

PART 4

The market

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Market figures and status

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A. End-user market

Under the former regulatory framework (prior to 2004), ARCEP's Markets Observatory only tracked operators with L.33-1 and L.34-1 licenses for telecommunications activities. Since a licence was not required to provide Internet access or data transport, information about these two markets as published by the Observatory was necessarily incomplete, particularly with respect to revenue.

In order to have access to more comprehensive information, the Authority joined forces with INSEE, which was collecting data on unlicensed operators, to produce a joint annual ARCEP/INSEE document.

As the electronic communications regulatory framework has evolved, the scope of the Market Observatory has expanded. Since 2004, it has encompassed all Internet access providers and data carriers.

Thus, the number of operators surveyed by ARCEP has doubled, growing from 115 to 220. In terms of revenue, expanding the scope raised turnover by € 2.6 billion for 2004.

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1. Electronic communications market

1.1. By value

Changes in revenue from end customers *(under the new regulatory framework)*

€ millions	2000	2001	2002	2003	2004	2005*
Fixed telephony	14 631	14 375	14 030	13 509	12 629	11 992
Internet	922	1 413	1 753	2 418	2 760	3 232
Mobile services	7 789	10 028	11 788	13 243	14 868	16 126
All telephony and Internet	23 342	25 816	27 570	29 171	30 257	31 350
Advanced services	1 842	1 810	1 856	1 900	2 070	2 131
Leased lines	2 113	2 328	2 260	2 272	2 233	2 197
Data transport	1 551	1 853	2 191	2 284	2 104	2 070
Directory services and accessory income	319	342	344	358	364	375
Hosting and call centres	20	43	34	40	25	17
Terminal sales and rentals	1 760	2 072	1 753	2 014	2 380	2 241
All revenue	30 948	34 263	36 008	38 039	39 433	40 381

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Internet: ARCEP Market Observatory estimates for 2000-2003 data.

Data transport source: Joint ARCEP/INSEE survey on electronic communications for 2000-2003 data.

Notes :

- Mobile services comprise mobile telephony (including SMS revenue) as well as paging and professional mobile radio networks up until 2002.

- Advanced services figures include the share of payments made by operators to service providers

Changes in revenue from end customers

% change	2001	2002	2003	2004	2005*
Fixed telephony	-1.8%	-2.4%	-3.7%	-6.5%	-5.0%
Internet	53.3%	24.1%	37.9%	14.1%	17.1%
Mobile services	28.7%	17.5%	12.3%	12.3%	8.5%
All telephony and Internet	10.6%	6.8%	5.8%	3.7%	3.6%
Advanced services	-1.7%	2.5%	2.4%	9.0%	2.9%
Leased lines	10.2%	-2.9%	0.5%	-1.7%	-1.6%
Data transport	19.5%	18.2%	4.2%	-7.9%	-1.6%
Directory services and accessory income	7.1%	0.6%	4.2%	1.8%	2.9%
Hosting and call centres	115.0%	-20.9%	17.6%	-37.7%	-31.8%
Terminal sales and rentals	17.7%	-15.4%	14.9%	18.1%	-5.8%
All revenue	10.7%	5.1%	5.6%	3.7%	2.4%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004.

*= 2005 provisional figures.

Total revenue from end customers in the electronic communications market was a little more than € 40 billion in 2005, up 2.4% compared to 2004. More than three-quarters of revenue was from telephony and Internet services.

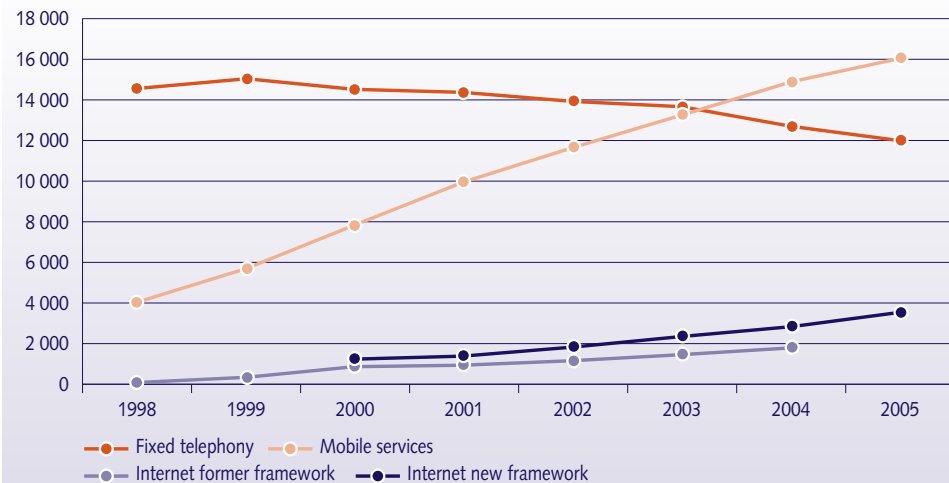
Growth from mobile telephony service revenues was strong (+8.5%), even though it was slower compared to previous years. In 2003 and 2004, annual growth exceeded 12%. Mobile revenue growth began to slow at the beginning of 2005.

