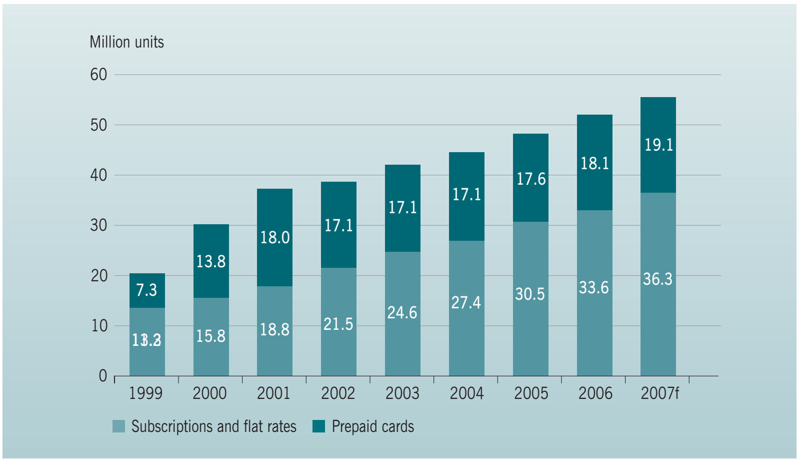
Prepaid card sales grew by around one million (+5.3%), twice the increase reported in 2006, after having remained stable for several years. This higher rate of growth than in previous years has nevertheless gone hand in hand with a drop in activity rates: in 2006, only 4.6% of prepaid cards were inactive (or 1.8% of the total base), compared to 6.7% in 2007 (or 2.3% of the total base).

Number of mobile service customers as of 31/12

Million units	2003	2004	2005	2006	2007f	Growth
Subscriptions and flat rates	24.553	27.420	30.528	33.572	36.298	8.1%
Prepaid cards	17.149	17.124	17.561	18.090	19.051	5.3%
of which active prepaid cards	16.462	16.409	16.698	17.185	17.776	3.4%
Total mobile service customers	**41.702**	**44.544**	**48.088**	**51.662**	**55.349**	**7.1%**

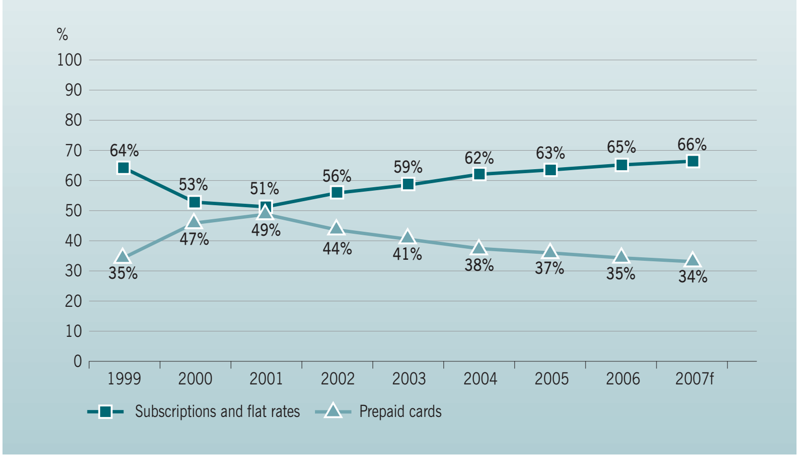
Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Mobile operator customer bases



Source: ARCEP.

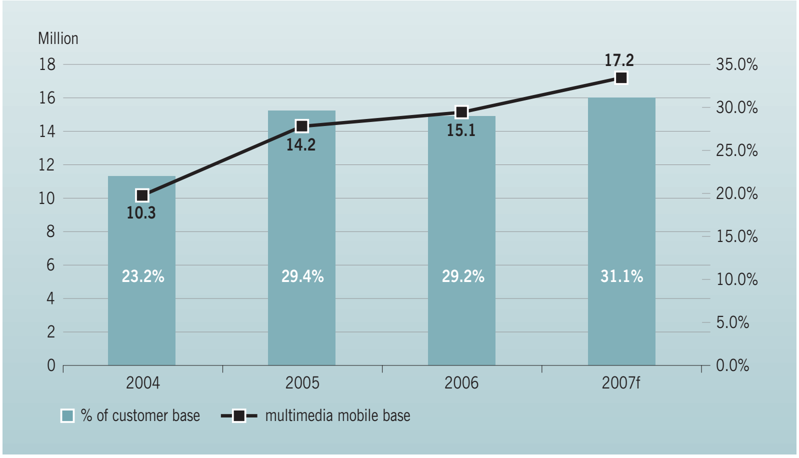
Growth of market share for flat rates and prepaid cards



Source: ARCEP.

Multimedia base

Active multimedia mobile base



Source: ARCEP.

Multimedia base

Million units	2004	2005	2006	2007f	Growth
Multimedia mobile base	10.324	14.154	15.079	17.190	14.0%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note: *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 territories.*

3.1.2 Mobile number portability

Mobile number retention

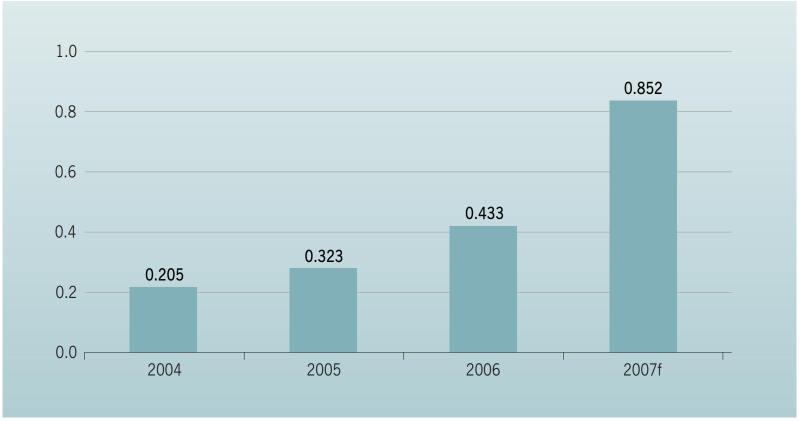
Million units	2004	2005	2006	2007f	Growth
Total numbers ported during the year	0.205	0.323	0.433	0.852	96.7%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

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 territories.*

Twice as many numbers were ported in 2007 as in 2006, totalling 852,000 by year end. The increase is due to the fact that the process has been shortened to 10 days since 21 May 2007. Close to two-thirds of all porting requests in 2007 were made in the second half of the year.

Annual number of ported mobile numbers



Source: ARCEP.

3.1.3 Revenue and volume

Market growth

The increase in the revenue generated by mobile services in 2007 (+5.7%) was higher than in 2006 (+4.0%), with both voice and data transport services reporting a higher rate of growth than the year before.

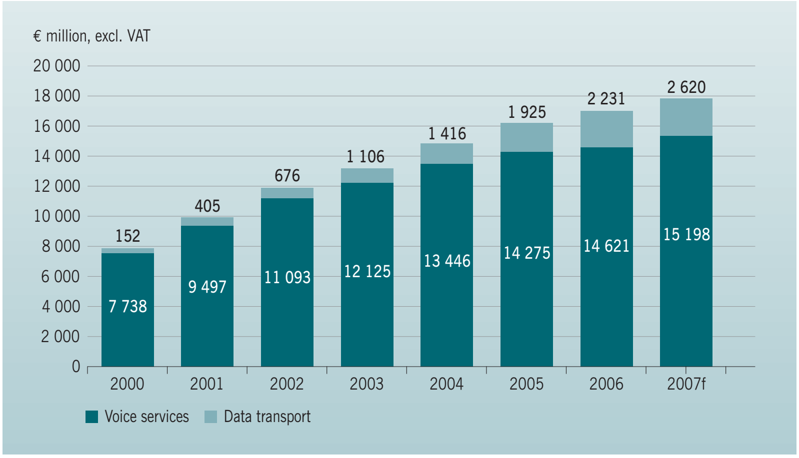
Voice remains the chief source of income, accounting for €15.2 billion of mobile operators' total revenue of €17.8 billion for the year. It is, however, growing at a lesser rate (+3.9%) than data services revenue (+17.4%) which represents an ever-increasing share of mobile operators' income. The revenue generated by voice services rose by €600 million during the year, compared to a €400 million increase for data services.

Mobile service revenue

€ millions	2003	2004	2005	2006	2007f	Growth
Voice services	12 125	13 446	14 275	14 621	15 198	3.9%
Data transport	1 106	1 416	1 925	2 231	2 620	17.4%
Mobile service revenue	**13 231**	**14 862**	**16 199**	**16 853**	**17 818**	**5.7%**
Data transport share of revenue, in %	8%	10%	12%	13%	15%	11.1%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Mobile operator revenue (retail market)



Source: ARCEP.

Breakdown by type of subscription: flat rate/prepaid

Flat rate subscriptions account for the bulk of mobile operators' revenue and traffic, generating 86% of operators' income, 92% of calling minutes and 78% of text messaging traffic.

Mobile service revenue by subscription type

€ million	2003	2004	2005	2006	2007f	Growth
Subscriptions and flat rates	10 963	12 512	13 821	14 553	15 370	5.6%
Prepaid cards	2 268	2 350	2 379	2 300	2 448	6.4%
Mobile service revenue	**13 231**	**14 862**	**16 199**	**16 853**	**17 818**	**5.7%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Outbound mobile calling minutes by subscription type

Million minutes	2003	2004	2005	2006	2007f	Growth
Subscriptions and flat rates	57 378	68 066	74 576	87 054	91 937	5.6%
Prepaid cards	6 091	6 182	7 134	6 972	7 696	10.4%
Total number of minutes	**63 469**	**74 248**	**81 711**	**94 026**	**99 633**	**6.0%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

SMS volume by subscription type

Million messages	2003	2004	2005	2006	2007f	Growth
Subscriptions and flat rates	–	–	–	11 168	14 765	32.2%
Prepaid cards	–	–	–	3 881	4 012	3.4%
Total number of SMS sent	**8 188**	**10 335**	**12 597**	**15 050**	**18 777**	**24.8%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

3.2 Mobile voice services

3.2.1 Voice revenue by call destination

Mobile calling minute revenue, by call destination

€ million	2003	2004	2005	2006	2007f	Growth
National calls	10 942	12 029	12 653	12 912	13 441	4.1%
International calls	437	535	608	667	657	-1.5%
Roaming out	745	881	1 013	1 042	1 100	5.6%
Outbound mobile call revenue	**12 125**	**13 446**	**14 275**	**14 621**	**15 198**	**3.9%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Totalling €15.2 billion in 2007, revenue generated by voice services rose by 3.9% during the year, slightly more than in 2006, due to a greater increase in revenue derived from national calls. Income from national calls and the volume of corresponding minutes (on-net calls, off-net calls and calls to national fixed lines) rose by 4.1% and 5.7%, respectively.

