L'OBSERVATOIRE DES MARCHÉS

MARKET OBSERVATORY :
THE TELECOMMUNICATIONS SERVICES MARKET IN FRANCE
AT THE FOURTH QUARTER 2004
(declared operators)

ART AUTORITÉ de RÉGULATION des TÉLÉCOMMUNICATIONS

May 2005

Introduction

At the fourth quarter 2004, the electronic communications market in France represented €9.4 billion. Global market growth increased 2.9% over the fourth quarter 2003.

Fixed telephony

Fixed telephony revenues (€3.1 billion) fell 4.9% at the fourth quarter 2004 over the fourth quarter 2003. The number of unbundled lines increased quickly, reaching 1.5 million lines at the end of 2004 (compared with 273 255 lines at end 2003). Full unbundling concerned just 92 869 lines at end 2004 but increased strongly (+73.5%) during the fourth quarter.

Internet

Revenues of registered operators in the Internet sector reached €630 million in the last quarter 2004. Of the 12 million Internet subscriptions in service at end 2004, 6.5 million were high-speed subscriptions. The number of high-speed Internet subscriptions increased by one million in the fourth quarter and by three million throughout 2004. Registered operators generated €630 million in revenue on the Internet market. The increase observed on this market (75.4% more than a year earlier) is due in part to the integration and accounting of Internet access providers (IAPs) in the results of registered operators. Still, when estimated at a constant scope with previous quarters, the growth in revenue generated by Internet remains strong (about 50% according to the Market Observatory estimate).

Mobile

With €3.8 billion in revenues at the fourth quarter 2004, mobile telephony continues to lead the market in growth. The mobile sector represents 40% of all revenues for the electronic communications market. The increase in revenues for this sector is fed by the increase in the number of subscribers (which with €44.5 million at the end of the year was up close to 7% in 2004) and by the development of uses (+7.8% for voice and + 14.7% for data transport).

Quarterly growth in traffic volume

For the first time, the Observatory is publishing quarterly series of traffic volume (fixed, dial-up Internet, mobile, SMS) which are corrected for seasonal variations. This will make it easier to understand medium-term trends. The volume of traffic originating on fixed telephones has been declining for the past several years, although this decline slowed at the end of the period. The increase in the volume of mobile traffic (voice and SMS) is regular and sustained. The volume of dial-up Internet calls has been declining since late 2003.

Note - Data for one quarter may be revised in the subsequent observatory following corrections made by operators in their reports, Any discrepancies are due to rounding

Contents

1 The telecommunications market as a whole

1.1 The end user market

In the fourth quarter 2004, the entire market generated €9.434 billion in revenue, for a 2.9% increase over the fourth quarter 2003. The increase in mobile telephony and Internet revenues is feeding this market growth and offsets the erosion of other sectors, especially that of fixed telephony, which with €3.155 billion at the last quarter 2004, is down 4.9% over one year. The strong growth in Internet revenue (+75.4%) is related in part to an expansion of the scope following the integration of an IAP which had previously not been registered. Nonetheless, the estimated increase in revenue with a constant scope remains very strong (about 50% according to the Market Observatory estimate).

Sales (in millions of euros)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Fixed telephony	3 319	3 273*	3 201*	3 152*	3 155	-4,9%
Internet	359	437	439	560	630	+75,4%
Mobile telephony	3 490	3 479	3 616	3 786	3 780	+8,3%
Total telephony and Internet	**7 168**	**7 189**	**7 256**	**7 497**	**7 566**	**+5,5%**
Advanced services	456	436	414*	427*	443	-2,9%
Leased lines	586	551	542	554	566	-3,5%
Data transport	153	130*	130*	147*	155	+1,4%
Operator assistance, directories and advertising	91	57	67	80	73	-19,9%
Hosting and call centre management	7	4	7	7	7	-7,7%
Terminals and equipment	703	533	472	629	625	-11,1%
Total Market	**9 165**	**8 900**	**8 888**	**9 341**	**9 434**	**+2,9%**

