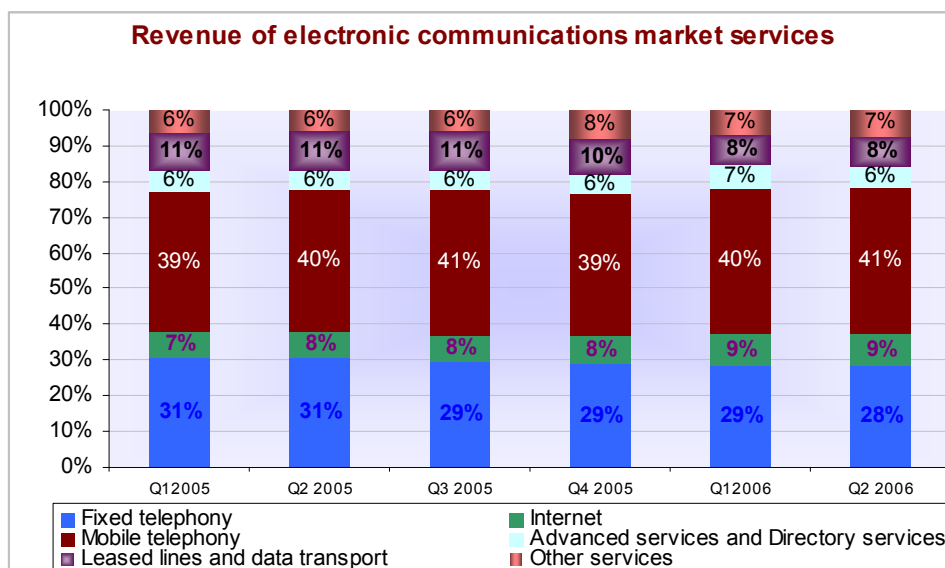


**The Electronic Communications services market in  
France  
in the 2<sup>nd</sup> quarter 2006**

## Introduction

Electronic communications operators on the end customer market earned €10.1 billion during the second quarter 2006, including 9.4 billion for electronic communications services alone. Income from other services is accessory income such as from the sale and rental of terminals and equipment, directories, advertising, hosting and call centre management, etc.

The three main segments of the market (fixed telephony, mobile telephony and Internet), represent close to 80% of the value of the total market, or €7.9 billion, and showed growth of 2.3% over the second quarter 2005.



### Fixed telephony and Internet

The volume of calls originating on fixed lines rose 0.5% in one year during the second quarter 2006. Since the beginning of 2005, the volume of traffic originating on fixed lines has stabilised, whereas earlier it had been decreasing by about 4% per year. A major share of IP traffic is replacing narrowband traffic (the volume of PSTN traffic shows a 10.2% decline over the same period), but IP has also stimulated customer consumption. At the second quarter 2006, voice on IP represented respectively 13% of subscriptions and 17% of fixed telephony volumes.

The number of subscriptions to telephone on IP service grew by 3 million in one year. At the same time, the number of subscriptions to public switched telephone service (RTC) fell by 1 million.

The number of unbundled lines reached 3.4 million during the second quarter 2006. Full unbundling is growing very quickly and now concerns 1.2 million lines (of which close to 1 million additional lines in one year), whereas the number of partially unbundled lines (2.2 million lines) fell for the second quarter in a row.

At 5.5 million in the second quarter 2006, the number of subscriptions to pre-selection fell by 100 000 in one year. Call-by-call selection declined 24.1% in one year. With the development of unbundling, the possibility of selecting one's carrier seems to be losing a bit of its attraction.

The number of connections to high-speed Internet reached 11.1 million during the second

quarter 2006, of which 10.5 million ADSL subscriptions, which represented most of growth of high speed (+40.5% in one year). ADSL recorded more than 3 million additional subscriptions in one year.

Internet income was €917 million in the second quarter (+21.9%). High speed represented 83% of this income. Dial-up continued its decline at a rate of 30% annually both in value (-36.0%) and volume (-29.6% for subscriptions). The rest of the income comes from services related to Internet access (site hosting, on-line advertising, etc.).

### **Mobile telephony**

The total number of mobile telephony customers reached 49 million during the second quarter 2006. The 8.1% growth in one year is identical to that observed for three quarters in a row, and is due in part to the efforts made by virtual operators to attract new customers.

The volume of traffic originating on mobiles increased 15.5% in one year. This strong dynamism, already observed in the first quarter 2006 should be seen in relation to the growth in the number of mobile telephony customers and with the unlimited flat rates launched by mobile operators, which has increased the volume of traffic per customer. Thus, the average monthly traffic of a mobile operator customer increased 10 minutes in one year (+6.8%) going from 2 hours 30 minutes in Q2 2005 to 2 hours 40 minutes in Q2 2006.

By the end of 2005, growth in mobile income (excluding advanced services) had begun to show signs of slowing, with an annual growth rate of just under 10%. This slowdown has been confirmed. After recording annual growth of +6.1% at the 1<sup>st</sup> quarter 2006, mobile income grew by just 4.7% in the second quarter 2006. It reached €4.1 billion this quarter.

The average monthly invoice per customer (€28.30) is down 3.2% in one year.

### **Directory services**

Final closure of the old directory services numbers (and the “12” in particular) on 3 April 2006 had a negative impact on the volume of activity of directory services in the second quarter 2006.

Income for the quarter was €37 million, declining 21% with respect to the 1<sup>st</sup> quarter 2006. The number of calls to directory services declined by 22% in one quarter (41 million in the second quarter compared with 53 million calls during the 1<sup>st</sup> quarter 2006). With respect to 2005, the daily volume of calls to directory services declined 27% in the second quarter 2006.

*Note: Revisions may be made to a quarter's data from one issue of the Observatory to the next because of corrections made by operators in their reports. Any discrepancies between annual growth as a % and values were caused by rounding.*

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# 1 The communications market in its entirety

## 1.1 The end customer market

Revenue (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed telephony (1)	3 049	2 954	2 983	2 900*	2 874	-5,8%
Internet	752	767	823	876*	917	21,9%
Mobile telephony (2)	3 954	4 099	4 069	4 083*	4 139	4,7%
<b>All telephony and Internet</b>	<b>7 756</b>	<b>7 819</b>	<b>7 875</b>	<b>7 858</b>	<b>7 930</b>	<b>2,3%</b>
Advanced services	513	520	545	666	613	<i>n.s.</i>
Directory services, directories and advertising	57	54	52	47	37	-34,3%
Leased lines	566	533	520	371	371	-34,5%
Data transport (3)	540	540	536	469	472	-12,7%
<b>Electronic communications services</b>	<b>9 432</b>	<b>9 467</b>	<b>9 529</b>	<b>9 412</b>	<b>9 423</b>	<i>n.s.</i>
Others revenues (4)	559	590*	779	670	718	<i>n.s.</i>
<b>Entire market</b>	<b>9 990</b>	<b>10 057*</b>	<b>10 309</b>	<b>10 081</b>	<b>10 141</b>	<i>n.s.</i>

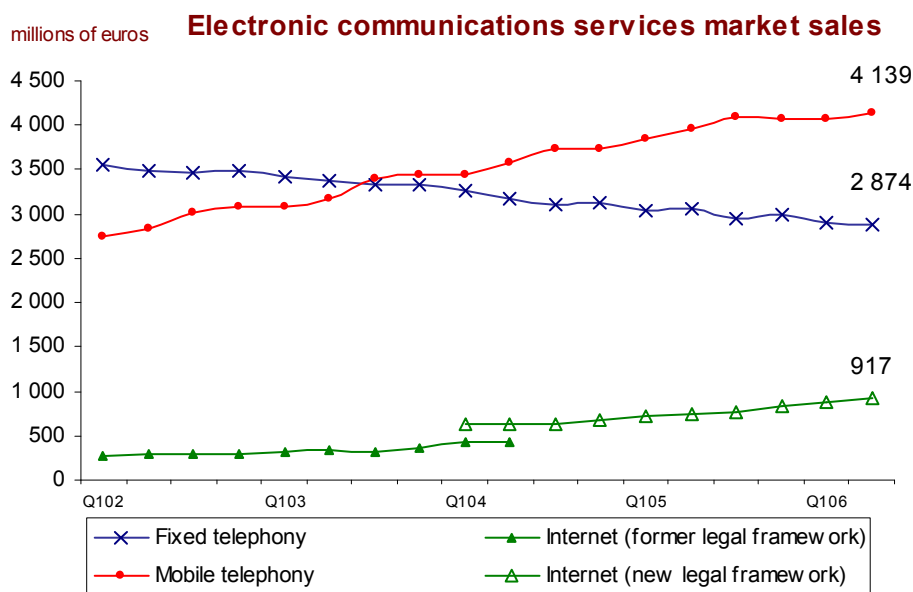
\* adjusted figures

(1) This indicator covers revenues from access fees and subscriptions, from calls from fixed lines excluding Internet connection calls, public telephones and cards

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

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

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



Electronic communications operators on the end customer market earned €10.1 billion in income at the second quarter 2006. Income rose by €151 million in value with respect to the second quarter 2005.

The Internet sector saw the strongest growth at +21.9% in one year. It showed €917 million in income during the last quarter. Internet income now represents 9% of all operator income on the end market compared with 7.5% a year ago.