Revenue from international calls dropped by 1.5% after having increased by close to 10% in 2006.

3.2.2 Voice volume by call destination

Mobile call volumes, by destination

Million minutes	2003	2004	2005	2006	2007f	Growth
National mobile-to-fixed calls	20 839	22 168	20 082	19 168	18 818	-1.8%
On-net calls	25 968	31 869	40 612	50 362	52 840	4.9%
Mobile-to-mobile calls	15 202	18 267	18 925	22 156	25 278	14.1%
International calls	805	959	999	1 160	1 369	18.0%
Roaming out	655	985	1 093	1 180	1 328	12.6%
Outbound mobile call volume	**63 469**	**74 248**	**81 711**	**94 026**	**99 633**	**6.0%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

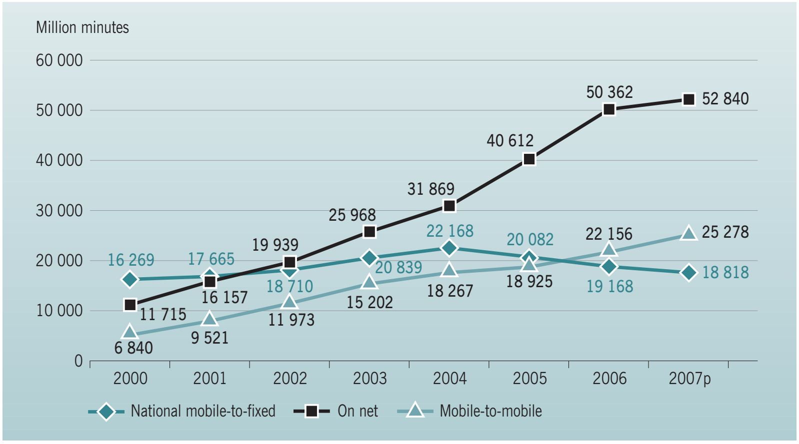
***Note:** Calls to voice mail are included in on-net traffic figures. They accounted for just under 8% of on-net traffic in 2007.*

Traffic originating on mobiles reached close to 100 billion minutes in 2007, representing a 6% increase over the year before – a lower rate than the 15% growth reported in 2006, due chiefly to a smaller rise in on-net traffic, which drove call volume increases up until 2006.

On-net traffic rose by 4.9% in 2007, compared to 24% in 2006 and close to 30% in 2005. Very popular with customers, these high volume offers favour calls to other customers of the same mobile operator (i.e. on-net). On-net traffic had been increasing consistently by over 20% since 1998 but, in 2007, the growth rate dropped with each quarter, going from 8.2% in Q1 2007 to only +2.8% in Q4 2007. The introduction of high-volume offers in 2006 for calls to all operators came to compete with on-net-centric offers and has spurred a rise in off-net calls for the past two years. For the first time ever, the percentage of total mobile calls that were on-net decreased, dropping from 54% to 53% in 2007.

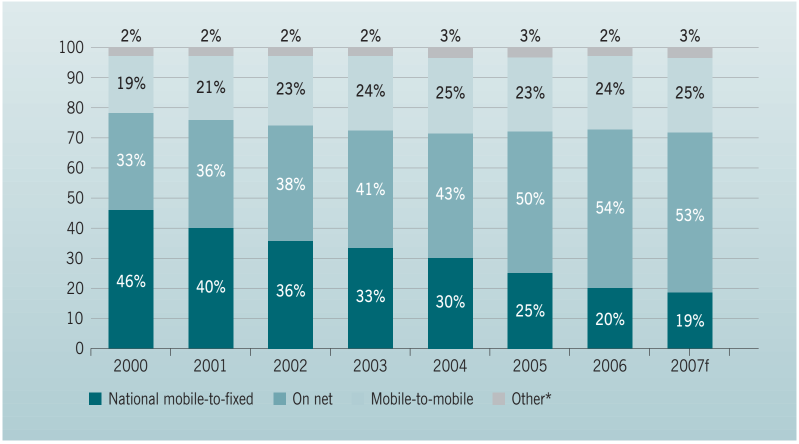
Calls to other mobile operators' customers (off-net) grew by 14.1% and represent 25.3 billion minutes, or 25% of all mobile calling minutes. On a downward slide since 2004, calls to fixed lines decreased by a further 1.8% in 2007, less than in previous years. Mobile-to-fixed calls constitute a shrinking percentage of mobile calls, accounting for only 19% in 2007. International and roaming out calls are both increasing at a healthy pace: +18% for international calls and +12.6% for roaming out – with each one representing 1.3% of total mobile traffic.

Mobile national call volume by destination



Source: ARCEP.

Mobile call volume by destination (%)



Source: ARCEP.

** Other: calls to international destinations and roaming out.*

Roaming out refers to calls placed from abroad by customers of French mobile operators.

3.3 Mobile data

3.3.1 Revenue

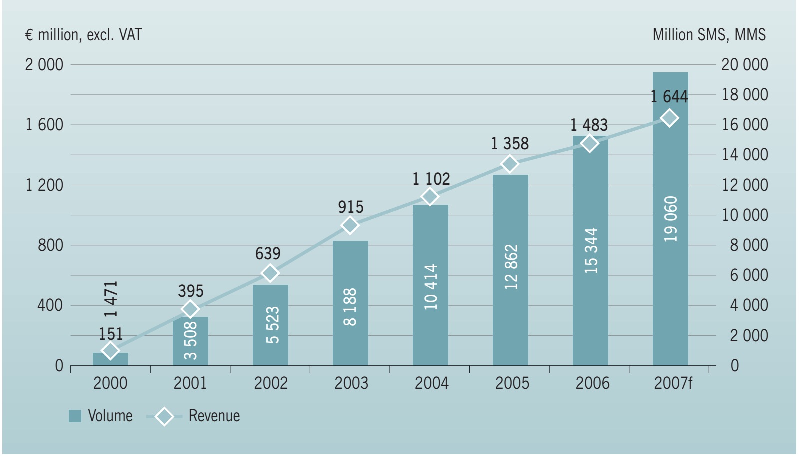
Revenue generated by mobile data services continues to rise (+17.4%) at roughly the same rate as in 2006 (+15.9%). Income derived from text messaging is increasing at a lesser rate (+10.8%) than for other data services (+30.5%) whose share of revenue has been growing from year to year. In 2007, revenue generated by multimedia services and mobile Internet access accounted for 37% of total data revenue, or four points more than in 2006. This proportion has increased by an average five points a year since 2003. These services generate 5.5% of total mobile revenue.

Mobile data transport revenue

€ million	2003	2004	2005	2006	2007f	Growth
Data transport	**1 106**	**1 416**	**1 925**	**2 231**	**2 620**	**17.4%**
of which person-to-person messaging (SMS, MMS)	915	1 102	1 358	1 483	1 644	10.8%
of which other data transport	191	314	567	748	976	30.5%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Person-to-person messaging



Source: ARCEP.

3.3.2 Total volume of SMS and MMS sent

Number of person-to-person messages sent

Million units	2003	2004	2005	2006	2007f	Growth
Number of P2P SMS	8 188	10 335	12 597	15 050	18 777	24.8%
Number of P2P MMS	–	79	265	294	283	-3.7%
Total person-to-person SMS and MMS sent	**8 188**	**10 414**	**12 862**	**15 344**	**19 060**	**24.2%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

2007 was marked by a tremendous increase in the number of text messages sent (+3.7 billion messages, +24.8%). The rise was particularly acute in the last quarter of the year, with 5.5 billion messages sent compared to 4 billion in the last three months of 2006. The volume of person-to-person MMS (300 million messages) was down slightly (-3.7%) compared to the previous year.

3.4 Average consumption

Average monthly consumption, per mobile customer

€ excl. VAT, minutes or units per month	2003	2004	2005	2006	2007f	Growth
Average monthly customer bill (€, excl. VAT)	27.5	28.7	29.1	28.2	27.8	-1.4%
Average monthly volume, per customer (minutes)	131.7	143.4	147.0	157.1	155.2	-1.2%
Average number of SMS sent per month, per customer	17.0	20.0	22.7	25.1	29.2	16.3%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note:*The average monthly phone bill per mobile customer is calculated by dividing mobile telephony revenue (voice and data revenue, including roaming out, and excluding incoming call revenue) for Year N by the estimated average customer base for Year N and dividing the result by 12. This indicator, which includes neither interconnection revenue nor advanced-services revenue, is distinct from the traditional average revenue per user (ARPU) indicator.*

The volume of traffic is calculated by dividing the traffic volume for Year N by the estimated average customer base for Year N, then dividing the result by 12.

The average number of SMS per customer is calculated by dividing the number of SMS for Year N by the estimated average customer base for Year N, then dividing the result by 12.

The average monthly invoice for mobile customers totalled €27.8, excluding VAT, in 2007, or €0.4 less than in 2006. The decrease over the past two years can be attributed to the ongoing steady rise in the customer base (measured by the volume of SIM cards in service), and the less dynamic rise in mobile services revenue. Mobile customers did not call more in 2007 but did send more text messages: the average customer consumed an average 2 hours and 35 calling minutes and sent 29 text messages a month, a two-minute decrease in calling time and an increase of four SMS compared to 2006.

Average monthly customer consumption, by subscription type

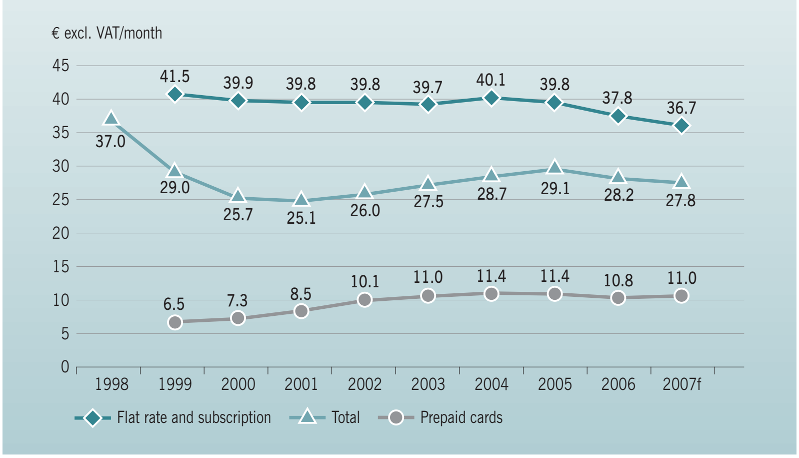
Flat rates	2003	2004	2005	2006	2007f	Growth
Average monthly revenue, per customer (€, excl. VAT)	39.7	40.1	39.8	37.8	36.7	-3.1%
Average monthly calling minutes, per customer	207.7	218.3	214.5	226.4	219.3	-3.1%
Average number of SMS sent per month, per customer	–	–	–	29.0	35.2	21.3%
Cards						
Average monthly revenue, per customer (€, excl. VAT)	11.0	11.4	11.4	10.8	11.0	2.2%
Average monthly calling minutes, per customer	29.6	30.1	34.3	32.6	34.5	6.0%
Average number of SMS sent per month, per customer	–	–	–	18.1	18.0	-0.8%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Customers with a subscription, which account for 66% of all mobile users, spend an average €36.7, excluding VAT, a month. Their monthly calling minutes and spending dropped by 3.1% in 2007, while text messaging volume and revenue rose by 31.3%. These customers spend an average 3 hours and 39 minutes a month on voice calls and send an average 35 SMS.