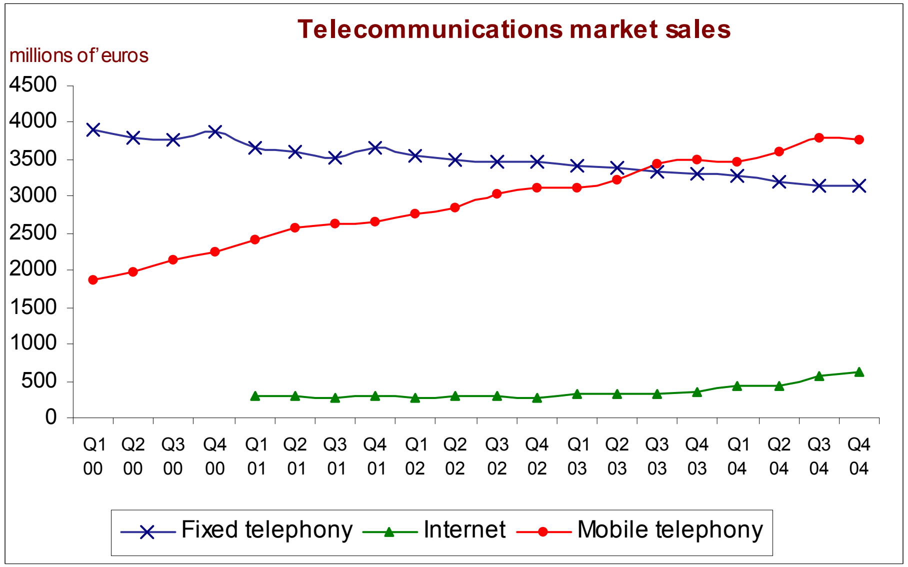
* *adjusted figures.*

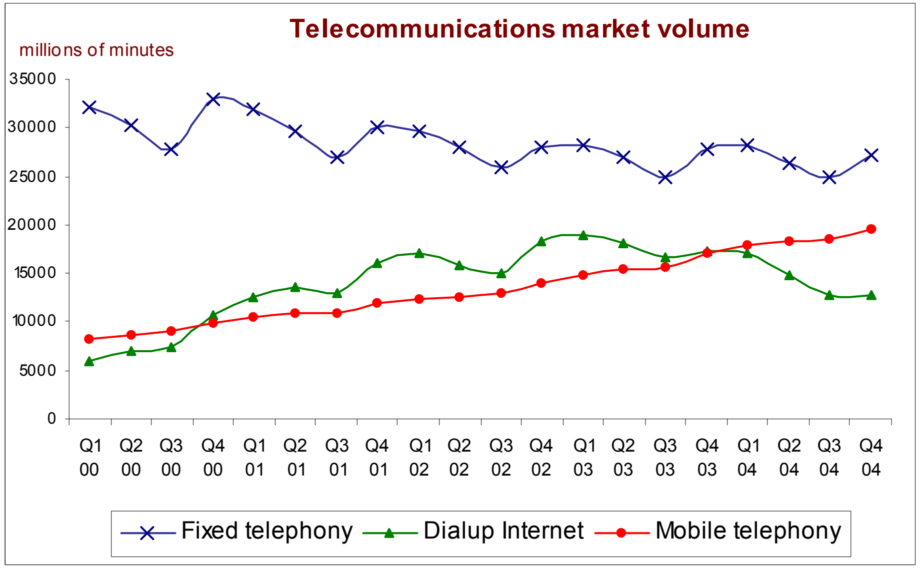
[1] This indicator includes sales of access fees and subscriptions, calls from fixed lines excluding calls to Internet, of public phones and cards.
[2] Not including the added value of not declared ISPs (e.g., AOL and Club Internet).
[3] This item includes data transport on mobile networks, and sales of radio-paging operators until the 4th quarter 2003.
[4] The indicator includes only sales of data transport from fixed lines, since data transport from mobile lines is included in global mobile telephony figures.
[5] This market is not covered by the telecommunications services market *per se*. Since the contribution of declared operators on this market is low, this indicator gives only a partial view of actual figures.

Volumes (in millions of minutes)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Fixed telephony	27 760	28 274*	26 359*	24 983*	27 269	-1,8%
Internet (dialup Internet)	17 313	17 139*	14 778*	12 693*	12 688	-26,7%
Mobile telephony	16 998	18 009	18 258	18 552	19 482	+14,6%
Total telephony and Internet	**62 072**	**63 422***	**59 394***	**56 228***	**59 440**	**-4,2%**
Of witch telephony (fixed and mobile)	44 759	46 283*	44 617*	43 534*	46 751	+4,5%

** adjusted figures*

The global volume of telephony (fixed and mobile) rose 4.5% over the fourth quarter 2003: mobile telephony is up 14.6% whereas the volume of fixed telephony declined 1.8%. The decline over one year in dial-up Internet traffic (-26.7%) should be taken along with the drop in the number of dial-up Internet accesses.





1.2 The intermediate market between declared operators (telephony interconnection services)

1.2.1 The market as a whole

The €105 million decline in revenues for mobile operators' interconnection services between the third and fourth quarters 2004 is due to a seasonal effect of roaming-in revenues (calls made by clients of foreign mobile operators while in France) which declined by €112 million. Revenues for Internet interconnection increased 19.3% thanks to the "high speed" component which is becoming increasing large. Volumes for Internet interconnection services concern only the "dial-up" component and are down 32.8%.

Sales **(in millions of euros**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Interconnexion services	1 435	1 435*	1 494*	1 518*	1 427	-0,5%
of witch fixed operators	703	664*	692	691*	701	-0,3%
of witch Internet	56	70	83*	62*	66	+19,3%
Of witch dialup internet	*50*	*41*	*37*	*33*	*32*	*-35,5%*
of witch mobile operators	676	702	719	765	660	-2,4%

Volumes **(in millions of minutes)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Services d'interconnexion	41 489	38 174*	36 597*	35 458*	38 122	-8,1%
of witch fixed operators	22 059	21 183*	20 894*	20 313*	22 257	+0,9%
of witch Internet	12 277	9 684*	8 246*	7 557*	8 250	-32,8%
of witch mobile operators	7 152	7 306	7 456	7 588	7 615	+6,5%

** adjusted figures*

Notes :

- *Interconnection sales and volumes are not based on the same perimeters, making it difficult to use these two indicators to calculate average prices (interconnection revenues include fixed income such as payments for connection links and services between operators).*
- *Interconnection includes all those services offered by declared operators under interconnection agreements. Following the mergers and integrations of certain operators early in the year, part of the intra-group flows is no more included in interconnection, which explains the decline between two quarters*
- *We draw the reader's attention to the fact that a part of the interconnection figures above may be counted twice, in particular for fixed operator..*

1.2.2 Incoming international traffic[1]

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Interconnexion services – incoming international	215	220	243	251	238	+11,0%
of witch fixed operators	172	181	207	207	195	+13,8%
of witch mobile operators	43	39	37	43	43	+0,6%

Volumes	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Interconnexion services – incoming international t	1 478	1 565	1 660	1 751	1 677	+13,5%
of witch fixed operators	1 231	1 313	1 429	1 466	1 415	+14,9%
of witch mobile operators	247	252	231	285	262	+6,4%

1.2.3 Roaming-in[6] (mobile operators)

The fourth quarter corresponds to a seasonal slump for the roaming-in activity following a third quarter which is traditionally very strong, given the large number of tourists in France during the summer months.

	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Sales in millions of euros	-	179	209	289	177	-
Volume in millions of minutes	-	281	335	422	266	-

Note: Roaming-in corresponds to calls made and received in France by customers of foreign mobile operators, which are carried by a French mobile operator

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

2 Market segments

2.1 Fixed telephony

2.1.1 Access, subscriptions and fixed lines

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 03/Q4 04
Access fees, subscriptions and additional services	1 364	1 352	1 355	1 369	1 374	+0,8%

The number of fixed lines remains stable, whereas the number of telephone accesses via cable networks grew 13.5% over the entire year.

Number of fixed lines (units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of fixed lines	33 807 233	33 871 175*	33 804 447*	33 760 323*	33 870 181	+0,2%
of witch Cable	59 793	60 086	62 791	64 296	67 858	+13,5%

** adjusted figures*

The growth observed since the beginning of the year continued during the fourth quarter 2004: call-by-call carrier selection continued to decline, whereas pre-selection grew at an annual rate of 15.7%, and represented 16% of fixed lines at end 2004.