Mobile telephony continued to grow, with annual growth in income of 4.7%, or €4.1 billion, during the second quarter 2006. The growth rate of mobile telephony income has slowed significantly with respect to what it was in 2005 (9% at the fourth quarter 2005).

Fixed telephony income declined by 5.8% in one year during the second quarter 2006, for a slightly stronger decline than had been observed in recent quarters.

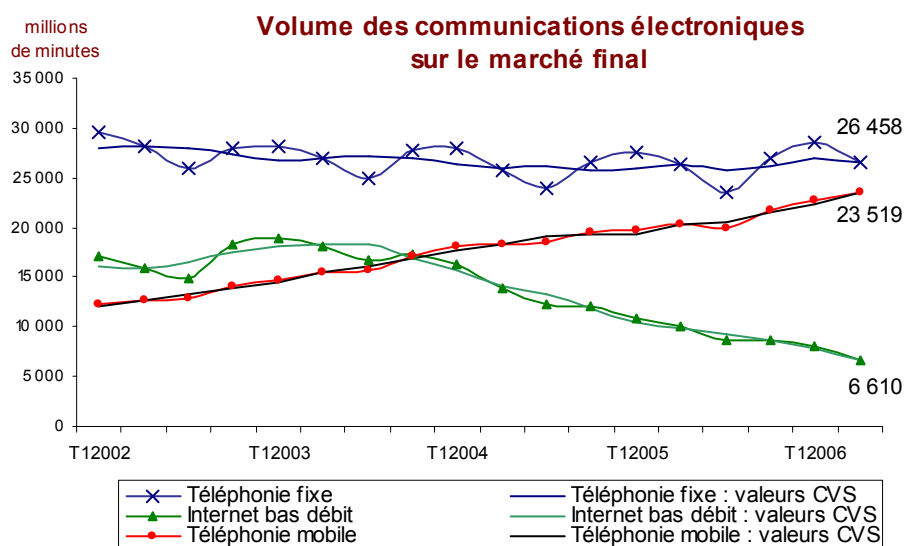
The leased lines and data transport markets recorded declines (estimated respectively at -€20 and -30 million in the first quarter) starting in early 2006, due to consolidations between operators on the market. They were stable in the second quarter 2006 with respect to the previous quarter.

Income from advanced services increased by some €100 million in the first quarter 2006. This rise is the result of a better inclusion of advanced services by operators in the survey.

Volumes (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed telephony	26 334	23 625	26 923	28 502	26 458	0,5%
Mobile telephony	20 358	19 962	21 772	22 669	23 519	15,5%
<i>Total voice services</i>	46 691	43 588	48 695	51 171	49 977	7,0%
Internet (dial-up)	9 983	8 621	8 726	8 033	6 610	-33,8%
Number of SMS sent (millions of units)	3 079	3 083	3 373	3 641*	3 605	17,1%

The volume of traffic originating on fixed networks was almost stable at the second quarter 2006 (+0.5% in one year) despite the contribution of volumes of telephony on IP. At the second quarter 2006, adjustments for seasonal variations (cf. page 13) cannot confirm the recovery initiated in the two previous quarters.

The growth in the volume of mobile calls (+15.5% in one year) has been strong since the fourth quarter 2005. The launch by mobile operators during this quarter of unlimited flat rates stimulated consumer consumption. The strong growth in the number of mobile operator customers (+8.1% in one year) also contributed to the development of call volumes on mobile networks.



## 1.2 The intermediate market (interconnection services / wholesale markets)

### 1.2.1 The total market

<b>Interconnection services</b> <i>(millions of euros)</i>	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed operators	813	853	831	763*	750	-7,8%
Internet	192	202	205	182	191	-0,9%
<i>of which dial-up Internet</i>	21	21	16	14	11	-46,8%
Mobile operators	1 237	1 291	1 223	1 018	1 102	-10,9%
<b>Revenue</b>	<b>2 243</b>	<b>2 345</b>	<b>2 259</b>	<b>1962*</b>	<b>2 043</b>	<b>-8,9%</b>
<b>Interconnection services</b> <i>(millions of minutes)</i>	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed operators	25 472	24 421	26 606	42 665*	40 836	n.s.
Internet	6 430	5 537	5 215	4 489	3 591	-44,2%
Mobile operators	7 783	7 802	7 956	8 106	8 698	11,8%
<b>Volume</b>	<b>39 685</b>	<b>37 759</b>	<b>39 777</b>	<b>55 260*</b>	<b>53 125</b>	<b>n.s.</b>

Income linked to the intermediate market for Internet access was down 0.9% in one year. Income from dial-up interconnection services declined strongly (-46.8%) and represented only 6% of income from Internet interconnection services compared with 11% a year earlier.

Despite the dynamism of the high-speed Internet retail market, growth in income from high-speed interconnection services is limited because the most active operators on the end market use their own infrastructure which means they do not need an intermediate market. Furthermore, prices on the wholesale market are declining.

The 10.9% decline in mobile interconnection income (with 11.8% growth in volume) can be explained by the 24% decrease ARCEP imposed on call termination charges on 1<sup>st</sup> January 2006.

Until the 4<sup>th</sup> quarter 2005, part of the interconnection volumes between fixed operators (call origination services, transit, call termination, incoming international traffic, and sale of wholesale minutes) was not included in the quarterly data. The series created by quarterly surveys, as for volumes, covered a more limited perimeter than did annual surveys. Still, the quarterly changes on the interconnection market of fixed operators which were published, were in line with those of annual surveys in constant terms.

#### Notes:

- *Interconnection revenue and volumes were not based on the same perimeter, making it inappropriate to compare these indicators when estimating average prices (interconnection revenue includes fixed revenue such as payments for connection and services to operators).*
- *Interconnection includes all services provided to operators by operators under interconnection agreements. In the event of mergers or concentrations of enterprises, some of the flows between the firms disappear, which could explain decreases from one quarter to the next.*
- *Please note that the interconnection figures above may be counted twice, in particular for fixed operators.*

### 1.2.2 Incoming international interconnection<sup>1</sup>

Income from incoming international interconnection services of fixed operators were revised downwards for 2005 with respect to previous publications (the submissions of certain operators to the survey included transit income which should not have appeared here). This modification has not had any impact on the income of the total interconnection market.

Incoming international interconnection services (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed operators	107	116	100	88	89	-16,5%
Mobile operators	39	45	41	32	35	-9,6%
<b>Revenue</b>	<b>145</b>	<b>161</b>	<b>141</b>	<b>120</b>	<b>124</b>	<b>-14,7%</b>

\* adjusted figures

Incoming international interconnection services (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed operators	1 815	1 810	1 772	1 624	1 637	-9,8%
Mobile operators	301	350	311	326	357	18,4%
<b>Volume</b>	<b>2 116</b>	<b>2 160</b>	<b>2 083</b>	<b>1 950</b>	<b>1 993</b>	<b>-5,8%</b>

### 1.2.3 Mobile operator roaming-in<sup>2</sup>

Roaming in	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Revenu (millions of euros)	211	269	165	171	205	-2,7%
Volume (millions of minutes)	347	461	294	314	382	10,3%

Note: In roaming-in, a French mobile operator carries calls made and received in France by the customers of foreign mobile operators

<sup>1</sup> This market segment is a subset of the total market (cf. 1.2.1)

<sup>2</sup> 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

The total number of subscriptions to a telephone service rose 5.8% in one year thanks to the very rapid development of telephony on IP. In one year, close to 3 million additional subscriptions to telephony on IP services were taken out, representing growth of 149.6% in one year. The number of subscriptions to telephone service on cable also grew strongly (+138.7% in one year).

Number of subscriptions to telephone service (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
<b>Number of subscriptions to telephone service</b>	<b>35,332</b>	<b>35,664</b>	<b>36,380</b>	<b>37,188*</b>	<b>37,387</b>	<b>5,8%</b>
of which on analogue or digital lines	33,314	33,151	32,967	32,821*	32,359	-2,9%
of which on IP DSL	1,938	2,407	3,275	4,201*	4,839	149,6%
of which on cable	0,080	0,105	0,139	0,165	0,190	138,7%

\*The difference between the total number of subscriptions to telephone service and the total number of lines in the table is equal to the number of subscriptions to other media (particularly WLL)

Note: More than one **subscription to telephone services** can exist on the same fixed line (such as a “traditional” PSTN subscription and a subscription to telephony on IP service).

Subscriptions to telephone on IP service are developing thanks to the growth of full unbundling (1.2 million unbundled lines at the end of the second quarter), and more generally due to the 3.6 million subscriptions to telephone on IP service taken out by customers in addition to their “traditional” telephone subscription on an analogue or digital line.

#### Explanation of the indicators for telephone on IP service

*On the terminology used:*

The indicators for telephone service on IP in this issue cover voice on broadband regardless of the medium (primarily IP DSL, but also IP on cable) and voice on Internet when the operators are registered with ARCEP.

ARCEP designates as “voice on broadband” fixed telephony services using VoIP technology on an Internet access network whose bitrate exceeds 128 kbit/s and whose quality is controlled by the operator providing it; and by “voice on Internet” voice communications services using the public Internet network and whose quality of service is not controlled by the operator providing it.