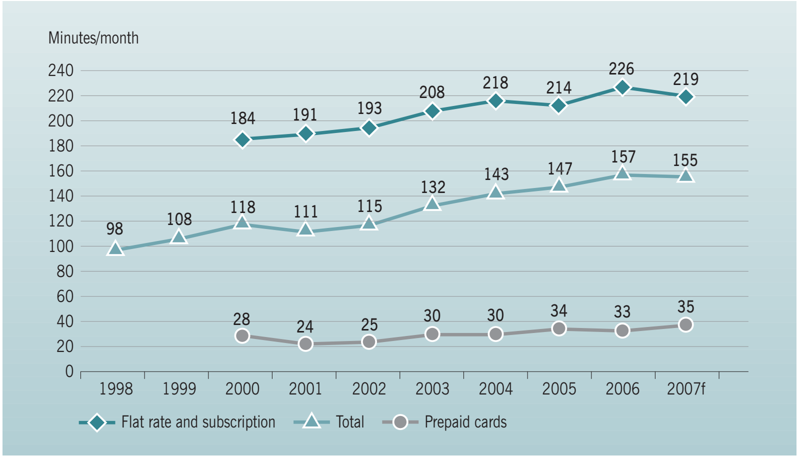
Customers equipped with a prepaid card consume less: an average 34 minutes and 18 SMS a month, or six times fewer calling minutes and half as many text messages than the average subscriber. Their average monthly spending on prepaid cards totalled €11 in 2007, €0.2 more than in 2006.

Average monthly bill per mobile customer



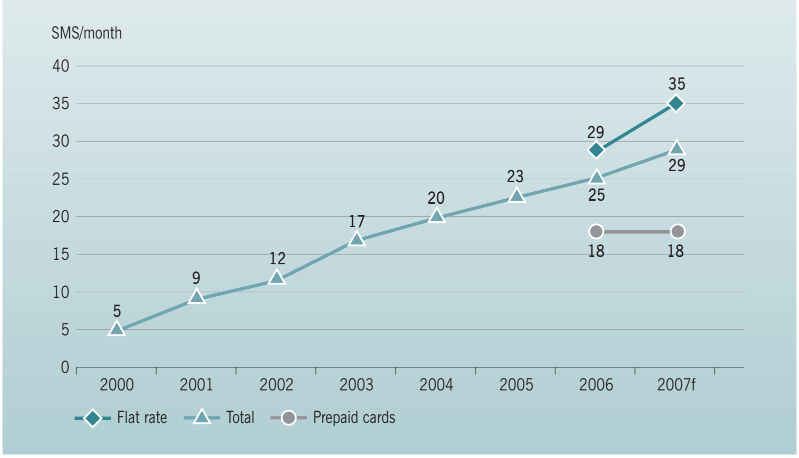
Source: ARCEP.

Average monthly traffic per mobile customer



Source: ARCEP.

Average number of SMS/month per mobile customer



Source: ARCEP.

4. Value-added services

4.1 Value-added services (excluding directory assistance)

Value-added services generated €2.4 billion in 2007, a 2.6% decrease compared to 2006. Income from voice services and telematics (€2 billion) dropped by 7.1% in 2007, while revenue generated by advanced data services (€400 million) rose by 30.4%.

The income derived from billing for value-added service calls originating on fixed operators' networks dropped by 11.2%, no doubt due to the decline in telematics service revenue, which is decreasing by around €100 million a year, and not offset this year by voice services revenue.

Mobile customers' use of value-added voice services was the same as in 2006, generating €787 million.

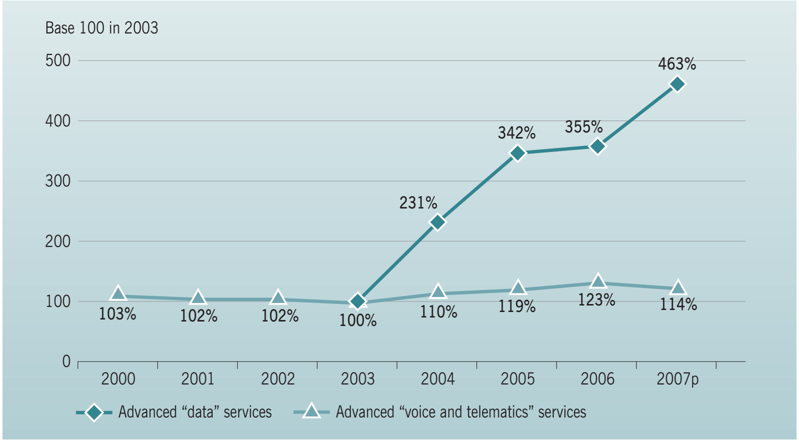
Value-added service revenue

€ million	2003	2004	2005	2006	2007f	Growth
Value-added "voice and telematic" services	1 780	1 949	2 127	2 181	2 025	-7.1%
Originating on fixed networks	1 317	1 314	1 401	1 394	1 238	-11.2%
Originating on mobile networks	463	635	726	787	787	0.0%
Services avancés "données"	84	194	288	299	390	30.4%
Total value-added service revenue	**1 864**	**2 143**	**2 415**	**2 480**	**2 415**	**-2.6%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Note: *Value-added data services include "gallery" kiosk services, alert services, chat rooms, weather, TV game shows, astrology, ring tone downloads, etc.*

Growth of value-added service revenue (excluding directory assistance services)



Source: ARCEP.

Traffic to value-added services is holding steady at 13.4 billion minutes a year. The volume of calls originating on fixed lines has dropped slightly, while calls from mobiles has increased. Voice calls also include free phone services which represented around 1.5 billion minutes in 2007.

The number of surcharged messages rose by 5.4%, after remaining stable in 2006.

Value-added "voice and telematic" service volumes

Million minutes	2003	2004	2005	2006	2007f	Growth
Originating from fixed customers	9 929	10 196	11 738	11 829	11 678	-1.3%
Originating from mobile customers	1 051	1 224	1 446	1 590	1 712	7.7%
Total volume of calls	**10 980**	**11 420**	**13 184**	**13 419**	**13 390**	**-0.2%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Value-added "data" service volumes

Million messages	2004	2005	2006	2007f	Growth
Number of messages (SMS+, MMS+)	450	631	631	665	5.4%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

4.2 Directory assistance services

The volume of calls to directory assistance services has dropped sharply since the sector was opened up to competition in 2005. After having decreased by 40 million minutes in 2006, it shrank by a further 37 million minutes in 2007 (-21.3%). The revenue earned by directory service operators nevertheless increased by 5.9% in 2007 to reach €162 million.

The portion of calls made from mobiles is on the rise, accounting for two-thirds of calls to directory assistance services in 2007, compared to just over half two years earlier.

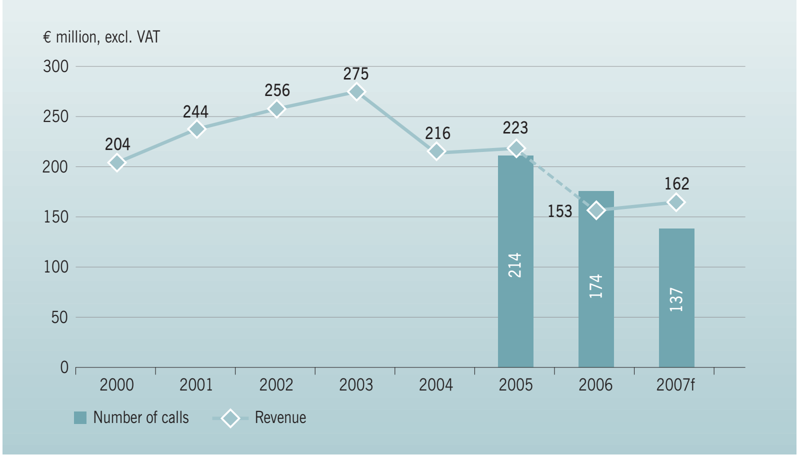
Directory assistance services

Million minute	2003	2004	2005	2006	2007f	Growth
Local loop operator revenue (€ million)	275	216	223	–	–	–
Alternative operator revenue (€ million)	–	–	–	153	162	5.9%
Number of completed calls (million)	–	–	214	174	137	-21.3%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

***Note:** Included in directory assistance services are: old directory assistance numbers, both fixed (12, 3200, 3211, 3212) and mobile (612, 712, 222), which were in service until 3 April 2006, new directory service numbers with the 118xyz format, in service since November 2005, and short numbers that provide access to services such as reverse directories (3288, 3217, 3200) and international directories (3212).*

Directory assistance services



Source: ARCEP.

5. Capacity services: leased lines and data transport

The revenue generated by capacity services is on the decline. Leased line revenue was down by 6.7% compared to 2006, totalling €1.4 billion, while the number of leased lines increased by 7.7%.

Data transport revenue decreased as well, albeit less dramatically (-3.0%). This decline is due to the growing use of IP VPN connections, which account for 92% of the data transport connections sold by operators in the enterprise segment, and whose price has dropped considerably compared to other types of services. There were 508,000 data connections in service in December 2007 compared to 415,000 in 2006.