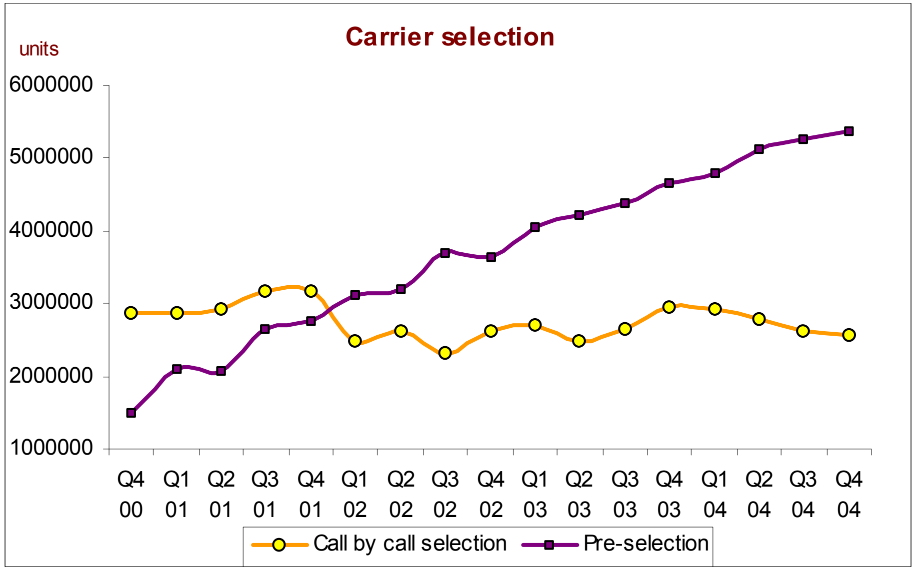
Number of indirect connexions (units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of indirect connexions	7 589 629	7 727 214*	7 915 566*	7 896 331*	7 929 794	+4,5%
of which call-by-call selection	2 944 713	2 925 666*	2 794 075*	2 629 584*	2 554 188	-13,3%
of which pre-selection	4 644 917	4 801 548*	5 121 491*	5 266 747*	5 375 606	+15,7%

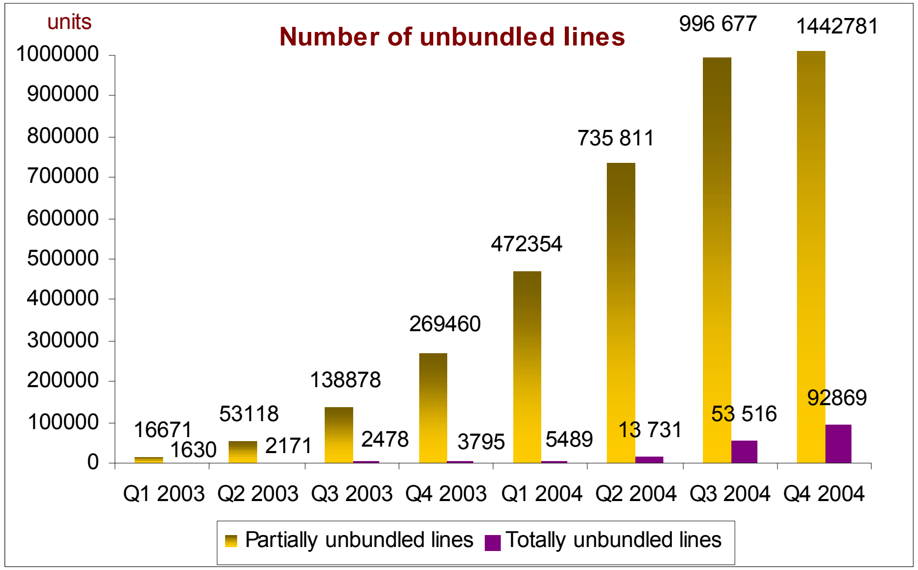
** adjusted figures*

Note The call-by-call selection numbers take into account only active subscriptions, and pre-selection numbers include only subscriptions in service, net of cancellations

The growth in the number of unbundled lines was strong right from the beginning of the year. Close to 500 000 additional lines were unbundled during the fourth quarter 2004, bringing the total to 1.5 million lines at end 2004, compared with 273 000 lines at end 2003. Full unbundling (92 869 lines) is also growing strongly (+73.5% during the fourth quarter), although it still represents only a very marginal share of the total number of fixed lines (0.5%).

Unbundling (units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of unbundled lines	273 255	477 843	749 542	1 050 293	1 535 650	+474,5%
Of which partially unbundled	269 460	472 354	735 811	996 777	1 442 781	+447,3%
Of which totally unbundled lines	3 795	5 489	13 731	53 516	92 869	+2 401,9%





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

The decrease in the cost of call termination on mobile networks continues to be felt: revenues generated by fixed-mobile calls were down 12.6% over the fourth quarter 2003, despite traffic volumes up 5.4% for the same period. The global volume of calls from fixed lines declined by 1.6% over the fourth quarter 2003, because of the decline in the number national calls (and especially local calls) which were not offset by international calls and calls to mobiles.

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
National calls excluding fixed to mobile *	942	967*	908*	855*	884	-6,1%
*Of which local calls***	*567*	*580**	*578**	*545**	*553*	*-2,4%*
Of which long-distance calls	*375*	*387**	*330**	*311**	*331*	*-11,7%*
International calls	198	192*	183*	187	181	-8,6%
Calls to mobiles	686	644*	631*	605*	599	-12,6%
Total calls from fixed lines	1 825	1 803*	1 722*	1 648*	1 664	-8,8%

** adjusted figures*
*** excluding Internet access calls. The breakdown between local calls and long-distance calls is an ART estimate*

Volumes (in millions of minutes)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
National calls excluding fixed to mobile *	22 928	23 390*	21 381*	19 886*	22 269	-3,1%
*Of which local calls***	15 679	15 895*	14 376*	13 098*	14 691	-6,3%
Of which long-distance calls	7 248	7 494*	7 005*	6 788*	7 578	+4,5%
International calls	1 212	1 250*	1 266*	1 278*	1 292	+6,6%
Calls to mobiles	2 896	2 946*	2 983*	3 063*	3 053	+5,4%
Total calls from fixed lines	27 035	27 586*	25 631*	24 227*	26 614	-1,6%

** adjusted figures.*
*** excluding Internet access calls*

2.1.3 Fixed phone cards and public payphones

Subscriber cards and prepaid cards	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Sales *(in millions of euros)*	55	48*	53*	60	54	-2,1%
Volumes *(in millions of minutes)*	420	409*	443*	459*	425	+1,3%

** adjusted figures*

Public payphones	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Sales *(in millions of euros)*	76	70	70	75	63	-16,6%
Volumes *(in millions of minutes)*	306	279	286	297	230	-24,7%

	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of public payphones at end of quarter *(units)*	192 273	195 773	189 079	191 794	189 339	-1,5%