Calls originating on VoIP services counted in the Observatory correspond to services at the access level. These indicators do not correspond to the traffic using the Internet protocol only on the network core.

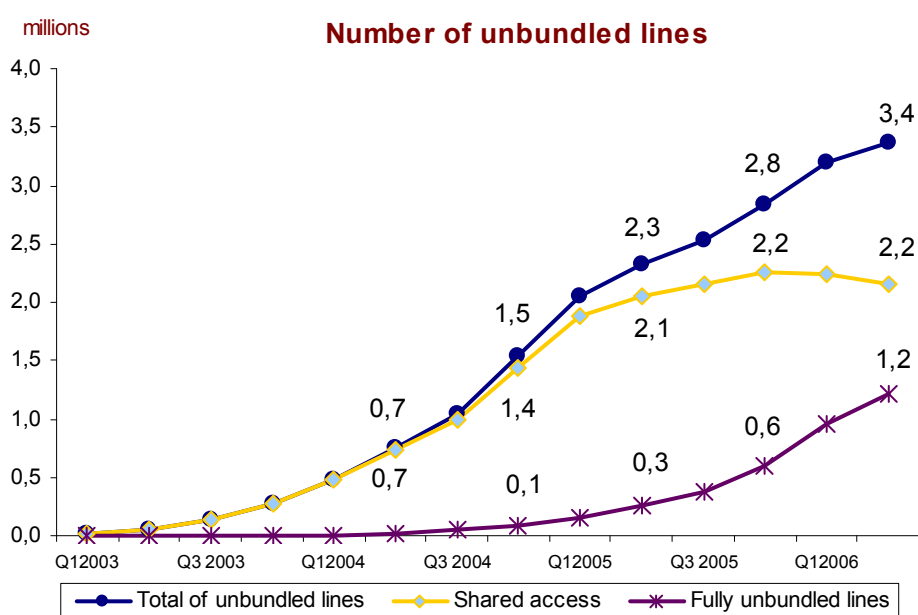
The Observatory does not survey unregistered operators providing PC-to-PC voice on Internet. They are not currently covered by the scope of the survey.

*On the income taken into account:*

The Observatory distinguishes between calls originating on telephony on IP services and other voice calls. Still, while the volume of VoIP calls covers all of this traffic on the end market, the corresponding revenue covers only invoiced VoIP traffic (e.g. as a supplement to a multi-play package).

<b>Unbundling</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Partially unbundled lines	2,059	2,158	2,248	2,236	2,150	4,4%
Fully unbundled lines	0,261	0,372	0,592	0,959	1,211	363,9%
<b>Number of unbundled lines</b>	<b>2,321</b>	<b>2,530</b>	<b>2,840</b>	<b>3,195</b>	<b>3,362</b>	<b>44,9%</b>

With 3.4 million lines, unbundling is up 44.9% in one year. This growth is based entirely on full unbundling which more than quadrupled, reaching 1.2 million lines at 30 June 2006. The number of partially unbundled lines grew for the second quarter in a row due to migrations of partial unbundling subscribers who switch to full unbundling.



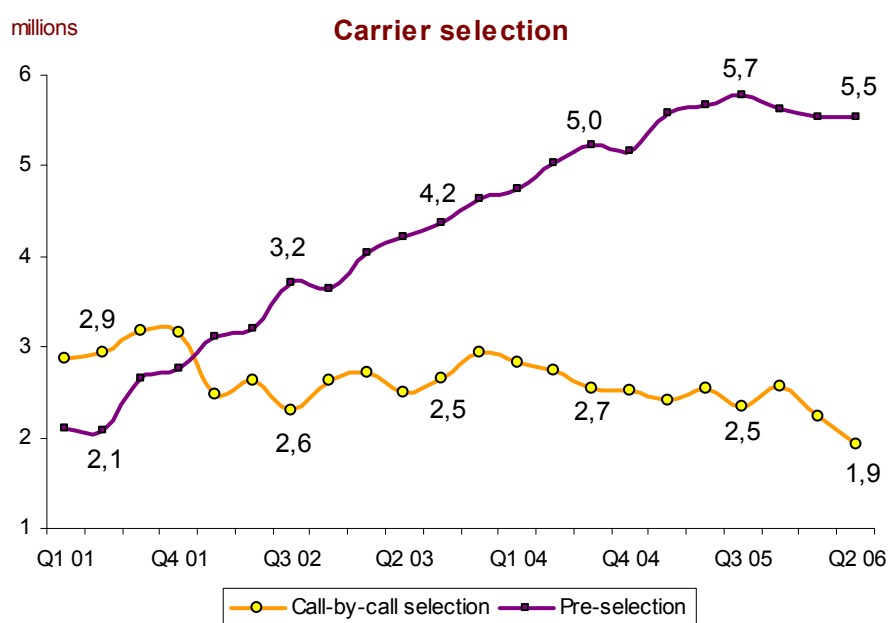
<b>Portability</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Number of fixed numbers ported during the quarter				0,399	0,418	

During the second quarter 2006, 418 000 numbers were kept when numbers were “ported” from one fixed operator to another. The development of full unbundling should continue to encourage these migrations of numbers.

<b>Carrier selection</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Call by call selection	2,538	2,353	2,563	2,244*	1,926	-24,1%
Pre-selection	5,663	5,776	5,636	5,540	5,544	-2,1%
<b>Number of indirect connections</b>	<b>8,201</b>	<b>8,129</b>	<b>8,199</b>	<b>7,784*</b>	<b>7,469</b>	<b>-8,9%</b>
* adjusted figures						

During the second quarter 2006, the number of indirect connections declined 8.9% in one year. This decline is very significant for call-by-call selection subscriptions with -24.1% in one year; but also concerns subscriptions to pre-selection whose number has fallen by more than 100 000 since the second quarter 2005 (-2.1%).

This strong decline in carrier selection offers should be seen against the increasing success of telephony on IP offers proposed by alternative operators and based on full line unbundling.



Note: Call-by-call selection numbers include only active subscriptions, pre-selection numbers include only subscriptions in service, net of cancellations.

<b>Access revenue</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Access fees, subscriptions and additional services	1 430	1 416	1 425	1 419*	1 442	0,8%

Since the beginning of 2006, income from access, subscriptions and additional services (€1.442 billion at the second quarter 2006) has been higher than that generated by telephone calls (€1.336 billion at the second quarter 2006). It includes all income from telephone subscriptions, i.e. including when the operators invoice their subscribers access to telephony on IP, as well as income from additional services (caller display, etc.).

### 2.1.2 Calls from fixed lines (excluding public pay phones and cards)

Income from telephone calls from fixed lines declined by 11.2% in one year at the second quarter 2006 whereas volume rose 0.6%.

Income from calls originating on IP access (€56 million at the second quarter 2006) represent only amounts invoiced for calls and in addition to multi-play flat rates. It does not include the amount of multi-play flat rates *per se*, or access to broadband telephone service.

Income from just PSTN traffic (excluding income from IP calls) declined by 13.6% in one year.

Revenue (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
National calls	816	764	752	781	771	-5,6%
International calls	160	155	145	148	144	-10,1%
Calls to mobiles	528	498	535	458	421	-20,1%
<b>All calls from fixed lines</b>	<b>1 504</b>	<b>1 417</b>	<b>1 432</b>	<b>1 387</b>	<b>1 336</b>	<b>-11,2%</b>
<i>Of which calls originating on VoIP services</i>	22	28	37	40	56	154,7%

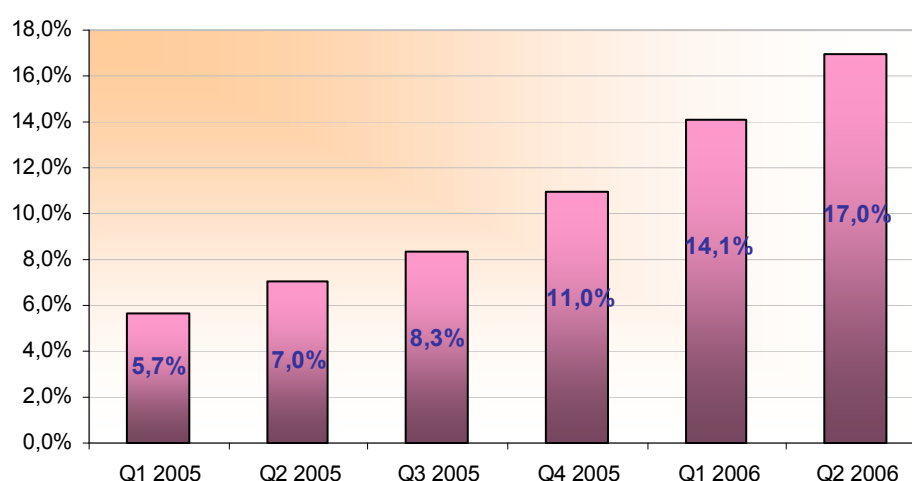
Volumes (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
National calls	21 566	18 944	21 837	23 337	21 318	-1,1%
International calls	1 011	973	1 067	1 151	1 248	23,4%
Calls to mobiles	3 036	2 967	3 221	3 286	3 202	5,4%
<b>All calls from fixed lines</b>	<b>25 613</b>	<b>22 885</b>	<b>26 126</b>	<b>27 774</b>	<b>25 768</b>	<b>0,6%</b>
<i>Of which calls originating on VoIP services</i>	1 802	1 901	2 863	3 905	4 380	143,1%

During the second quarter 2006, growth of all volumes reached 0.6% in one year.