Leased line and data transport revenue

€ million	2003	2004	2005	2006	2007f	Growth
Leased lines, old series	2 272	2 160	2 117			
Leased lines, new series			**1 467**	**1 518**	**1 416**	**-6.7%**
Data transport*, old series	2 284	2 104	2 266			
Data transport*, new series			**2 000**	**1 873**	**1 817**	**-3.0%**

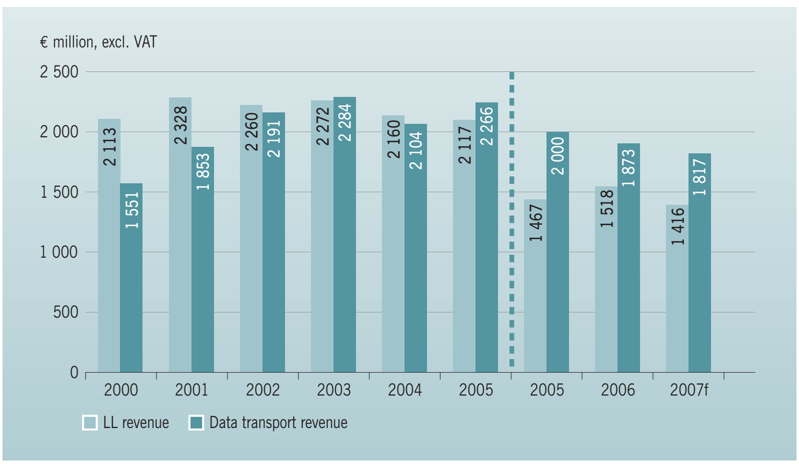
Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).
**Source: ARCEP/INSEE branch survey on electronic communications for the 2000 to 2003 data; ARCEP, EC Observatory - Annual surveys for 2004 and 2005, quarterly survey for 2006 (estimated figures).*

Leased line base

Units	2003	2004	2005	2006	2007f	Growth
Analogue and digital LL base	317 548	292 027	247 853	241 572	260 056	7.7%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

Leased line and data transport revenue



Source: ARCEP.

6. Other services

6.1 Hosting and call centre management services

Hosting and call centre management revenue

€ million	2003	2004	2005	2006	2007f	Growth
Hosting and call centre management revenue revenue	40	25	22	36	38	5.6%

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

6.2 Terminals and equipment

The revenue that operators earned on the sale and rental of terminals rose by 16.6% in 2007 to reach €2.6 billion. More than two thirds of this income was generated by mobile operators' sales, which rose by 20.2%.

Terminal and equipment sales and rental revenue

€ million	2003	2004	2005	2006	2007f	Growth
Fixed operators and ISPs	624	813	802	746	815	9.3%
Mobile operators	1 389	1 567	1 680	1 513	1 819	20.2%
Terminal and equipment revenue	**2 014**	**2 380**	**2 482**	**2 259**	**2 634**	**16.6%**

Source: ARCEP, EC Observatory - Annual surveys from 1998 to 2006; quarterly survey for 2007 (estimated figures).

C. Consumption and usage in France

The number of computer and Internet households in France grew at the same pace in 2007 as it did in 2006, cutting across all segments of the population. It nevertheless appears that the considerable disparities between age groups are disappearing very slowly. Laptop computers are gaining in popularity and spurring the emergence of new applications.

The growing ubiquity of broadband since 2005 has helped offset the decline in fixed telephony equipment.

Surveys

This data presented here is from surveys performed by Médiamétrie and CREDOC.

Performed jointly by Médiamétrie and GfK, La Référence des Équipements Multimédia, is a quarterly survey conducted on a representative sample of 6,000 persons aged 15 years and older who were interviewed in person concerning the equipment in their homes.

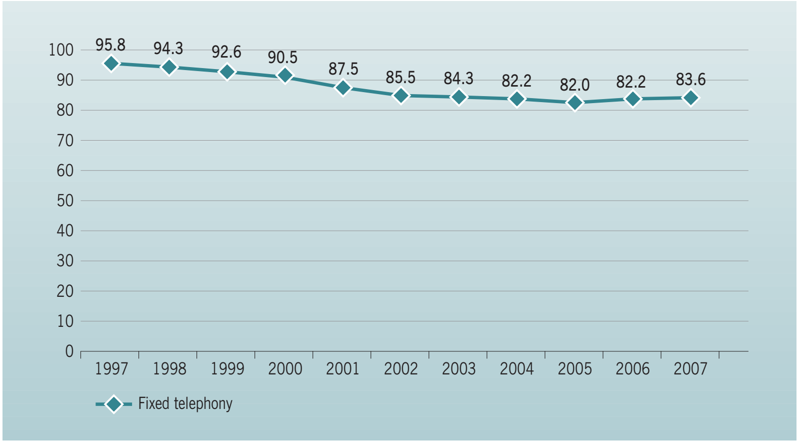
The CREDOC survey, which was conducted on behalf of ARCEP and CGTI, describes the equipment individuals own and how they use it. This survey was conducted in person in June with a sample of 2,200 persons aged 12 and older. In the first case, equipment levels refer to the percentage of equipped households. In the second case, it refers to the percentage of individuals in a household that are equipped.

1. Household equipment

1.1 Fixed telephony equipment levels holding steady

Fixed telephony equipment levels in households, which had been dropping steadily since the introduction of the mobile phone in the second half of the 1990s, levelled off at around 82% from 2004 to 2006. Figures from the end of 2007 reveal an uptake in residential fixed telephony equipment rates, which should nevertheless be viewed with some caution until results for the following year are in.

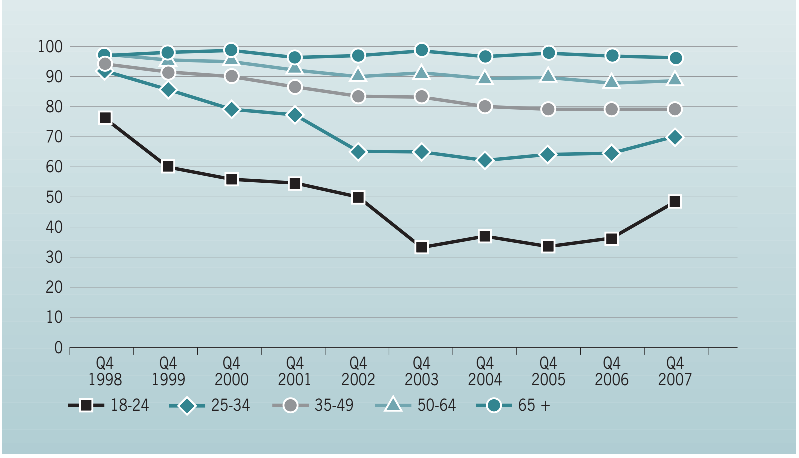
Residential fixed telephony equipment rate (%)



Source: "La référence des Equipements Multimedia" 2007 – Médiamétrie/GfK.

Household equipment levels are closely tied to the age of the household members. As fixed telephony equipment levels dropped, the youngest households (under 35) contributed the most to the decline. They were also the first to equip themselves with mobile phones: equipment in "young adult" households was around 60% during that time. In 2007, it appears that the 25-34 age group was responsible for the revival of fixed telephony equipment, no doubt spurred by the appeal of broadband services over fixed networks, namely Internet, telephony and television.

Residential fixed telephony equipment rate, by age of the head of the household



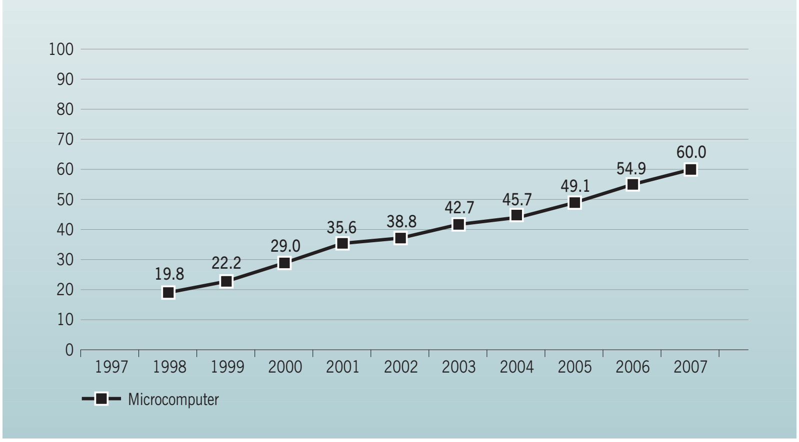
Source: "La référence des Equipements Multimedia" 2006 – Médiamétrie/GfK

Note: *The 18 to 24-year-old category is a very small one when looking at households: a large portion of people of this age still live with their parents, and it is therefore the age of the parents which is taken into account. The 18 to 24-year-old category accounts for around 0.9 million households, compared to 3.8 million households in the 25 to 34-year-old category.*

1.2 A quarter of households equipped with a laptop computer

The number of computer households in France has been rising at a rate of three to four points a year since 2001. It picked up in 2006, gaining more than five points, a trend that carried over into 2007. 60% of households were equipped with a computer at the end of the year. Here again, age is the major factor, and growth in 2007 did not include a significant decrease in the generation gap: although more and more elderly users appear to be equipping themselves (16% at the end of 2007 for the 75+ age group, a 6-point increase over last year), levels in "young retiree" (65-74) households are increasing less significantly (32% equipped, rising by 3 points during the year).

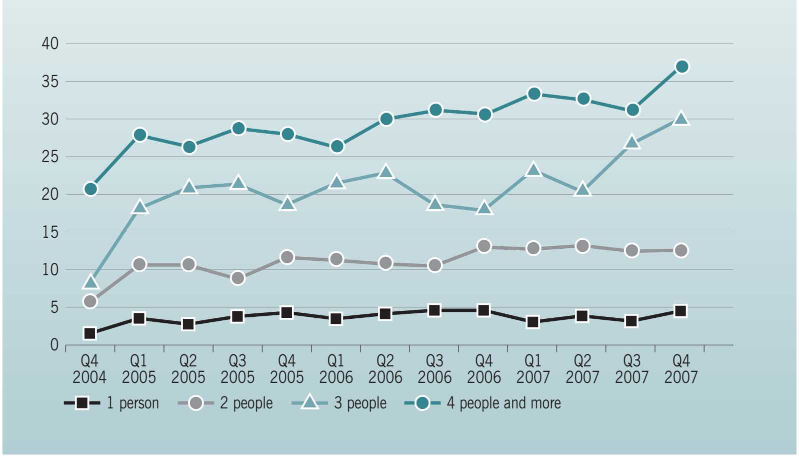
Rate of computer equipment in households (%)



Source: "La référence des Equipements Multimedia" 2006 – Médiamétrie/GfK

A growing number of households are equipped with more than one computer: 30% of households with more than three members own several computers, compared to 37% for households with four members or more. We estimate that a third of computers are purchased by households that are already equipped: the total number of computer households is increasing by 1.5 million a year, while the number of households equipped with several computers is rising by 0.7 million annually.

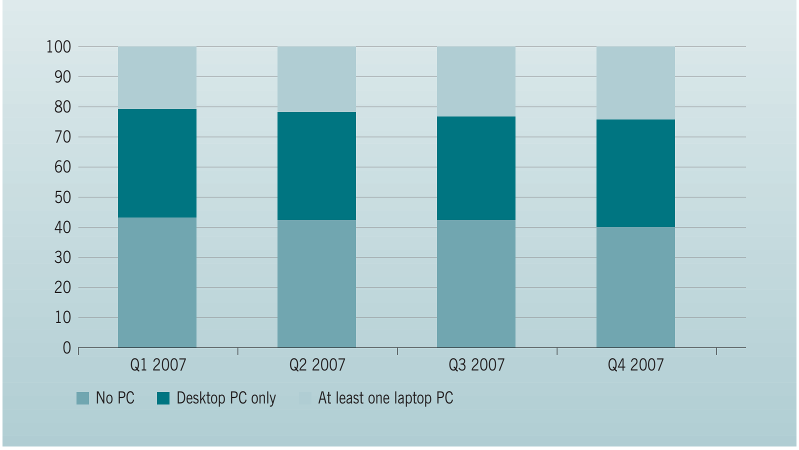
Percentage of households with more than one computer, by size of household (%)



Source: "La référence des Equipements Multimedia" 2007 – Médiamétrie/GfK.