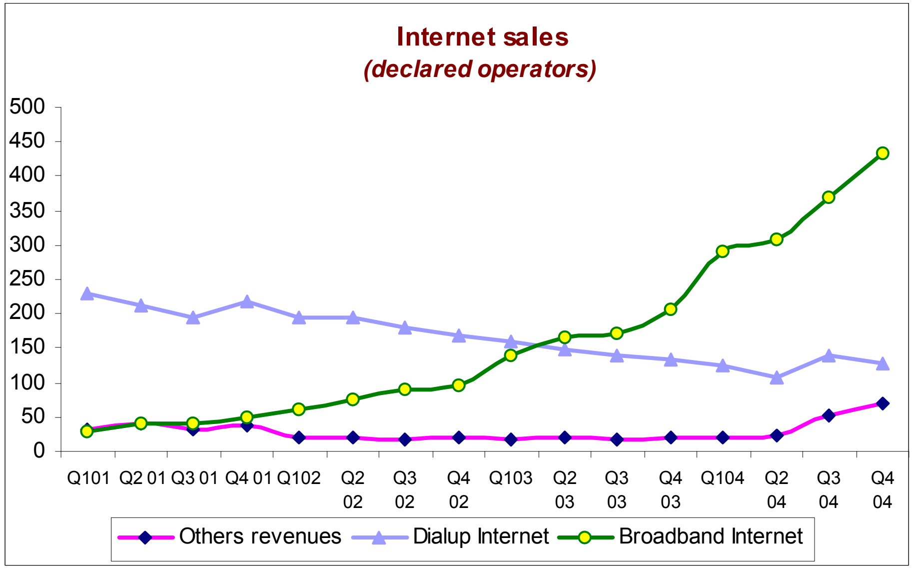
2.2 Internet

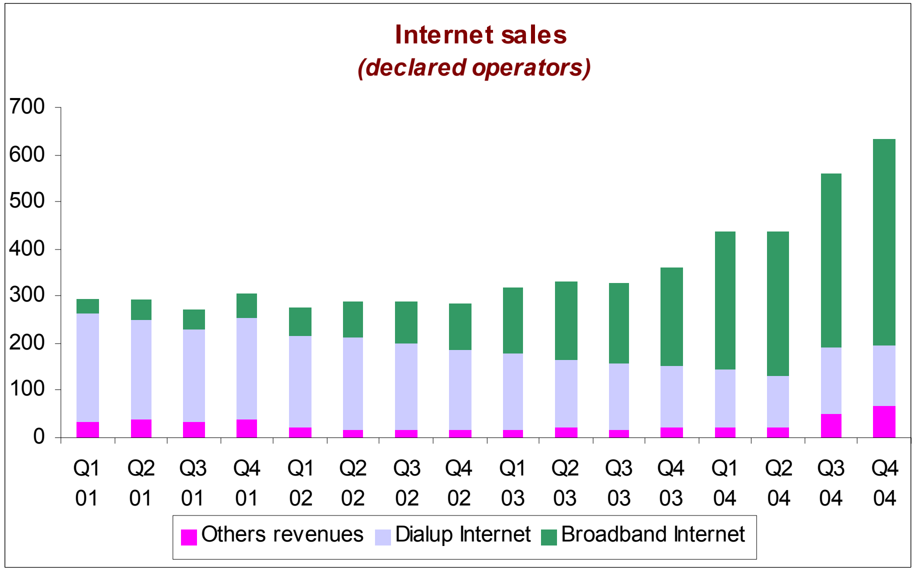
2.2.1 Sales and volumes (declared operators)

The major increase in Internet revenues beginning the third quarter 2004 was due in part to the extension of the scope of the survey, following the integration of an IAP which had previously not been registered. The Market Observatory considers that this scope modification explains some €180 million in additional sales for the total Internet activity for the second half of 2004.

Sales (declared operators) (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Total Internet sales	359	437	439	560	630	+75,4%
Of which dialup Internet	133	126	108	139	128	-3,6%
Of which broadband Internet	206	291	307	369	433	+110,1%
Of which other revenues	20	20	23	52	69	+238,4%

Note: It is important to remember that sales are for services billed by declared operators directly to the end user or to access providers when these are not declared operators. Therefore, the figures do not include total financial consumption; they ignore the added value of access providers who are not declared operators.





2.2.2 Dialup Internet (declared operators)

The major increase in revenues beginning the third quarter is due in part to an extension of the scope of the survey.

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Total dialup Internet sales	133	126	108	139*	128	-3,6%
Of which collection for ISPs	57	57	48	23*	17	-70,6%
Of which flat rate packages	16	13	12	73	67	+310,7%
Of which free access accounts	60	56	47	43	45	-25,5%

** adjusted figures.*

Note: This publication distinguishes between two types of subscription for Internet access calls for end users:

1. *(a) Users pay their ISP for a flat number of minutes for calls to Internet. In this case, the local loop operator collects Internet traffic for the ISPs (AFA definition: paying accounts on the basis of a flat monthly rate).*
   (b) If the local loop operator is an access provider, it enters its flat-rate revenues on the "Dialup Internet flat-rate revenues" line

2. *Clients have free access accounts (with no monthly subscription) with access providers and pay only for what they consume ("pay as you go") directly to the local loop operator (AFA definition: free access accounts or billed according to use).*

Volumes (declared operators) **(in millions of minutes)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Total volumes for Internet billed to end users	17 313	17 139*	14 778*	12 693*	12 688	-26,7%
Of which free access accounts volume	2 520	2 359	2 056	1 780	1 796	-28,7%

** adjusted figures*

2.2.3 *Internet subscriptions (declared operators and non declared ISPs operators)*

The number of subscriptions, shown below, is taken from the results of ARCEP's specific quarterly survey of IAPs. The results of this survey covering the fourth quarter 2004 were published by ARCEP on 27 April 2005.