The volume of calls originating on VoIP services continued to grow strongly (+143.1% in one year) at the same rate as that of subscriptions to telephony on IP service (149.6% growth over the same period). The share of VoIP calls grew by 10 points in one year, going from 7% to 17% of total traffic originating on fixed lines (total traffic concerns both residential and business customers).

Traffic excluding IP originating on fixed phones declined by 10.2% in one year.

**Proportion of IP traffic from fixed lines**



## Notes:

- The Observatory distinguishes between calls originating on telephony on IP services and other voice calls. However, while the volume of VoIP calls covers all of this traffic observed on the end market, income covers only invoiced VoIP traffic (for example in addition to a multi-play flat rate).
- The volumes and income from calls originating on VoIP services are included in each of the market segments (national, international and to mobiles).

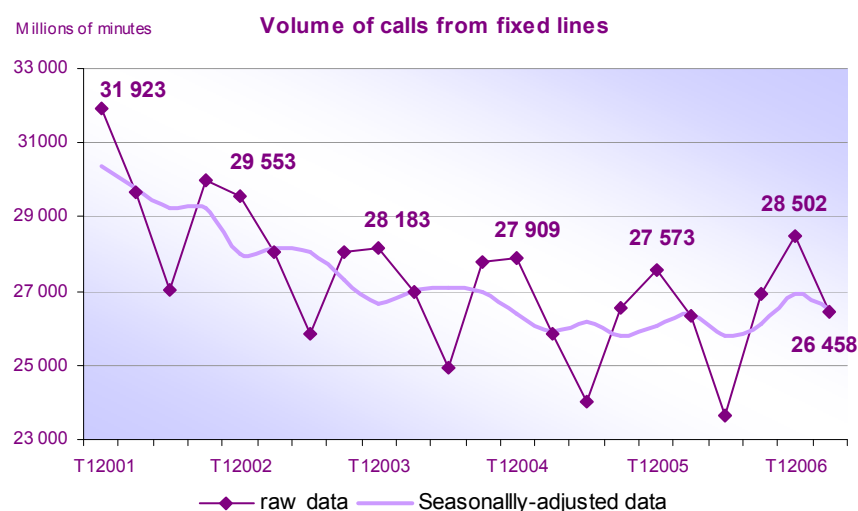
## 2.1.3 Fixed telephony cards and public pay phones

Subscriber cards and prepaid cards	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Revenue (millions of euros)	57	60	72	54	47	-16,3%
Volume (millions of minutes)	499	514	618	574	527	5,5%

The telephone card market was down 16.3% in one year during the second quarter 2006. This market is seeing competition from unlimited flat rates abroad which have been offered by several operators since early 2006 and which tend to replace telephone cards for certain destinations.

Public telephony	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Number of public payphones at end of quarter (units)	185 343	183 265	179 770	176 327	173 677	-6,3%
Revenue (millions of euros)	59	61	54	40	48	-17,6%
Volumes (millions of minutes)	221	227	179	154	163	-26,3%

## 2.1.4 Quarterly variation of telephone traffic on fixed network



The volume of calls originating on fixed phones includes calls originating on fixed telephones, public pay phones and pre-paid cards.

The renewed growth of traffic volume in seasonally adjusted figures seen in the past two quarters was not confirmed in the second quarter 2006 (-1.5% on the quarter in seasonally adjusted figures).

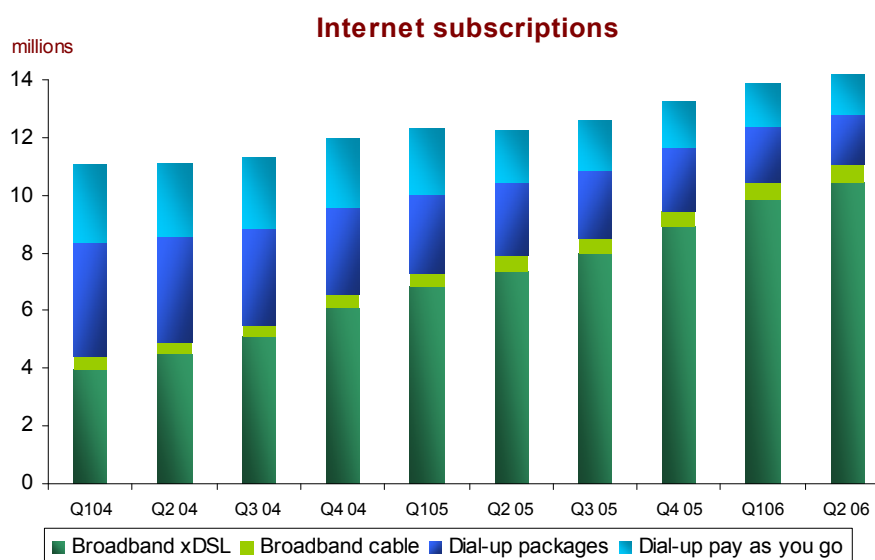
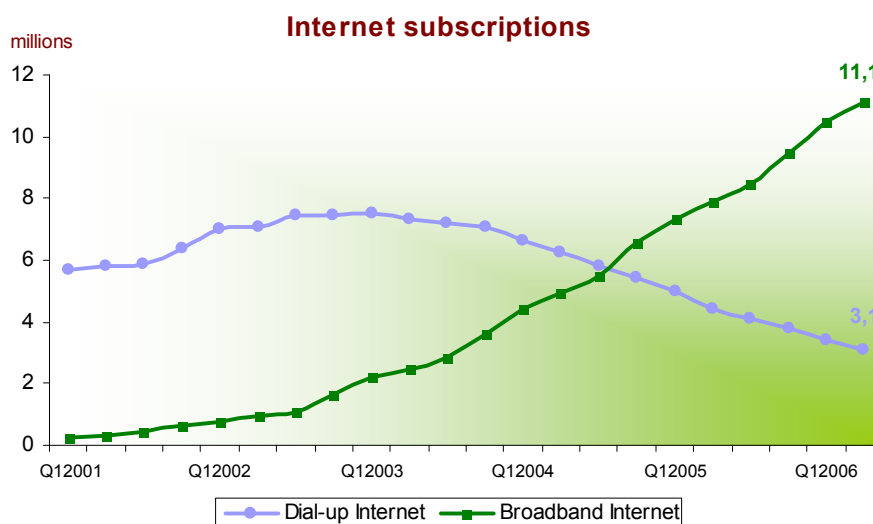
(The series of values are found in the “séries chronologiques” file available for consultation on ARCEP’s web site)

## 2.2 Internet

There were 14.2 million Internet accesses at the end of the second quarter 2006. High-speed access (on xDSL, cable, WLL, etc.) saw rapid growth with more than 3 million additional subscriptions in one year (+40.5%).

The number of dial-up accesses has declined annually by 30% since late 2004. The majority of customers terminating their dial-up subscription then subscribe to a high-speed access offer.

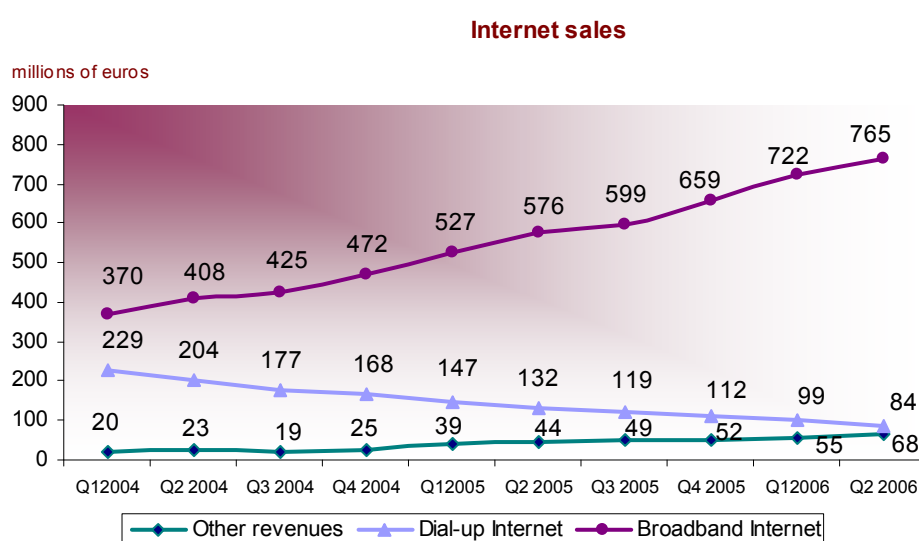
Internet subscriptions (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Dial-up	4,398	4,095	3,809	3,403	3,096	-29,6%
Broadband	7,893	8,484	9,448	10,475	11,092	40,5%
<b>Internet subscriptions</b>	<b>12,291</b>	<b>12,579</b>	<b>13,256</b>	<b>13,879</b>	<b>14,188</b>	<b>15,4%</b>



<b>Total Internet revenue</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Dial-up	132	119	112	99	84	-36,0%
Broadband	576	599	659	722*	765	32,7%
Other revenue	44	49	52	55	68	55,0%
<b>Total Internet revenue</b>	<b>752</b>	<b>767</b>	<b>823</b>	<b>876*</b>	<b>917</b>	<b>21,9%</b>

\* adjusted figures

*Note: The “other Internet services” item corresponds to IAPs’ related income such as site hosting or income from on-line advertising. Revenue related to the sale and rental of terminals has been reassigned to the “sale and rental of terminals by fixed operators and Internet” item.*



All Internet income (income from subscriptions and income from related services) reached €917 million at the second quarter 2006. In one year, this income has risen 21.9%.