Laptop computers account for a growing portion of the home PC base, with a quarter of all computer households owning at least one laptop at the end of 2007. Use of the computer while roaming, either outside or inside the home, is becoming increasingly common. As a result, computers are gradually becoming personal equipment as opposed to household equipment, following the same path as the telephone has over the past ten years.

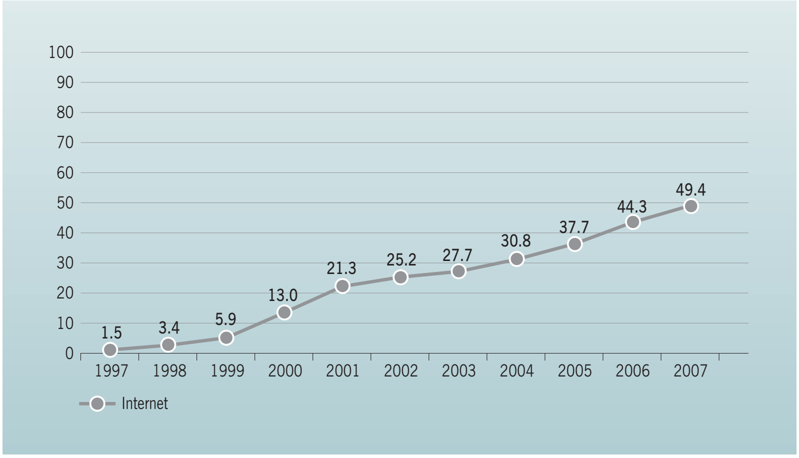
Breakdown of households by computer equipment (%)



Source: "La référence des Equipements Multimedia" 2007– Médiamétrie/GfK.

1.3 Half of all households connected to the Internet

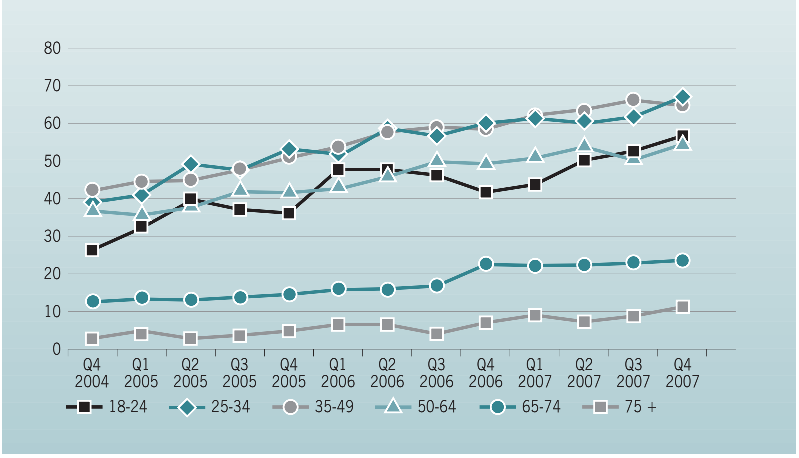
Percentage of households with Internet access



Source: "La référence des Equipements Multimedia" 2007– Médiamétrie/GfK.

Half of all households in France are now equipped with Internet access. Once again in 2007, growth was driven by households in the under 50 age groups. A quarter of households in the 65-74 age group are online – a figure that increased very little in 2007 – while one in ten households in the over 75 age group have Internet access at home. 65+ households account for 28% of all households, but for only 7% of Internet households.

Residential Internet equipment rate, by age of the head of the household (%)

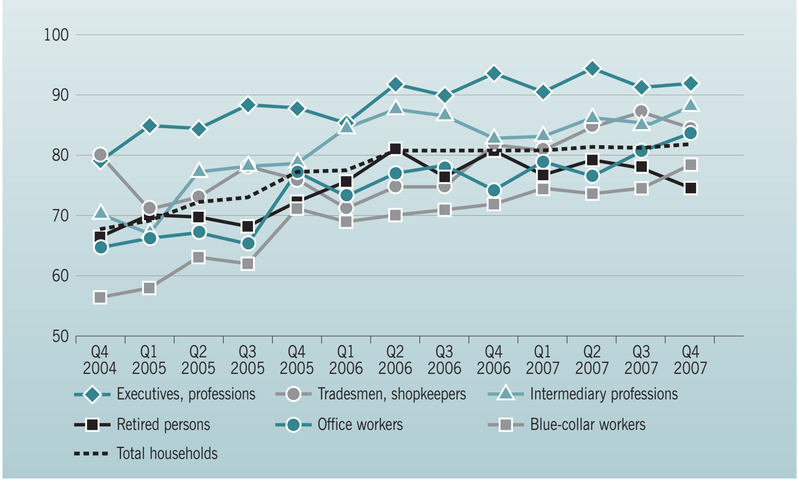


Source: "La référence des Equipements Multimedia" 2007– Médiamétrie/GfK.

If virtually all households headed by managerial/executive level white-collar workers are equipped with a computer, increases in 2007 were particularly significant in households headed by blue-collar workers and office workers. These groups account for "only" 30% of all households but close to half of all new Internet households in 2007, which is revealing of a certain reduction of social inequalities.

It nevertheless remains that standard of living and financial considerations are key to Internet penetration levels. If owning a computer is a natural prerequisite for accessing the web at home, 18% of computer households in France still had not subscribed to the Internet at the end of 2007. This "disparity" is uncommon in households headed by managerial/executive level white-collar workers (under 10%), and highest amongst the lowest income households (22% of households headed by blue-collar workers).

Percentage of PC households with Internet access



Source: "La référence des Equipements Multimedia" 2007– Médiamétrie/GfK.

Households in the "agricultural worker", "student" and "other no profession" categories are not represented in this graph as their numbers are too small (0.4, 0.5 and 1.9 million, respectively) for the survey to obtain meaningful results. The "total households" category includes all 26 million households in France, including those not represented in the graph.

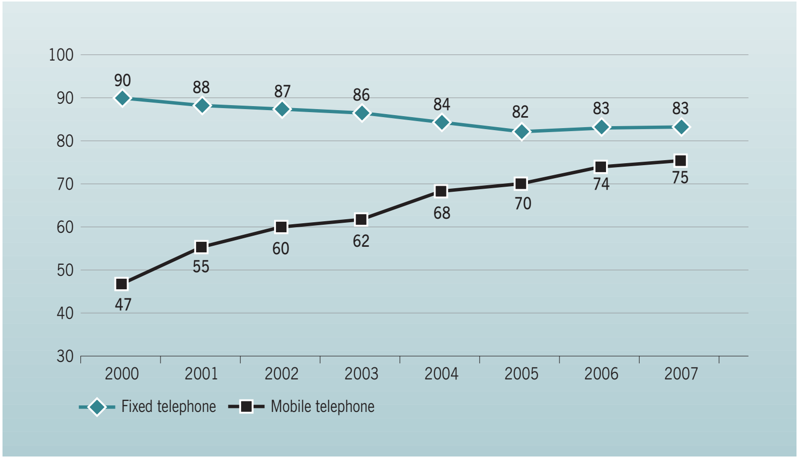
2. Individual equipment

2.1 Fixed and mobile phone equipment levelling off

If the fixed telephone and computer are devices linked to the home, and so the household, such is not the case with the mobile phone, which is a piece of personal equipment. Measuring the rate of mobile handset penetration is therefore based on the entire population and not the number of households.

As of June 2007, 83% of adults in France had at least one fixed phone line in their home. After having decreased steadily up until 2005, fixed telephony equipment levels reached a plateau, which can be attributed to the popularity of telephony + broadband service bundles. Individual mobile equipment levels are rising very slightly, with 75% of adults owning a mobile handset in June 2007, one point more than in 2006.

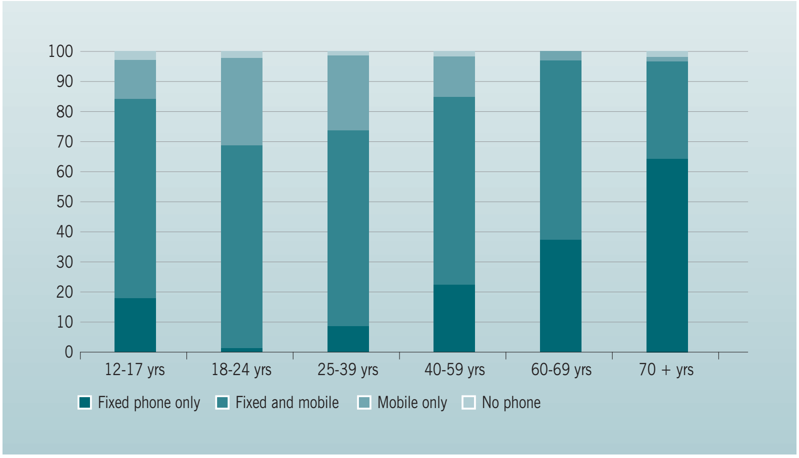
Percentage of adults equipped with a fixed or mobile phone
– People 18 years of age and over –



Source: CREDOC surveys of living standards and aspirations in France (Conditions de vie et Aspirations des Français).

The number of people who own only a mobile phone has not increased for the past two years. The most common situation is now dual ownership of a fixed and a mobile phone: such is the case for 60% of the population, age 12 and up, and for close to 70% of people under the age of 40.

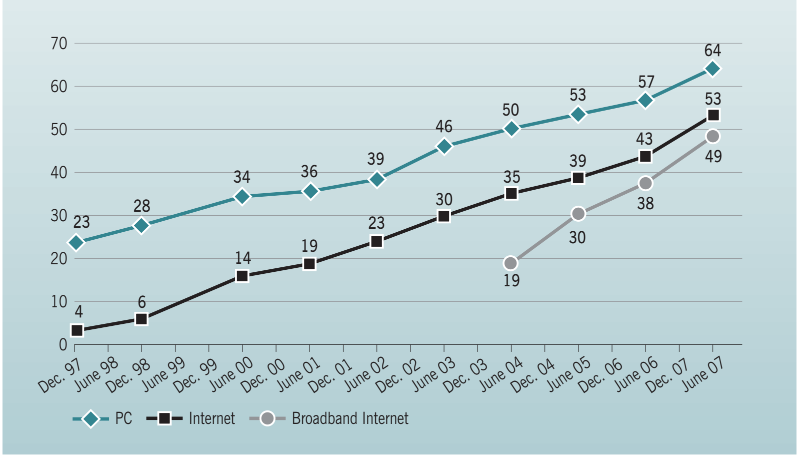
Telephone equipment by age group
– People 12 years of age and over –



Source: CREDOC surveys of living standards and aspirations in France (Conditions de vie et Aspirations des Français), June 2007.