Internet subscriptions **(declared operators and non declared ISPs operators) (units)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Internet subscriptions	10 617 186	11 061 655	11 141 458	11 308 326	11 936 519	+12,4%%
- Dialup Internet subscriptions (1)	7 047 871	6 660 209	6 230 045	5 810 631	5 406 522	-23,3%%
- Broadband Internet subscriptions (cable, xdsl, WLL…) (2)	3 569 315	4 401 446	4 911 413	5 497 695	6 529 997	+82,9%

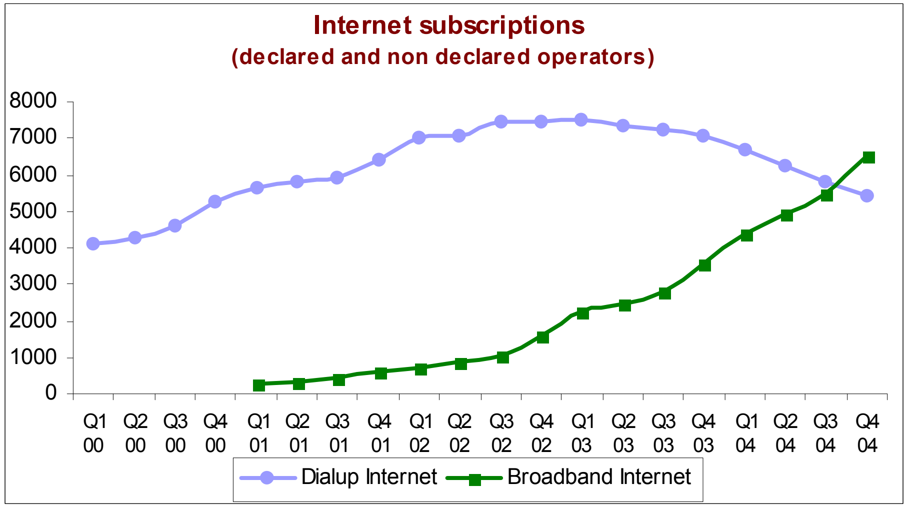
Dialup Internet (1) **(declared operators and non declared ISPs operators (units))**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Dialup Internet subscriptions	7 047 871	6 660 209	6 230 045	5 810 631	5 406 522	-23,3%
- *Free access accounts subscriptions*	2 747 285	2 680 449	2 549 824	2 475 512	2 390 546	-13,0%
- *Flat rate packages (access and calls)*	4 300 586	3 979 761	3 680 221	3 335 119	3 015 976	*-29,9%*

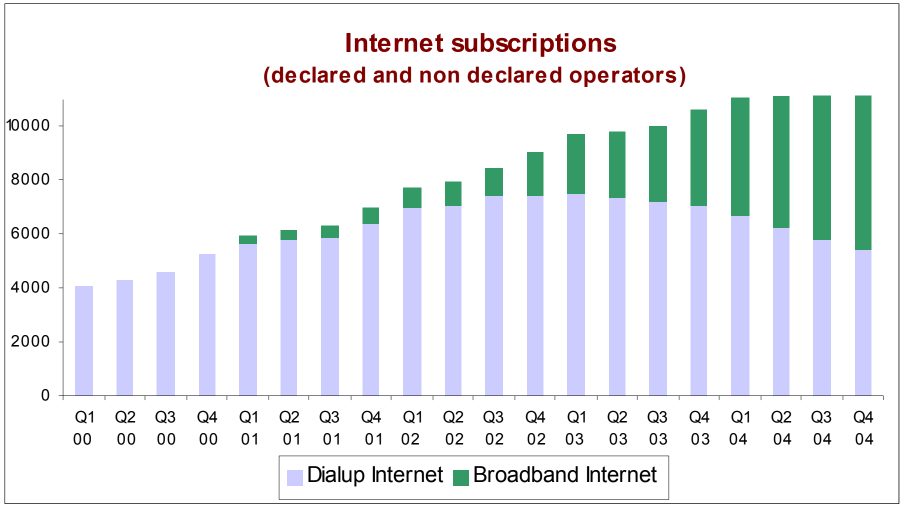
Broadband Internet (2) **(declared operators and non declared ISPs operators) (units)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Broadband Internet subscriptions (cable, xdsl, WLL…)	3 569 315	4 401 446	4 911 413	5 497 695	6 529 997	+82,9%
- *ADSL*	3 172 013	3 978 077	4 482 948	5 061 779	6 072 723	+91,4%
- *Cable (AFORM)*	393 788	419 779	424 978	432 500	454 035	+15,3%
- *Other technology*	3 514	3 590	3 487	3 416	3 239	-7,8%

(1) Source : ART's Internet Observatory from the 4th quarter 2003. Data of Q4 2003 have been adjusted since the last publication.
(2) Source : ART's Internet Observatory from the 4th quarter 2003. Cable : source AFORM: Association Française des Opérateurs de Réseaux Multiservices (http://www.aform.org)

The number of Internet accesses reached 11.9 million at the end of the fourth quarter 2004 for a 12.4% increase over the year. At the fourth quarter, the number of high-speed Internet accesses (6.5 million) exceeded the number of dial-up accesses for the first time. One million additional high-speed accesses were recorded during the fourth quarter 2004.

Note: In order to correctly interpret the figures for high-speed Internet access by access technology, one must take into account the differences in geographic coverage by telephone and cable networks. Aform estimates the number of cable connections suitable for Internet at 6.3 million while xDSL has a technical potential of over 25 million lines.





2.3 Mobile telephony

In the fourth quarter 2004, the mobile telephony market grew 8.4% in value with respect to the fourth quarter 2003. Data transport now generates close to 10% of sector revenues. With about one billion additional minutes over the previous quarter, mobile telephony volumes at the fourth quarter also rose sharply, especially as concerns mobile-mobile volumes.

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Mobile telephony	3 182	3 166	3 304	3 449	3 430	+7,8%
Of which outgoing internationals calls	120	118	131	129	127	+6,2%
Data transport on mobile networks	305	312	312	337	350	+14,7%
Of which interpersonal messaging (SMS, MMS and other)	265	266	262	281	285	+7,6%
Total mobile telephony	3 487	3 479	3 616	3 786	3 780	+8,4%

Volumes (in millions of minutes)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Calls to national fixed lines	5 575	5 717	5 502	5 356	5 581	+0,1%
Calls to mobiles on the same network**	6 876	7 553	7 743	8 024	8 575	+24,7%
Calls to other networks	4 140	4 330	4 553	4 578	4 850	+17,1%
Outgoing internationals calls	205	215	238	253	252	+22,6%
Roaming out[2]	202	195	222	340	223	+10,3%
Total mobile telephony	16 998	18 009	18 258	18 552	19 482	+14,6%

** Call volumes include calls to check voice mail. At the 1st quarter 2004, the increase in volume is explained in part by the reclassification of certain text messaging calls and to the short numbers of mobile operators which are no longer included in "advanced services" but in "calls to mobiles on the same network". We can estimate that this reclassification concerns some 120 million minutes of 1st quarter 2004 figures.*

[7] *Roaming out covers calls made in a foreign country by subscribers of French mobile operators.*