Income from high-speed access was up 32.7% in one year, worth €765 million at the second quarter 2006.

Income from dial-up access, down 36% with €84 million at the second quarter 2006, now represents only 9.2% of all Internet income. This decline accompanies that of the number of dial-up subscriptions (down 29.6% over the same period).

### 2.2.1 Dial-up

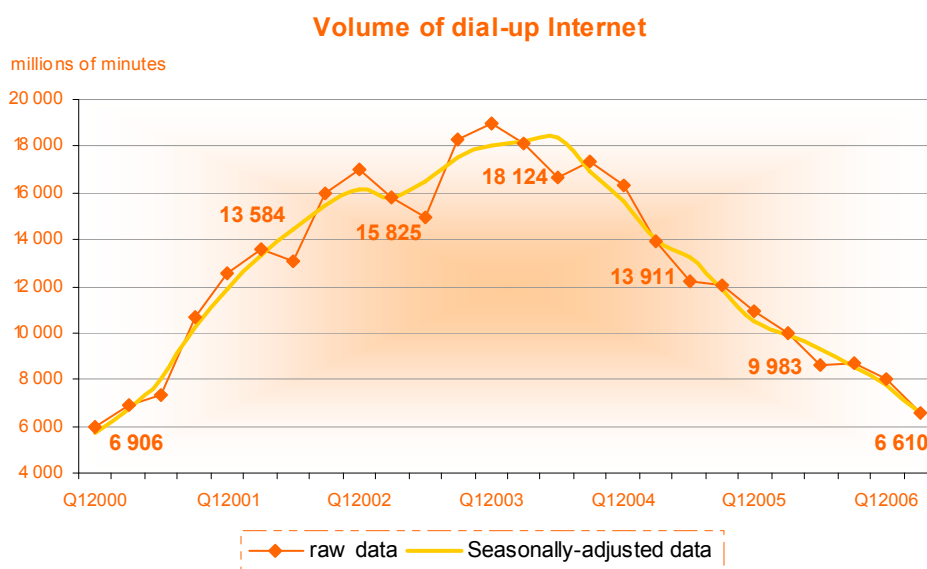
With 3.1 million subscriptions at the end of the second quarter, the number of subscriptions to dial-up Internet access was down 29.6% with respect to the second quarter 2005. Dial-up access income (-36.0%) and traffic volumes (-33.8%) saw slightly more significant changes which led to a 7.3% decline in the average monthly invoice of a dial-up Internet customer and a 4.1% decline in average monthly consumption in one year.

<b>Dial-up Internet subscriptions</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Flat-rate packages	2,545	2,379	2,187	1,909	1,721	-32,4%
Free access accounts	1,853	1,715	1,622	1,495	1,374	-25,8%
<b>Dial-up Internet subscriptions</b>	<b>4,398</b>	<b>4,095</b>	<b>3,809</b>	<b>3,403</b>	<b>3,096</b>	<b>-29,6%</b>

Note: We distinguish between two types of subscription for dial-up Internet access for the end customer:

- (1) the customer pays a flat rate for unlimited Internet access to the IAP
- (2) the customer has a so-called "free" account (with no monthly charge) with an IAP and pays only for the time actually consumed ("pay as you go") directly to the local loop operator (free access accounts or billed for use).

<b>Revenue of dial-up Internet</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Flat-rate packages	99	92	84	72	64	-34,8%
Free access accounts	33	28	28	27	20	-39,6%
<b>Revenue of dial-up Internet</b>	<b>132</b>	<b>119</b>	<b>112</b>	<b>99</b>	<b>84</b>	<b>-36,0%</b>



(The series of values are found in the "séries chronologiques" file available for consultation on ARCEP's web site)

Since late 2003, dial-up Internet volumes have been declining constantly in seasonally adjusted values. This decline continued during the second quarter 2006 at -15.5%.

<b>Volumes of dial-up Internet</b> (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Flat-rate packages	8 626	7 452	7 577	6 868	5 650	-34,5%
Free access accounts	1 358	1 168	1 148	1 165	959	-29,3%
<b>Volumes of dial-up Internet</b>	<b>9 983</b>	<b>8 621</b>	<b>8 726</b>	<b>8 033</b>	<b>6 610</b>	<b>-33,8%</b>

## 2.2.2 High speed

The number of subscriptions to high-speed Internet access continued to grow quickly (+40.5% in one year) reaching 11.1 million at the end of the second quarter 2006.

DSL technology represents 10.5 million of accesses and was at the origin of most of this growth. Other means of high-speed Internet access were also up +21.3% for cable (630 000 subscriptions) and +28.5% for other types of access (WLL, optical fibre, satellite, etc.).

<b>High-speed Internet subscriptions</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Xdsl	7,369	7,948	8,882	9,870	10,456	41,9%
Cable	0,519	0,530	0,560	0,600	0,630	21,3%
Other connections (optical fibre, WLL, etc.)	0,005	0,005	0,006	0,005	0,006	28,5%
<b>High-speed Internet subscriptions</b>	<b>7,893</b>	<b>8,484</b>	<b>9,448</b>	<b>10,475</b>	<b>11,092</b>	<b>40,5%</b>

Income from high-speed Internet access was €765 million at the second quarter 2006, for growth of 32.7% with respect to the second quarter 2005. Income from xDSL access (€722 million at the second quarter 2006) represented close to 95% of all income of high speed.

<b>High-speed Internet revenue</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Xdsl	535	556	617	680*	722	35,0%
Cable	29	28	26	26	27	-7,0%
Other connections (optical fibre, WLL, etc.)	12	16	16	15	15	25,4%
<b>High-speed Internet revenue</b>	<b>576</b>	<b>599</b>	<b>659</b>	<b>722*</b>	<b>765</b>	<b>32,7%</b>

*Note: High-speed Internet access broken down by access technology: to correctly interpret the figures, one must take into account the differences in geographical coverage for the telephone network and cable networks. Cable operators report about 7 million available cable connections suited to Internet compared to the technical potential for xDSL of over 33 million lines.*

## 2.3 Mobile telephony

*Note: The scope covers both network operators and mobile virtual operators (MVNOs)*

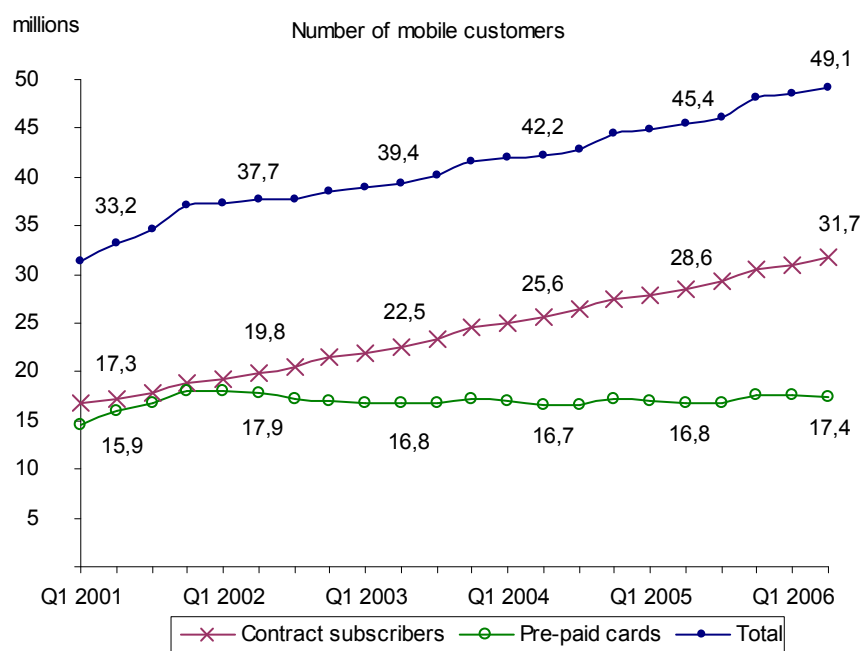
### 2.3.1 Subscriptions

<b>Number of mobile customers</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Contract subscribers	28,552	29,341	30,515	31,027	31,688	11,0%
Pre-paid cards	16,843	16,749	17,583	17,565	17,393	3,3%
<i>of which active pre-paid cards **</i>	16,088	15,980	16,714	16,703	16,531	2,7%
<b>Mobile Telephonie</b>	<b>45,395</b>	<b>46,090</b>	<b>48,098</b>	<b>48,592</b>	<b>49,081</b>	<b>8,1%</b>

At the end of the second quarter 2006, the number of customers to a mobile telephony service reached 49.1 million. With 31.7 million subscriptions, the share of flat rate packages