2.2 More than half of adults equipped with Internet connection at home

Rate of PC and residential equipment among adults (%)
– People 18 years of age and over –



Source: CREDOC surveys of living standards and aspirations in France (Conditions de vie et Aspirations des Français).

Computer equipment levels rose by 7 points between June 2006 and June 2007, one of the highest increases ever. 64% of people over the age of 18 have a computer at home, of which a third (or 21% of people over the age of 18) have a laptop PC. Those who own more than one computer are increasingly numerous as well: 17%, compared to 12% one year earlier.

Taking account of all of the possible locations for connecting to the Internet, 62% of individuals aged 12 years and over have gone online at least once in the past 12 months: a seven-point increase over 2006, and proof of the web's growing ubiquity. Once again this year, the highest rate of increase comes from personal equipment: 51% of individuals surf the web from home, or nine points more than in 2006. The rate of connection at work or at school is also on the rise. One in ten people use public access locations such as Internet cafés, libraries, etc. Meanwhile, it is still only small portion of users who access the Internet via mobile phone or using a laptop at a Wi-Fi hotspot.

People who have connected to the Internet in the past 12 months, by location
– People 12 years of age and over –

Source: CREDOC surveys of living standards and aspirations in France (Conditions de vie et Aspirations des Français).

D. European benchmarks

1. Elements of comparison, by telecommunications service

1.1 Broadband

The countries of northern Europe (Denmark, the Netherlands, Finland, Sweden) are among the world leaders in the broadband market, with a penetration rate of over 25% of the population. France is still in a good position, ranking eighth in the European Union, and ahead of Japan and the United States.

Broadband markets in European Union Member States at the end of September 2007 (EU-25)

Member State	Broadband penetration rate: per inhabitant, per country*	Total number of DSL	Number of fully unbundled lines (broadband+ telephony)	Total number of Internet connections via cable	Incumbent carrier market share (%)
Germany	22.4%	17 517 300	5 400 000	800 000	46%
Austria	19.1%	973 822	273 531	549 982	38%
Belgium	24.7%	1 610 747	38 921	974 269	47%
Cyprus	11.4%	85 365	8 077	545	89%
Denmark	34.5%	1 154 916	150 925	529 849	44%
Spain	17.3%	5 956 820	524 241	1 581 305	57%
Estonia	21.1%	130 589	5 251	65 969	44%
Finland	29.9%	1 246 614	323 269	204 468	56%
France	**23.4%**	**14 045 000**	**3 215 000**	**700 000**	**47%**
Greece	8.1%	900 124	134 871	0	56%
Hungary	13.2%	717 056	7 403	448 562	39%
Ireland	16.8%	507 148	16 843	76 900	49%
Italy	16.5%	9 378 885	2 546 000	0	64%
Latvia	13.8%	141 736	423	35 841	44%
Lithuania	13.6%	218 684	382	63 241	47%
Luxembourg	24.0%	99 942	8 017	9 658	69%
Malta	15.1%	38 773	0	21 800	42%
The Netherlands	34.3%	3 390 700	338 000	2 139 000	50%
Poland	7.3%	1 810 305	–	849 094	59%
Portugal	15.6%	1 057 509	266 535	585 066	45%
Czech Republic	13.2%	584 901	28 420	288 000	36%
The UK	24.9%	11 738 328	871 952	3 307 700	26%
Slovakia	8.5%	276 353	522 749	41 105	51%
Slovenia	16.1%	231 790	28 847	81 899	51%
Sweden	29.5%	1 642 000	154 000	530 000	37%
Total/Average	19.9%	75 455 407	14 863 657	13 884 253	46%
USA	22.1%				
Japan	21.3%				

**in accordance with the calculation method used by the European Commission: total number of connections divided by the population, and multiplied by 100.*
Source : ECTA, 2007.

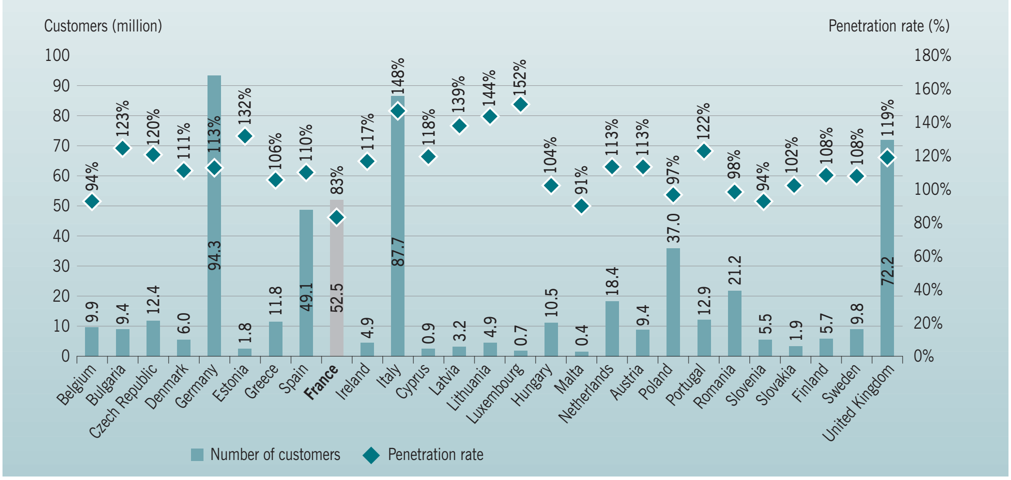
1.2 Mobile telephony

1.2.1 Penetration rates

The Baltic countries and Italy are home to the highest rates of mobile telephony penetration (ranging from 139% to 152%), while France is reporting the lowest penetration rate in Europe[1].

1 - Ce taux doit s'apprécier en tenant compte du fait que la France a la proportion de clients en prépayé la plus faible d'Europe.

Number of mobile telephony customers and penetration rates in European Union countries

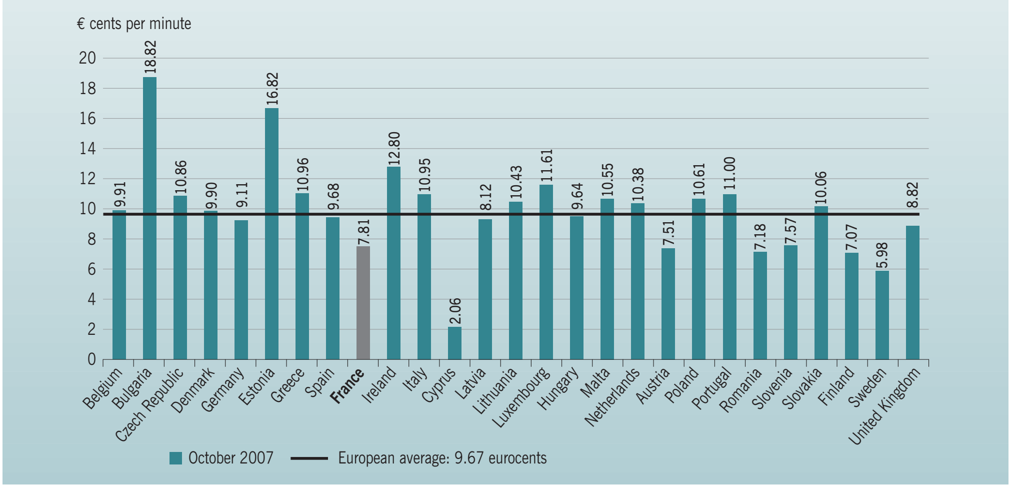


Source: 13th European Commission report.

1.2.2 Call termination

In 2007, France had one of the lowest mobile voice call termination tariffs in the European Union (7.81 eurocents), below the EU average of 9.67 eurocents. Cyprus (2.06 eurocents), Sweden (5.98 eurocents) and Finland (7.07 eurocents) are the countries where mobile voice call termination tariffs are at their lowest.

Wholesale price of mobile voice call termination in the European Union in 2006 and 2007

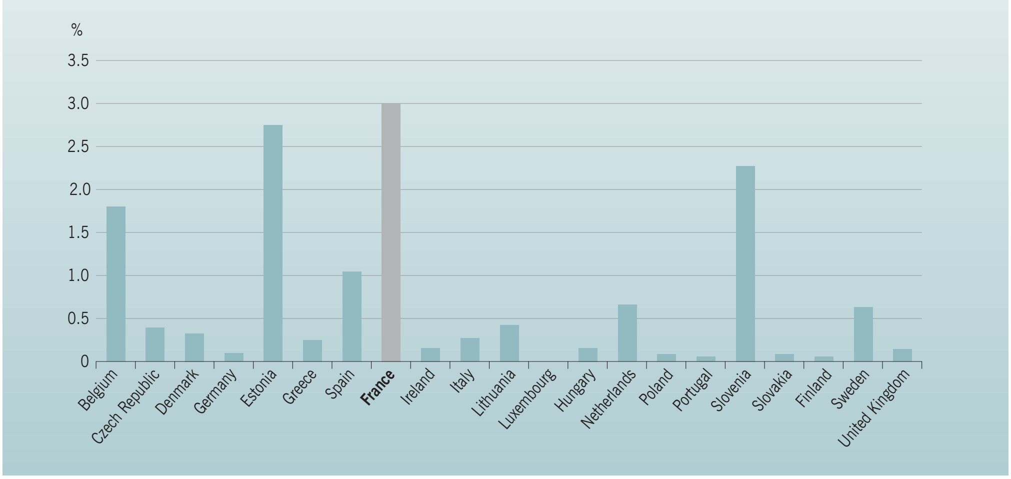


Source: 13th European Commission report.

1.3 IPTV

Internet TV is tending to grow in popularity, thanks to triple play and quadruple play bundles. The trend is at its most visible in France, where close to 3% of the population were accessing TV programmes via the web in July 2007. IPTV services have also made real strides in Estonia, Slovenia and Belgium.

Percentage of the households that subscribe to an IPTV service in the European Union (July 2007)



Source: 13th European Commission report.