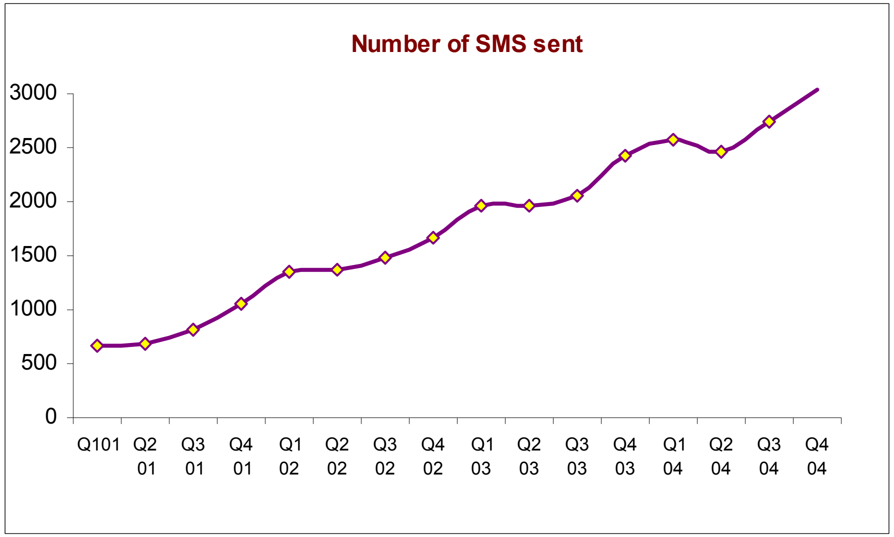
Volume of interpersonal messaging (millions of units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of interpersonal SMS sent during the quarter	2 429	2 572	2 455	2 746	3 045	+25,4%

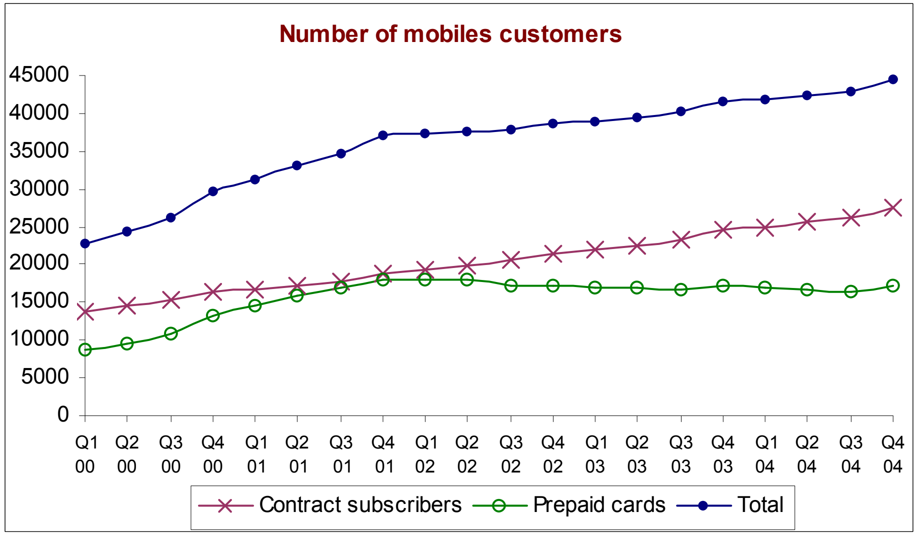
Note: Beginning the 1st quarter 2004, the Observatory no longer collects messaging operator or satellite mobile network data, as they represent only a very small volume of activity. These data are, however, available in the Mobile Observatory.

Total telephony numbers reached 44.5 million at the end of the fourth quarter 2004, for growth of 6.9% and 2.9 million units over the fourth quarter 2003. Flat-rate packages predominated with 61.6% of total accesses at end 2004.

Number of mobile customers (units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Mobile telephony	41 683 598	41 924 426	42 243 852	42 867 776	44 543 959	+6,9%
Of which contract subscribers	24 536 549	25 007 843	25 583 575	26 333 274	27 419 540	+11,7%
Of which mobile prepaid cards	17 147 049	16 916 583	16 660 277	16 534 502	17 124 419	-0,1%
Of which active pre-paid cards[8]	16 461 854	16 328 741	16 027 076	15 923 340	16 411 204	-0,3%

[8] *A pre-paid card is said to be active if the customer has sent or received at least one call during the past three months. Only telephone calls are considered, whether free or payable. SMS are not taken into account in the calculation.*





Number (units)	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Active mobile multimedia users	-	6 678 507	7 548 559	8 062 476	10 306 837	-
Number of mobile numbers ported during the quarter	-	46 352	51 779	47 450	59 864	-

Notes : The active numbers of multimedia users is defined as the number of customers (contract subscribers or prepaid cards users) who have used a multimedia service such as Wap, i-Mode, MMS or e-mail (SMS are not included) at least once in the past month, regardless of the support technology (CSD, GPRS, UMTS…) The number of ported mobile telephone numbers is the number of effective porting (numbers activated by the recipient operator) done during the quarter.

2.4 Other market segments

2.4.1 Advanced services

Sales (**) **(in millions of euros)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Advanced Services	456	436*	414	427	443	-2,9%
Fixed operators	*348*	*323**	*301*	*298*	*304*	*-12,4%*
Mobile operators	*108*	*114*	*113*	*129*	*138*	*+27,7%*

** adjusted figures.*

*** this includes all amounts billed by operators to customers who call "special numbers", including sums paid by the operators to service providers.*

Volumes **(in millions of minutes)**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Advanced Services	2 719	2 357*	2 334*	2 483*	2637	-3,0%
Fixed operators	*2 347*	*2 120**	*2 102**	*2 217**	*2 378*	*+1,3%*
Mobile operators	*372*	*237*	*232*	*266*	*259*	*-30,3%*

** adjusted figures*

Note: The decline in the volume of mobile operators' advanced services observed beginning the first quarter 2004 is due to a clarification of the definition of advanced services. This modifies the way that calls to voice mail and the short numbers of mobile operators are reported. Some of these have been shifted from the "advanced services" line to the "calls to mobiles on the same network" line. We can estimate that this reclassification concerns some 120 million minutes of 1st quarter 2004 figures.

2.4.2 Leased lines and data transport (fixed line operators only

Sales **(in millions of euros**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Leased lines	586	551	542	554	566	-3,5%
Data transport	153	130*	130*	147*	155	+1,4%

** adjusted figures*

Note : Leased line sales may include double accounts in that they cover sales from operators to other operators. These sales may represent up to 35% of total leased line sales. Licensed operators represent only a part of the total data transport market (about one-quarter in 2002).