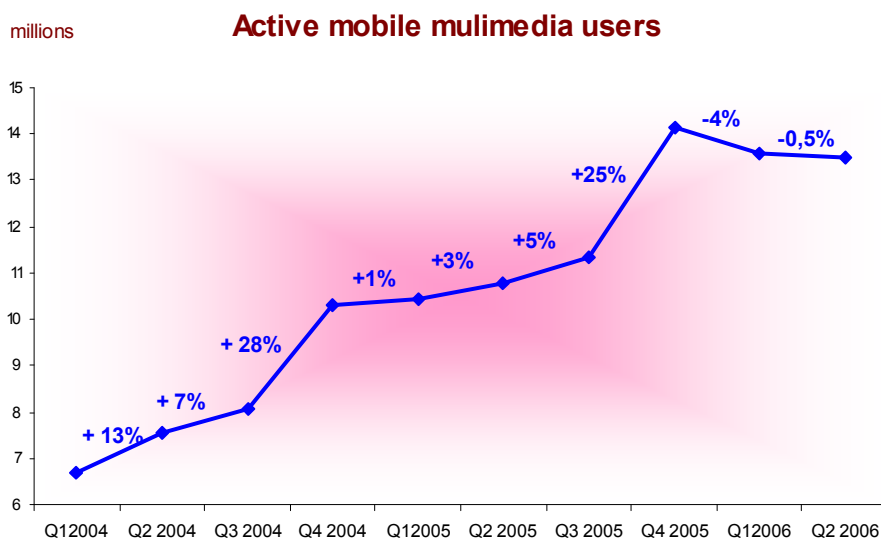
represented 64.6% of the total and continued to grow with respect to pre-paid packages.

At 8.1%, the annual growth rate in the number of mobile telephones remained high. The presence on the market of virtual operators (MVNO) which enrich and diversify the mobile services offer helps to keep this sector dynamic.

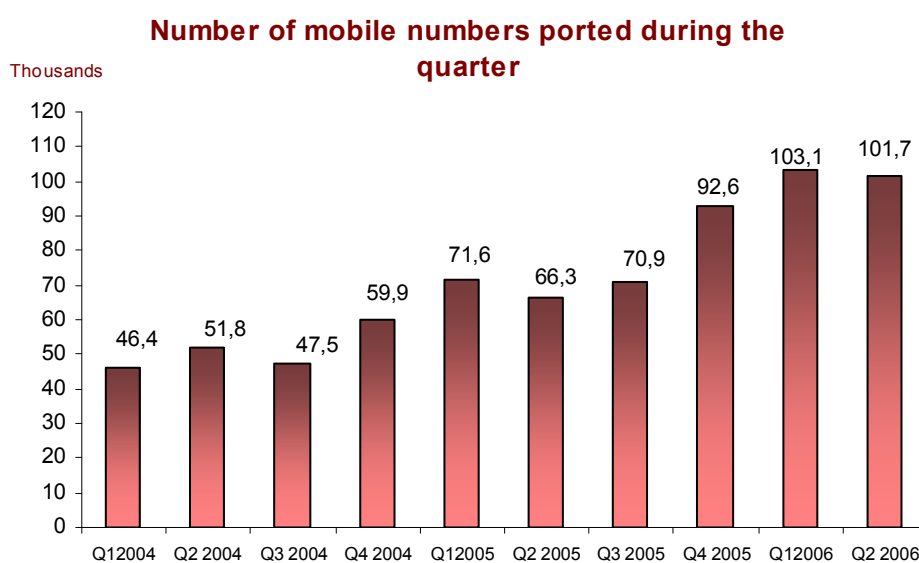


Multimedia users and portability (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Active mobile multimedia users	10,788	11,361	14,154	13,564	13,495	25,1%
Number of mobile numbers ported during the quarter	0,066	0,071	0,093	0,103	0,102	53,3%

Mobile multimedia services (Internet on mobile, MMS, etc.) were used by 13.5 million customers during the month of June 2006, for 25.1% growth with respect to June 2005. The apparent decline in the use of these services with respect to the peak of December 2005 is due in part to a seasonal effect.



Close to 102 000 numbers were ported by one operator to another during the second quarter 2006 for 53.3% growth in one year.



*Notes:*

- The number of active multimedia users is defined as the number of customers (subscribers or prepaid) who have used at least one multimedia service such as Wap, i-Mode, MMS or e-mail (SMS were not covered by this definition) within the past month, regardless of the technology used (CSD, GPRS, UMTS, etc.). Perimeter: Metropolitan France and DOM.

- The number of ported numbers is defined as the number of telephone numbers effectively ported (numbers activated with the receiving operator) during the past quarter. Scope: Metropolitan France and DOM.

### 2.3.2 Income and volume indicators

The income of mobile services (telephony and data transport) reached €4.1 billion at the second quarter 2006 (+4.7% in one year).

The income linked to “voice” use of mobile telephones continues to dominate and represents 87% of all mobile services income (excluding income from advanced services and directory services), or €3.6 billion at the second quarter 2006.

“Data” uses (interpersonal messaging as well as new mobile services giving customers mobile Internet access or multimedia services) grew at a higher rate than telephony (+18.2% at the second quarter 2006).

Income from Internet access and multimedia services corresponds to amounts invoiced by operators to their customers for access to services; part of this income is then repaid by the operators to content publishers.

Revenue (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
<b>Mobile telephony</b>	3 507	3 623	3 552	3 536	3 611	3,0%
of which outgoing internationals calls	136	145	135	135	146	6,9%
<b>Data transport on mobile networks</b>	447	475	517	547*	528	18,2%
of which interpersonal messaging (SMS, MMS)	323	329	352	374*	350	8,6%
of access to mobile Internet and to multimedia services	124	146	165	173	178	43,2%
<b>Total mobile telephony and data transport</b>	<b>3 954</b>	<b>4 099</b>	<b>4 069</b>	<b>4 083*</b>	<b>4 139</b>	<b>4,7%</b>

Volumes (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Calls to national fixed lines	5 129	4 711	5 015	4 984	4 818	-6,1%
Calls to mobiles on the same network (1)	9 920	9 947	11 355	12 244	12 600	27,0%
Calls to other networks	4 800	4 682	4 872	4 932	5 535	15,3%
Outgoing internationals calls	246	265	256	260	280	13,8%
Roaming out (2)	262	358	275	249	285	8,9%
<b>Total mobile telephony</b>	<b>20 358</b>	<b>19 962</b>	<b>21 772</b>	<b>22 669</b>	<b>23 519</b>	<b>15,5%</b>

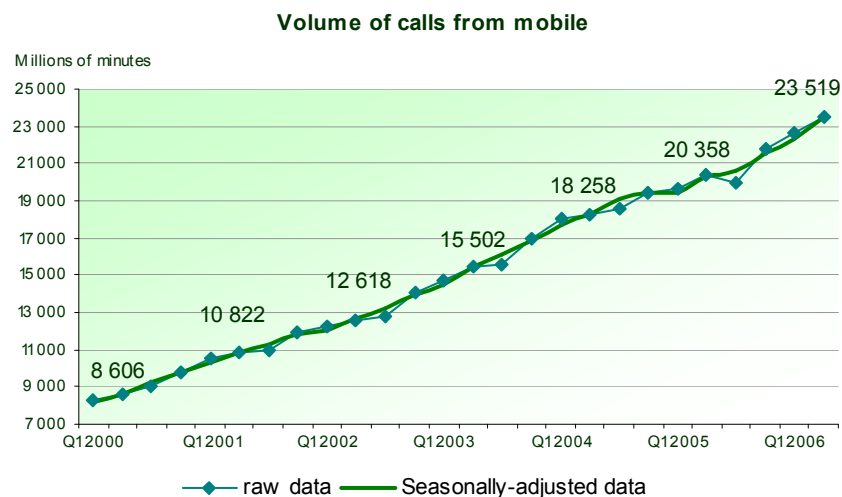
(1) onnet

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

During the second quarter 2006, the volume of traffic originating on mobiles increased 15.5% with respect to the second quarter 2005. The seasonally adjusted series confirms the strong growth of the volume of traffic, showing quarterly growth of 5% at the second quarter 2006 after 3.5% growth during the previous quarter.

This high growth rate in the traffic volume is the result of the growth in the number of mobile telephones (+8.1% in one year) and of the success of “unlimited” offers to and from mobiles, set up by mobile operators beginning the fourth quarter 2005.

The volume of “on-net” calls (to mobiles on the same network) rose much more strongly (+27% at the second quarter 2006) than the volumes of calls to other destinations. Calls from mobile telephones to the national fixed network continued to decrease (-6.1% at the second quarter 2006).