2. Tariff benchmarks

2.1 Fixed telephony tariff basket

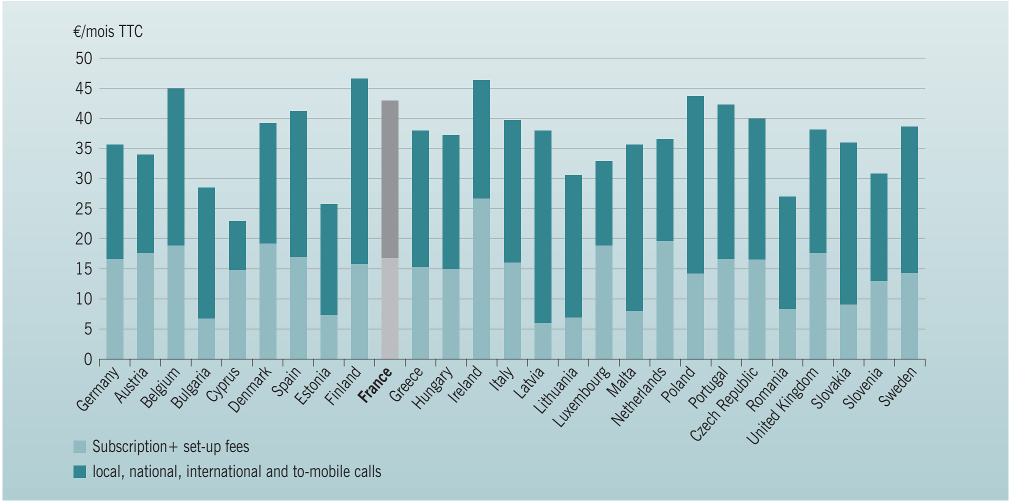
To estimate the average monthly consumer bill in various European countries the Commission, in its 12th Report, relied on OECD composite indices that include national calls to fixed terminals, international calls and calls to mobiles. Both residential and business customers are assumed to be subscribers of the incumbent operator (standard tariffs, excluding options). Every annually-defined index is based on a one-year subscription for a line plus installation amortised over five years.

The residential index is based on 1,200 national calls to a fixed line, 120 two-minute calls to a mobile, and 72 international calls. The national calls are calculated as the average of calls made to 14 destinations (within a distance of 3 to 490 km) based on four calls during the week and two during the weekend, each lasting 2.5-7 minutes. Of these calls, 36% were made during peak hours, 64% were made to parties less than 10 km away, and 9% were made to parties more than 100 km away.

The business index is based on 3,600 national calls, 360 two-minute calls to a mobile, and 216 international calls. The national calls are calculated as the average of calls made to 14 destinations (3 km to 490 km) based on four calls during the week and two during the weekend, each lasting an average 3.5 minutes. Of these calls, 86% were made during peak hours, 64% were made to parties less than 10 km away, and 12.5% were made to parties more than 100 km away.

These average monthly baskets do not factor in unmetered offers or VoIP usage, which have become particularly popular in France, and which thus needs to be taken into account when considering the figures.

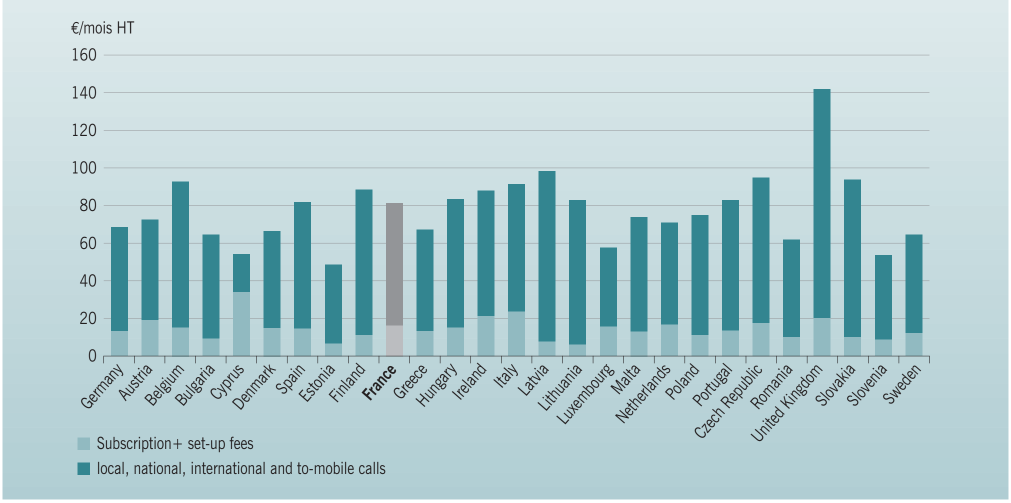
Tariff basket for a residential customer



Source: 13th European Commission report.

The tariff basket for a residential customer in France is among the highest in the European Union (€42.7/month, incl. VAT). This data should nevertheless be put into perspective as more and more residential calls are being made over the Internet (voice over broadband), and not factored in to these figures.

Tariff basket for a business customer



Source: 13th European Commission report.

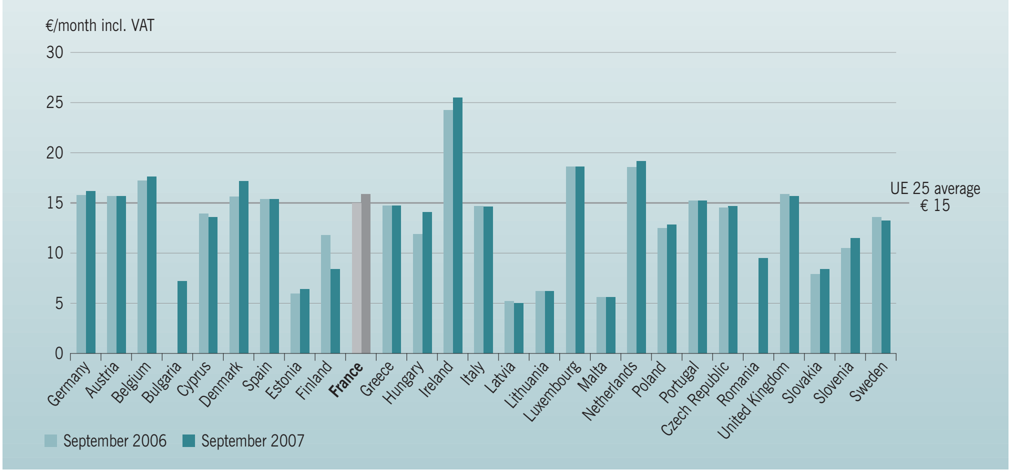
The tariff basked for a business customer in France (€82/month, excl. VAT) is slightly higher than the EU average of €77.45/month, excl. VAT.

2.2 Subscription

2.2.1 Residential subscription

The price of a monthly residential subscription in France is slightly above the European average of €15/month, incl. VAT, in September 2007. Ireland, the Netherlands and Luxembourg had the highest tariffs.

Incumbent carrier's monthly subscription tariff for residential customers

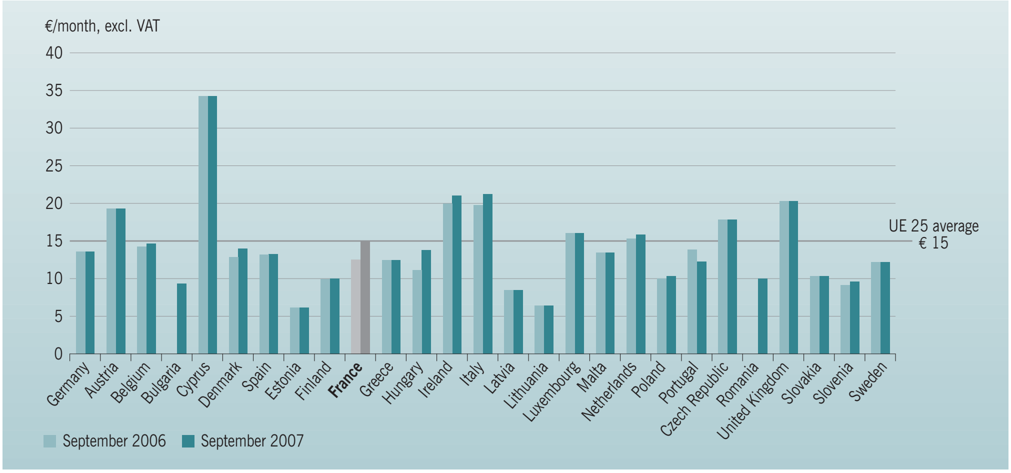


Source: 13th European Commission report.

2.2.2 Business subscription

At €15/month, excl. VAT, the price of a business subscription in France is exactly in line with the European average. Cyprus, Italy and Ireland are home to the highest tariffs.

Incumbent carrier's monthly subscription tariff for business customers



Source: 13th European Commission report.

2.3 Mobile calls

The European Commission compared the price of the flat rate packages marketed by the two largest mobile operators in each European country, and employed the OECD tariff baskets to rank the different offerings.

For light usage consumers in 2007, the lowest prices were to be found in Estonia, Lithuania and Sweden, while the UK was home to the highest prices for this category of user.

For consumers who make average use of their phone, Germany, Malta and the UK had the highest prices, while operators in Estonia, Cyprus and Lithuania offered the lowest prices.