2.4.3 Other telephony-related services

Directory services

Until the fourth quarter 2003, the series of "directory services, directories and advertising" revenues for fixed operators incorrectly covered some call centre activities. Scope rectifications performed during 2004 affect the quarterly series.

Sales **(in millions of euros**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Operators assistance, sales of directories and advertising	91	57	67	80	73	-19,9%
Fixed operators	*72*	*38*	*47*	*59*	*52*	*-28,1%*
Mobile operators	*19*	*19*	*20*	*21*	*21*	*+11,6%*

Terminals and equipments

Sales **(in millions of euros**	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Terminals and equipments	703	533	472	629	625	-11,1%
Fixed operators	*160*	*183*	*164*	*176*	*170*	*+6,4%*
Mobile operators	*543*	*350*	*308*	*453*	*455*	*-16,2%*

Note: As in previous editions, revenue from packs and terminals includes commissions to distributors

2.4.4 Hosting and call centre management

Sales (in millions of euros	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Hosting and call centre management	7	5	8	7	7	-7,7%

2.5 Indicators per users

While the average volume of traffic per client from fixed lines remains relatively stable, the average volume per client on mobile phones continues to increase significantly (+7.3% over one year). What's more, mobile telephony clients sent 23.2 SMS on average during the fourth quarter 2004 compared with fewer than 20 during the fourth quarter 2003, for a 17.3% increase per client.

Average monthly invoice per user *In euros*	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Fixed telephony user (1)	31,5	31,1*	30,3	29,8	29,6	-5,9%
Mobile telephony user (1')	28,4	27,7	28,6	29,7	28,8	+1,5%

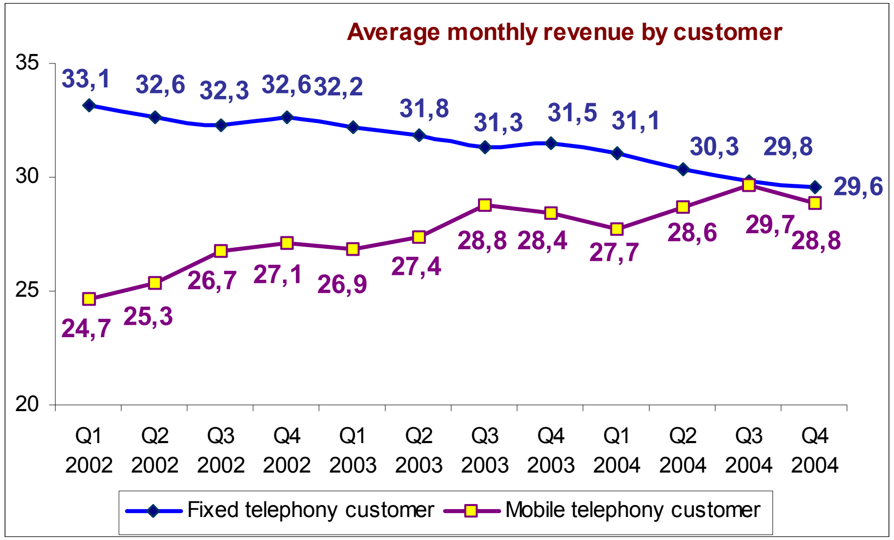
Note :. This is the average invoiced amount excluding tax. For fixed calls (see note 1), the revenue used is that of the subscription and telephone calls excluding other services, in particular Internet.

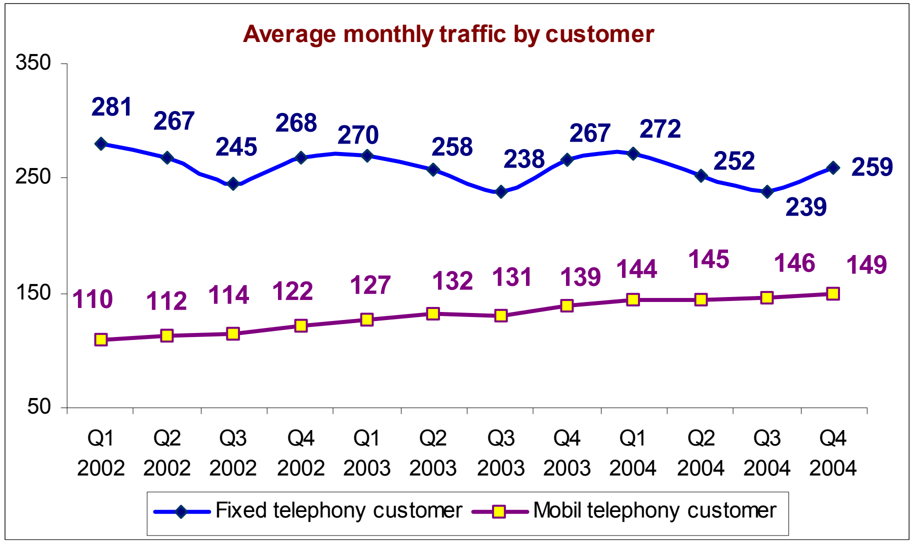
Volume of average monthly traffic per user *in hours*	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
From fixed telephony network (2)	4h27	4h32*	4h13*	3h59*	4h19	-1,8%
From mobile telephony networks (2)	2h18	2h24	2h25	2h26	2h29	+7,3%

** adjusted figures*

units	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Change Q4 04/Q4 03
Number of SMS sent during the quarter (3)	19,8	20,5	19,4	21,5	23,2	+17,3%

Notes :
Average number of clients of quarter N : [(total number of clients at the end of quarter N + total number of clients at the end of quarter N-1) / 2]
(1) This indicator is calculated by dividing the revenues of fixed telephony access and calls of the quarter N *by an estimate of the average number of clients of quarter N.*
(1') *This indicator is calculated by dividing the mobile telephony sales of quarter N by an estimate of the average number of clients of quarter N. This indicator, which does not include interconnection revenues, nor those from advanced services, is different from the traditional average revenue per user indicator (ARPU).*
(2) *This indicator is calculated by dividing the traffic volume of quarter N by an estimate of the average number of clients of quarter N*
(3) *This indicator is calculated by dividing the number of SMS of trimestre of quarter N by an estimate of the average number of users*


Average monthly revenue by customer
35
30
25
20
33,1
32,6
32,3
32,6
32,2
31,8
31,3
31,5
31,1
30,3
29,8
29,6
24,7
25,3
26,7
27,1
26,9
27,4
28,8
28,4
27,7
28,6
29,7
28,8
Q1 2002
Q2 2002
Q3 2002
Q4 2002
Q1 2003
Q2 2003
Q3 2003
Q4 2003
Q1 2004
Q2 2004
Q3 2004
Q4 2004
Fixed telephony customer
Mobile telephony customer