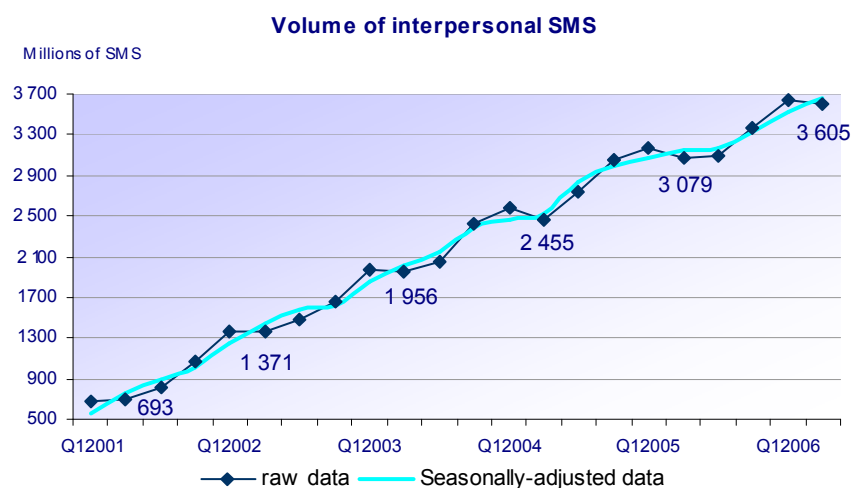


(The series of values are found in the “séries chronologiques” file available for consultation on ARCEP’s web site)

During the second quarter 2006, 3.7 billion interpersonal messages (SMS and MMS) were sent, of which a vast majority (98%) of SMS. Annual growth reached 17.1% at the second quarter 2006.

In seasonally adjusted values, the growth of the volume of SMS which had slowed in early 2005 has been growing more strongly for the past three quarters.

Volumes of interpersonal messaging (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Number of interpersonal SMS	3 079	3 083	3 373	3 641*	3 605	17,1%
Number of interpersonal MMS	57	55	80	81	74	29,8%
<b>Number of interpersonal messages sent</b>	<b>3 136</b>	<b>3 138</b>	<b>3 452</b>	<b>3 722*</b>	<b>3 680</b>	<b>17,3%</b>



(The series of values are found in the “séries chronologiques” file available for consultation on ARCEP’s web site).

## 2.4 Other market components

### 2.4.1 Advanced services

Advanced services from fixed and mobile operators represented €613 million in income at the second quarter 2006. The strong rise in income and volumes of “voice and telematics” advanced services beginning the first quarter 2006 was due to the inclusion of shared cost services which had been only partially included until that point. The impact of this correction on a quarter is estimated to be about €100 million and 700 million minutes.

<b>Advanced service revenue**</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Advanced voice service	446	448	466	579	521	n.s.
Advanced data service (SMS+,MMS+)	67	72	79	87	92	37,0%
<b>Advanced service</b>	<b>513</b>	<b>520</b>	<b>545</b>	<b>666</b>	<b>613</b>	<b>n.s.</b>

\*\* The income corresponds to all amounts invoiced by operators to customers, including amounts repaid by the operators to service suppliers. For example, advanced “data” services include weather forecasts, horoscopes, TV game shows, downloading of ring tones, etc.

<b>Advanced voice service volumes</b> (millions of minutes)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
From fixed telephony network	1 952	1 902	2 191	3 165	2 880	n.s.
From mobile telephony networks	345	374	380	380	374	8,5%
<b>Volumes</b>	<b>2 297</b>	<b>2 276</b>	<b>2 571</b>	<b>3 545</b>	<b>3 254</b>	<b>n.s.</b>

<b>Advanced data service volumes</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Number of messages (SMS+, MMS+)	151	170	160	167	154	2,0%

### 2.4.2 Directory services

On 3 April 2006, the old directory services numbers were definitively closed, and new 118xyz numbers began to be used. Data published by the Observatory for the period from April to June cover only the activity of these new numbers, except for the first two days of April.

Income from directory services was €37 million at the second quarter for a 21% decline with respect to the first quarter 2006.

During the second quarter 2006, 41 million calls were made (from a fixed or mobile phone) to directory services, for a 22% decline with respect to the previous quarter. The daily volume of calls to directory services declined 27% during the second quarter 2006 with respect to 2005.

<b>Revenue from directory services</b> (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
local loop	57	54	52			
Directory services operator's				47*	37	

<b>Directory services</b> (millions of units)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Number of calls				53	41	

Note: Directory services include the old fixed (12, 3200, 3211, 3212) and mobile (612, 712, 222)

directory service numbers in service until 3 April 2006, the new 118xyz numbers in service since November 2005 and short codes providing access to director services including the reverse directory (3288, 3217, 3200) and international directory (3212).

### 2.4.3 Leased lines and data transport (fixed operators)

Since the first quarter 2006, part of the income from leased lines and data transport have no longer been included in the end market due to market restructuring (in particular, the integration of Transpac in France Telecom).

Revenue (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Leased lines	566	533	520	371	371	-34,5%
Data transport	540	540	536	469	472	-12,7%

Note: Revenue from leased lines may be counted twice since operator-to-operator sales were included. These sales may represent up to 35% of the total revenue from leased lines.

### 2.4.4 Hosting and call centre management services

Revenue (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Hosting and call centre management	24	18	25	27	24	2,8%

### 2.4.5 Terminals and equipment

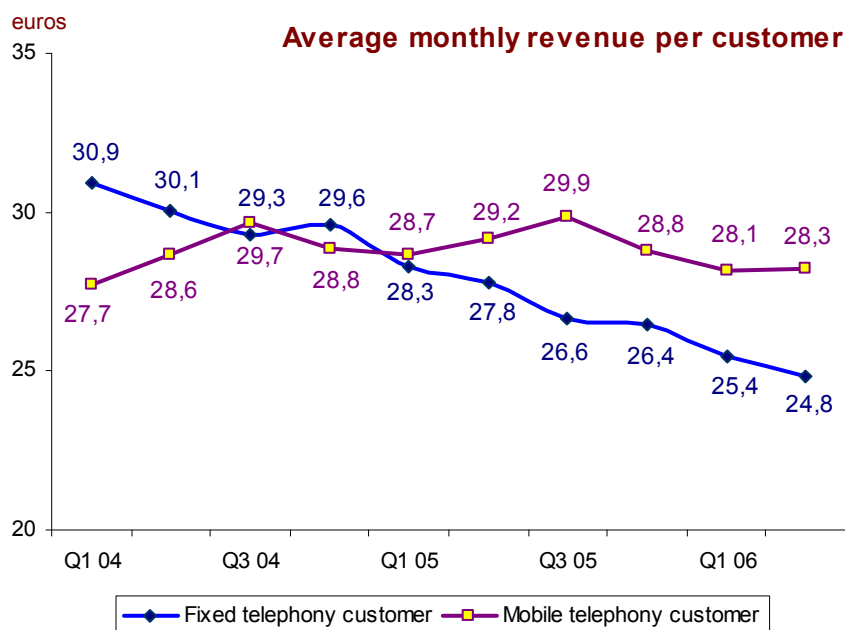
Income from the sale and rental of Internet access equipment and terminals is now included in the “fixed operators and Internet” item. In the 2005 quarterly publications, these amounts (€30 to 40 million per quarter in 2005) were included in the “income accessory to the provision of Internet access” item. They have been reassigned in the series presented below.

Revenue from terminals and equipment (millions of euros)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed & Internet operators	198	204	207	181	175	-11,7%
Mobile operators	318	349	530	354	326	2,2%
<b>Terminals and equipment</b>	<b>516</b>	<b>553</b>	<b>737</b>	<b>534</b>	<b>500</b>	<b>-3,1%</b>
* adjusted figures						

Note: As in previous issues, income from packs and terminals includes commissions to distributors.

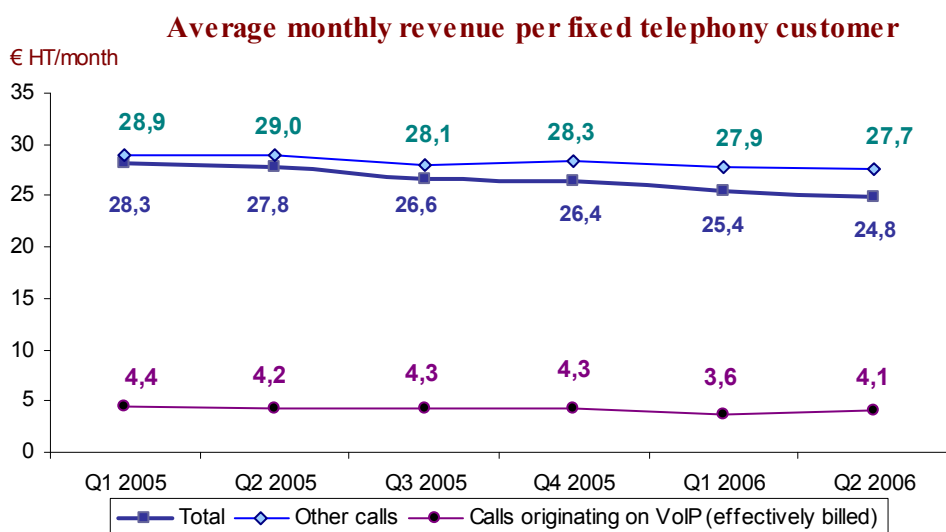
## 2.5 Indicators per customer

Average monthly revenue per customer (in euros -VAT excluded)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
Fixed telephony user	27,8	26,6	26,4	25,4*	24,8	-10,6%
Mobile telephony user	29,2	29,9	28,8	28,1	28,3	-3,2%
Dial-up Internet user	9,3	9,4	9,5	9,1	8,7	-7,3%
Broadband Internet user	25,2	24,4	24,5	24,2*	23,6	-6,3%