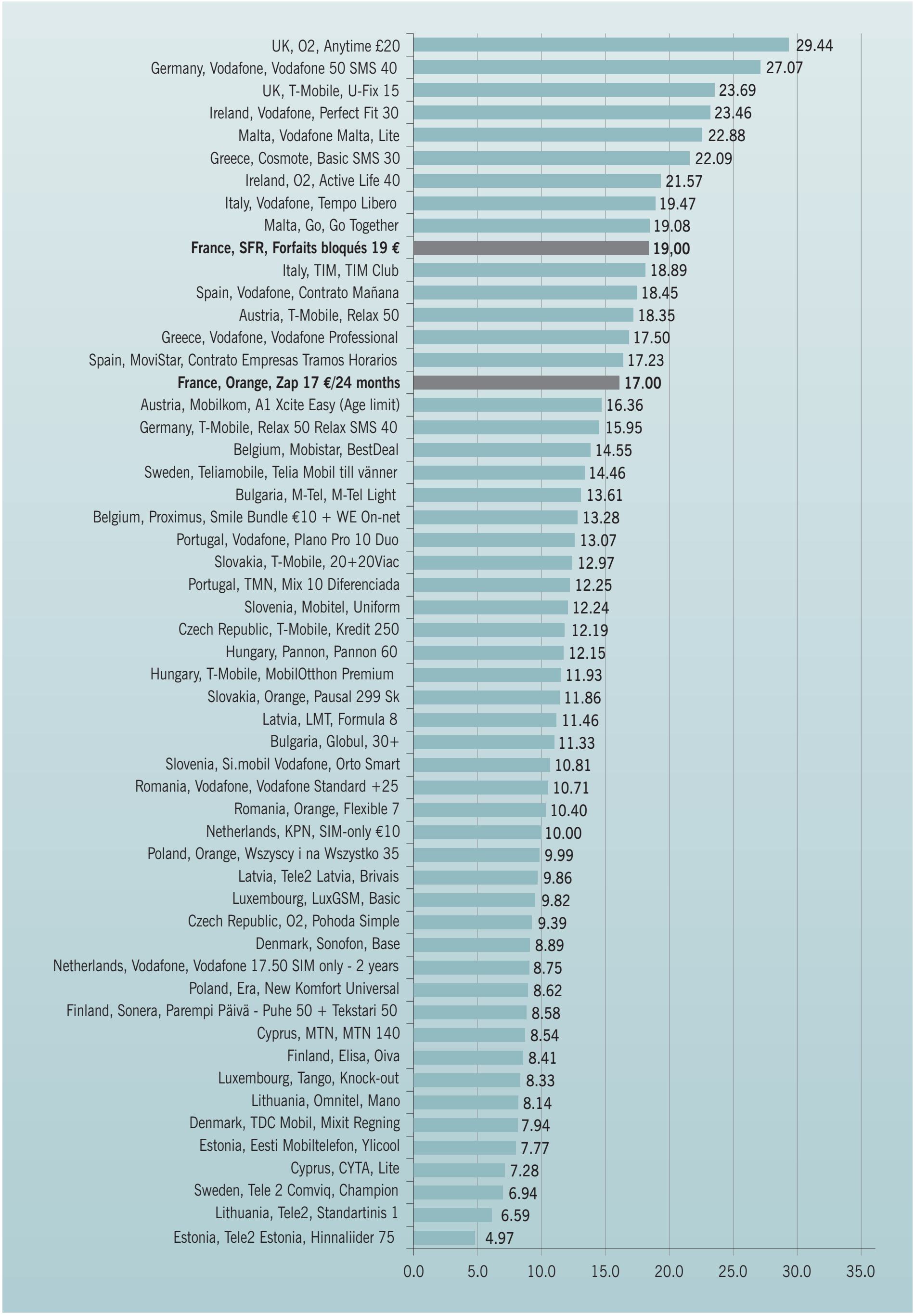
Estonia, Cyprus and Lithuania are home to the most attractive offers for heavy users, while operators in Spain, Malta and Germany charged the most for heavy mobile usage.

Range of highest and lowest prices in Europe, by level of mobile consumption

	Highest prices	Lowest prices	Price range in France
Light usage (30 outgoing calls/month + 33 SMS)	€29.4/month, incl. VAT (The UK)	€5/month, incl. VAT (Estonia)	€17-19/month, incl. VAT
Average usage (65 outgoing calls/month + 50 SMS)	€45.9/month, incl. VAT (Germany)	€6.8/month, incl. VAT (Estonia)	€26–32.2/month, incl. VAT
Heavy usage (140 outgoing calls/month + 55 SMS)	€68.8/month, incl. VAT (Spain)	€11.9/month, incl. VAT (Estonia)	€46.5–54.8/month, incl. VAT

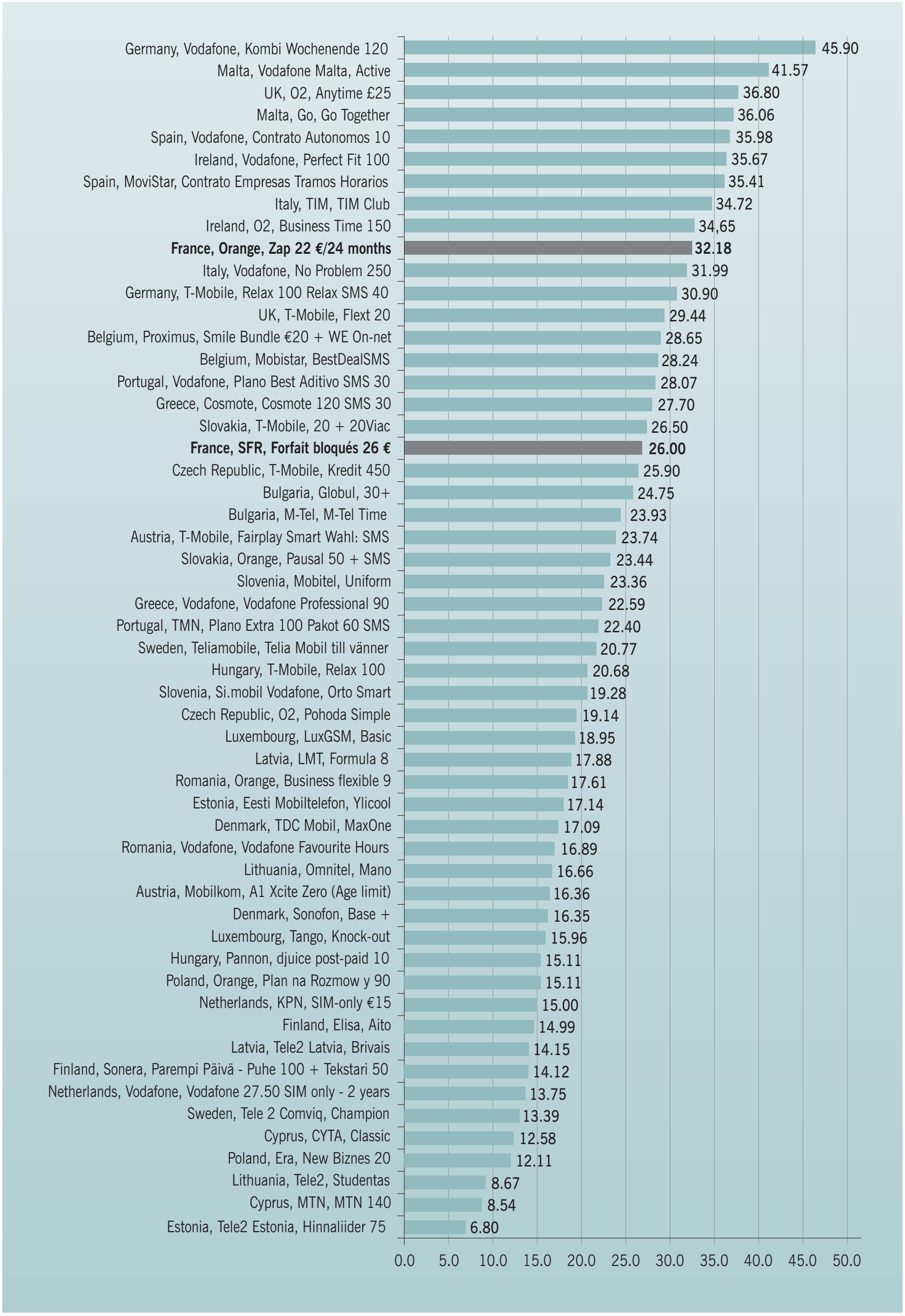
Source: 13th European Commission report.

Monthly price of light mobile usage (€/month, incl. VAT)



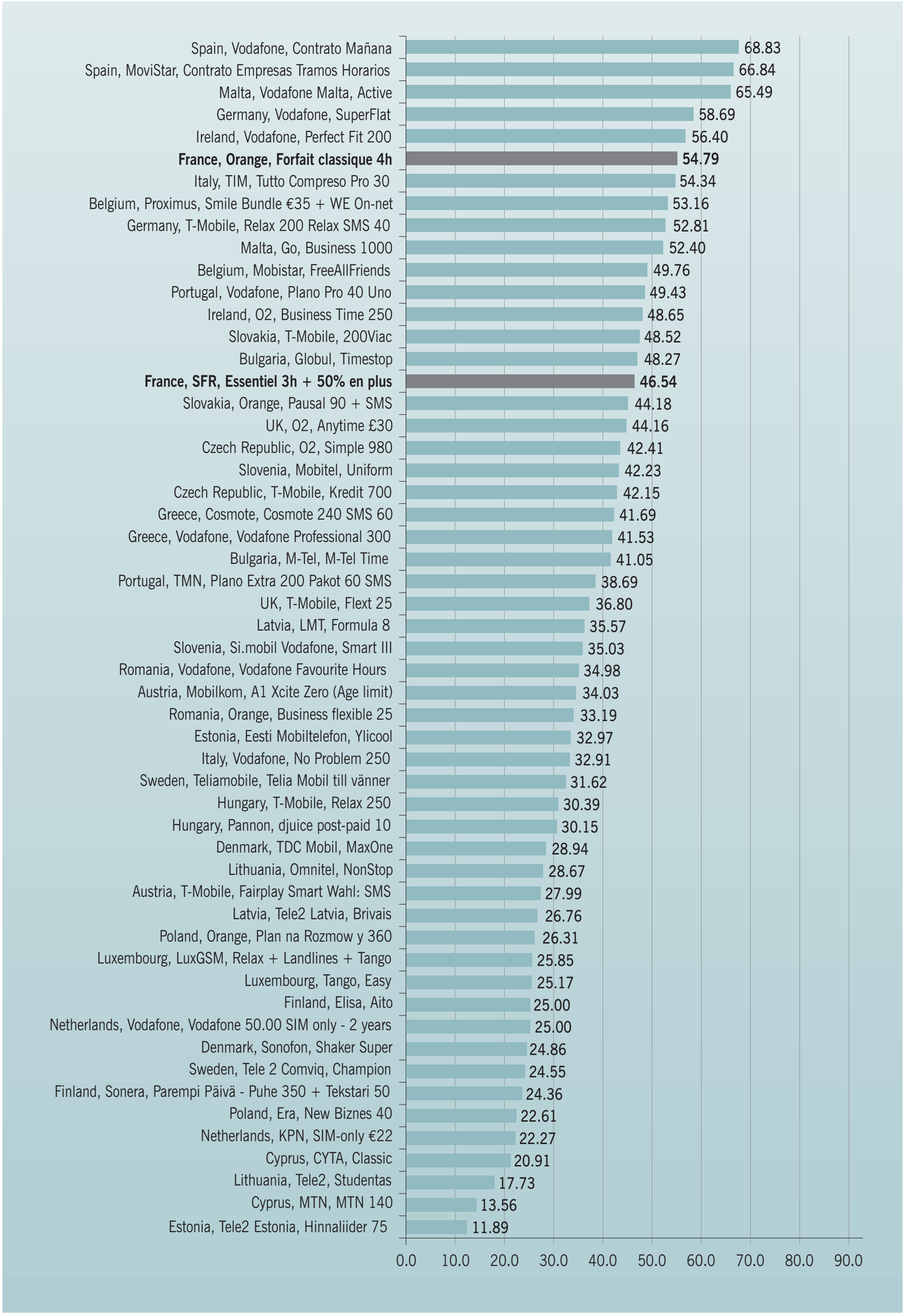
Source: 13th European Commission report.

Monthly price of average mobile usage (€/month, incl. VAT)



Source: 13th European Commission report.

Monthly price of heavy mobile usage (€/month, incl. VAT)



Source: 13th European Commission report.