Average monthly traffic by customer
350
250
150
50
281
267
245
268
270
258
238
267
272
252
239
259
110
112
114
122
127
132
131
139
144
145
146
149
Q1 2002
Q2 2002
Q3 2002
Q4 2002
Q1 2003
Q2 2003
Q3 2003
Q4 2003
Q1 2004
Q2 2004
Q3 2004
Q4 2004
Fixed telephony customer
Mobil telephony customer

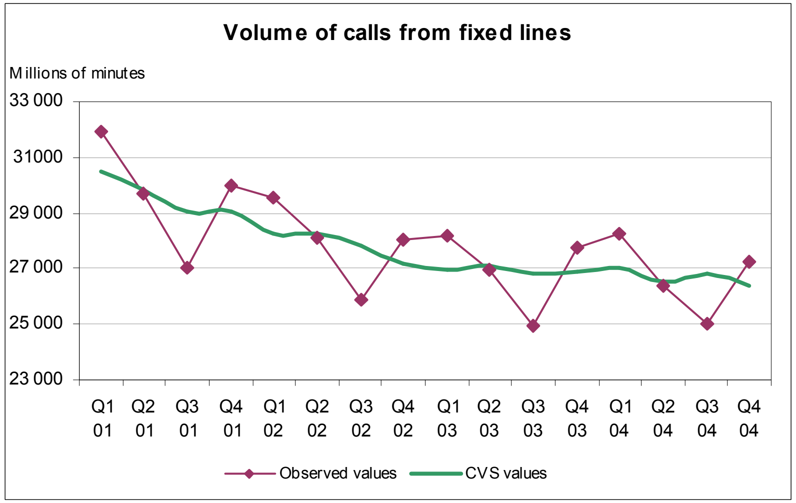
3 Quarterly changes to traffic volumes

The chronological quarterly series of the Market Observatory often show seasonal variations which make them difficult to interpret.
The CSV series (corrected for seasonal variations) allows us to show the trend of the series being studied and to determine variations, quarter by quarter.

Call volume from fixed phones: a tendancy to decline and less strong at the end of the period

The volumes of calls originating on fixed lines include calls made from fixed phones, public phones and clients using prepaid cards. These volumes are highly seasonal, with a decline in the number of calls during the summer.
The corrected series shows that the strong decline in volumes from 2001 to 2002 slowed starting early 2003.

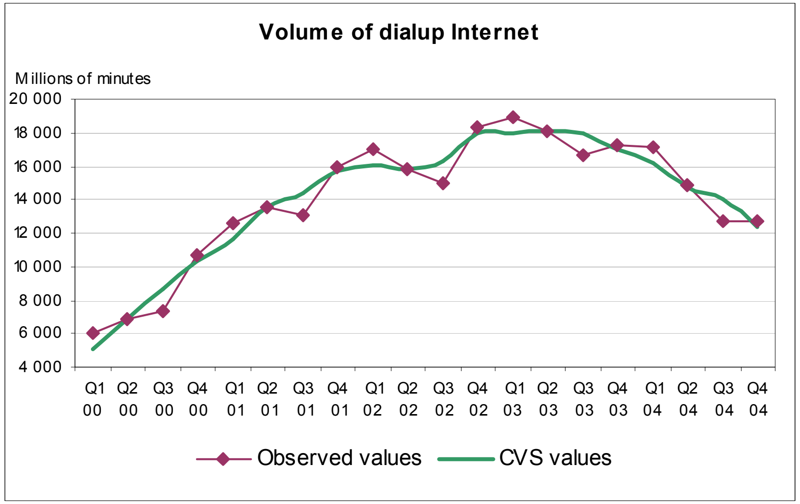
Thus, traffic volumes from fixed phones, which declined on average by1.6% per quarter in 2001 and 2002, fell by just 0.4% per quarter in 2003 and 2004.



Dial-up Internet call volumes: sharp decline since late 2003

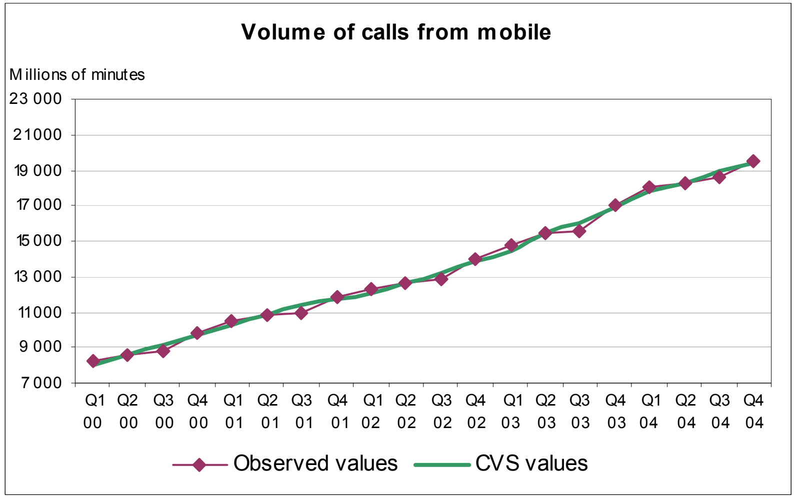
Dial-up Internet call volumes decline very sharply every third quarter because of the summer vacation. The corrected series shows a strong increase in volumes until the second quarter 2001, then slower growth until the third quarter 2003. After this date, dial-up Internet volumes decline.

The decline in dial-up access can be explained in its entirety by its rapid replacement by high-speed subscriptions, whose traffic volume is not measured in minutes. The decline seems to grow at the end of every period: traffic volumes declined by 7.6% on average during 2004.



Call volumes from mobile phones: regular growth for several years

With a very slight decline every third quarter, mobile telephony volumes are seasonal. The corrected series confirms the strong and regular growth of traffic throughout the entire period: in 2004, it reached 3.5% per quarter on average.



SMS volumes: growth boosted by the increase in the number of mobile clients and by the increased use of text messaging

Because of the massive number of text messages sent in early January, SMS volumes grow strongly the first quarter of every year. The corrected series shows regular growth from the first quarter 2001 to the fourth quarter 2004.

Over 2004, SMS traffic rose 6% on average. This increase is due to both the increase in the number of mobile telephony clients (+1.7%) and the increase in average SMS consumption per client (+4.1%).