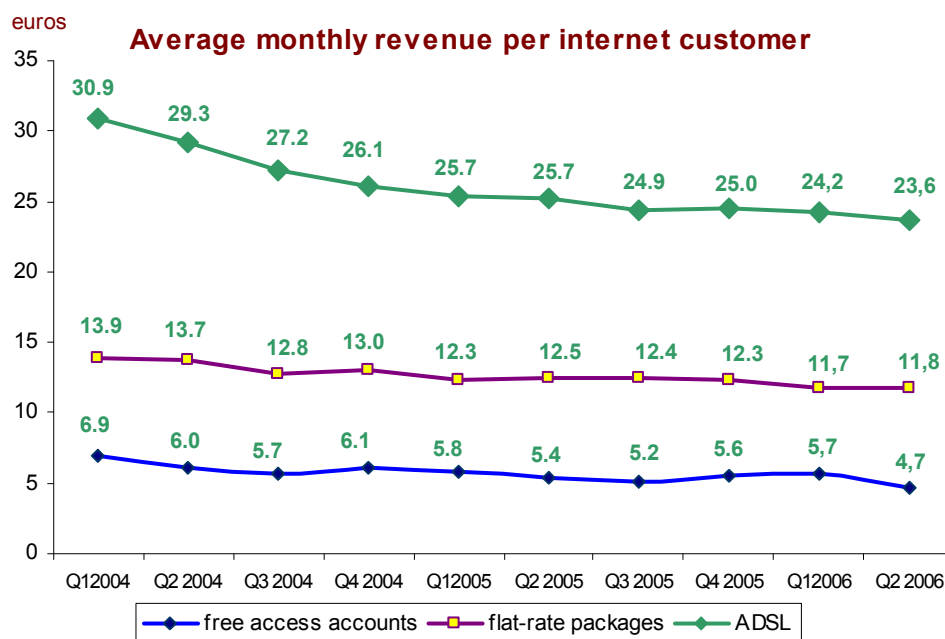
The *average monthly invoice per fixed subscription* is calculated by dividing the income from calls on fixed lines (access and voice income) and that from the subscription for the quarter N by an estimate of the average number of subscriptions of the quarter N, divided by the number of months.

The *average monthly invoice per customer of mobile operators* is calculated by dividing mobile telephony income (voice and data income) of the quarter N by an estimate of the average number of customers of the quarter N, divided by the number of months. This indicator, which does not include income from interconnection, nor from advanced services, is different from the traditional Average Revenue Per User indicator (ARPU) indicator.



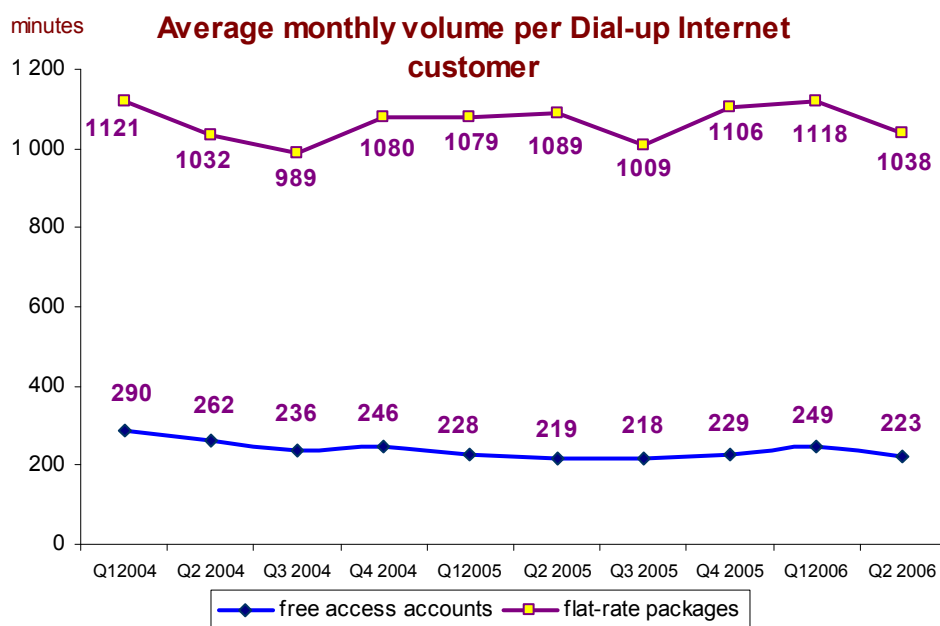
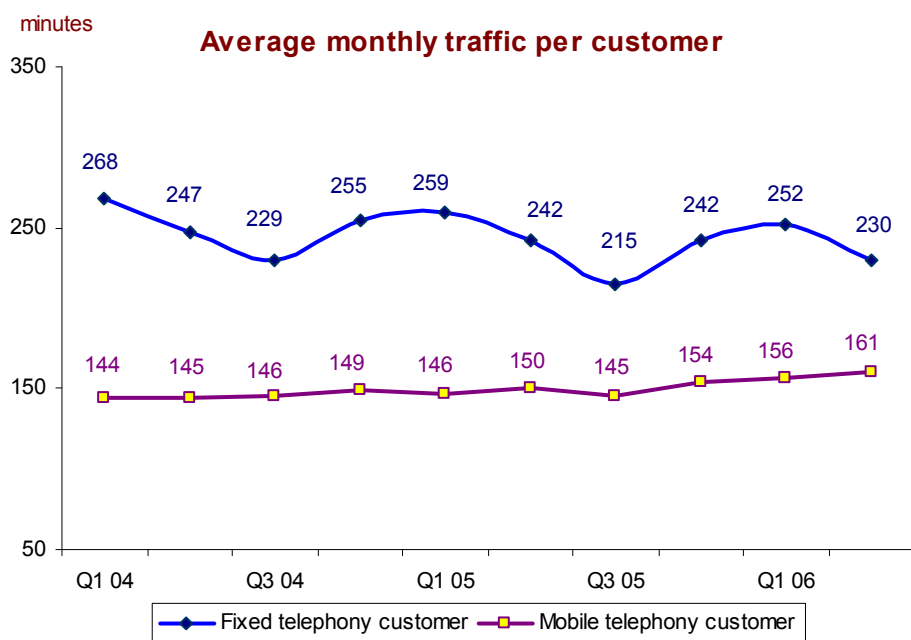
The average monthly invoice per PSTN subscription is calculated by dividing the income from subscriptions and from calls on PSTN fixed lines (excluding VoIP income), for the quarter N by an estimate of the average number of subscriptions of the quarter N.

The average monthly invoice per subscription to IP telephony access is calculated by dividing only income from invoiced IP calls (i.e. excluding multi-play flat rates) on the quarter N by an estimate of the average number of subscriptions of the quarter N.



The average monthly invoice per dial-up Internet subscription (respectively high-speed) is calculated by dividing the income from dial-up access (respectively high-speed) to Internet of the quarter N by an estimate of the average number of customers of the quarter N, divided by the number of months.

Average monthly traffic per customer (in hours)	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Change 2Q06/2Q05
From fixed telephony network	4h02	3h35	4h02	4h12	3h50	-4,9%
From mobile telephony networks	2h30	2h25	2h34	2h36	2h40	6,8%
From dial-up Internet	11h47	11h17	12h16	12h23	11h18	-4,1%
(units)						
Number of SMS sent per user during the quarter	22,7	22,5	23,9	25,1	24,6	8,3%



The volume of average monthly traffic is calculated by dividing the volume of traffic of the quarter  $N$  by an estimate of the average number of subscriptions of the quarter  $N$ , divided by the number of months.

Like for SMS, the indicator is calculated by dividing the number of SMS of the quarter N by an estimate of the average number of customers of the quarter N, divided by the number of months.

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

### **Information on billing and average monthly volumes per customer indicators**

The Market Observatory publishes **average monthly invoice per subscription indicators for fixed telephony, mobile telephony and Internet**. These are the amounts invoiced, on average by the operator to the customer for the subscription and calls (voice and data). These indicators are different from **ARPU** (Average Revenue Per User) which are generally operator revenues from all income related to network use.

In other words, the revenues used to calculate the average monthly invoice on mobile networks are revenues from outgoing calls, data services (interpersonal messaging and Internet access services) and roaming out. Revenues from interconnection (incoming calls) are not taken into account.

Financial analysts and operators publish an Average Revenue Per User indicator (average recurring revenue or **ARPU**). This includes revenues from outgoing calls, data services, value-added services *and* revenues from incoming calls (interconnection). According to operators, it may or may not include roaming income.

The Observatory also publishes **average monthly outgoing traffic per customer** indicators, which are representative of customers' telephone use.

By analogy with the ARPU, some financial agencies and operators use an average traffic per customer indicator, or **AUPU** (Average Usage Per User); it covers all or part of incoming calls to create a volume base which is comparable with that used for the ARPU. It does not represent the average consumption per customer but is rather an indicator of the operator's volume of activity per customer.

For fixed telephony, the revenues used are only those corresponding to subscriptions and telephone calls (including Internet access calls) excluding all other revenue, in particular from advanced services and Internet. This is a partial view of the fixed invoice because it includes only telephony values.

For Internet, the revenues taken into account are those from flat-rate subscriptions providing access to Internet and revenues from pay-as-you-go Internet connections.