Fixed telephony revenue continued to decline but not as aggressively as in 2004, thanks mainly to higher revenue from fixed telephony access and subscriptions.

Owing to strong development of broadband access, Internet revenue was up 17.1% over 2004

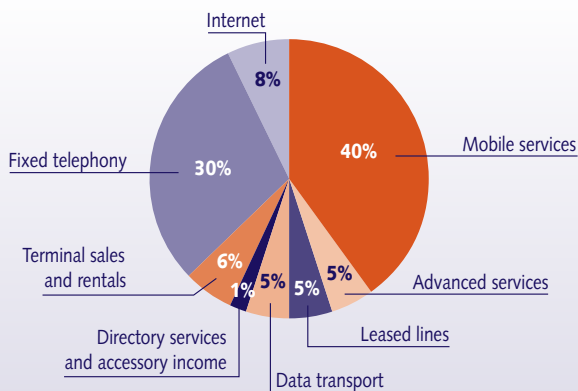
Internet telephony revenue

€ millions before tax



Source: ARCEP.

Distribution of electronic communication service revenue in 2005



Source: ARCEP.

1.2. By volume

End-customer volumes

Millions of minutes	2000	2001	2002	2003	2004	2005*
Fixed telephony	121 950	118 480	112 456	108 931	105 100	104 318
Mobile services	35 640	44 457	51 844	63 469	74 248	81 704
All voice services	157 590	162 937	164 300	172 400	179 348	186 022
Narrowband Internet	28 900	52 446	66 831	71 779	54 687	38 147
Number of SMS sent (millions of units)	1 471	3 508	5 523	8 188	10 335	12 721

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

End-customer volumes

% change	2000	2001	2002	2003	2004	2005*
Fixed telephony	-1.7%	-2.8%	-5.1%	-3.1%	-3.5%	-0.7%
Mobile services	73.3%	24.7%	16.6%	22.4%	17.0%	10.0%
All voice services	9.0%	3.4%	0.8%	4.9%	4.0%	3.7%
Narrowband Internet	129.1%	81.5%	27.4%	7.4%	-23.8%	-30.2%
Number of SMS sent		138.5%	57.4%	48.3%	26.2%	23.1%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

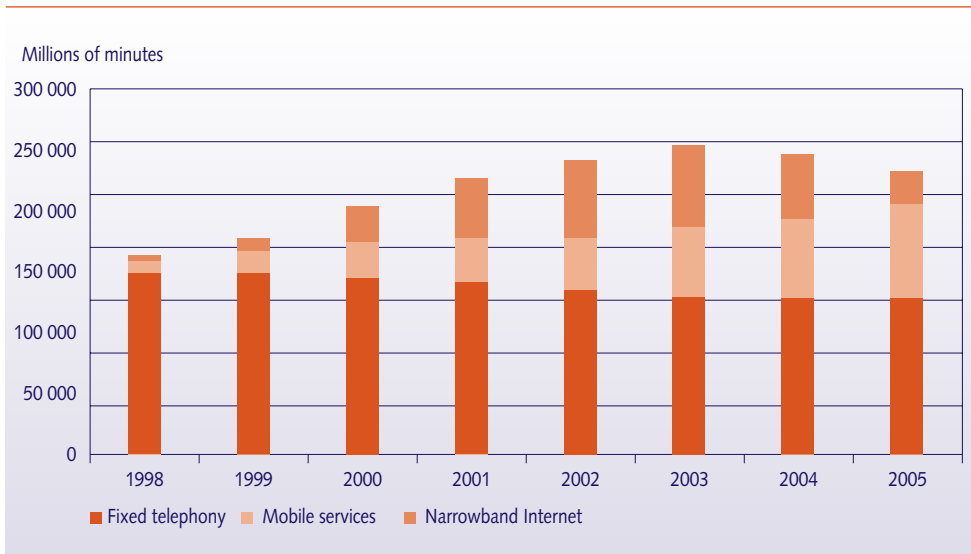
Overall, voice traffic (both fixed and mobile) rose, but more slowly than in previous years. The volume of fixed telephony traffic, measured in millions of minutes, declined much less markedly than in previous years: -0.7% in 2005 whereas it had been dropping at a rate of about 3% in the previous two years.

The volume of mobile telephony traffic rose quite significantly. Nevertheless, this was the first year since 1998 that two-digit growth was only just achieved. While in 2002 and 2004 mobile-originated traffic growth clearly exceeded subscriber growth, reflecting a surge in utilisation, in 2005 it only just slightly surpassed the growth in the number of customers (in the order of 8%).

Once again in 2005, the number of SMS messages sent rose significantly to reach 12.7 billion SMS messages, an increase of more than 20%.

Narrowband Internet traffic continued on the downward trend begun in 2004, dropping 30%.

Changes in telephony and narrowband Internet volume



Source: ARCEP.

1.3. Customer base

Subscriptions

Millions of units	2000	2001	2002	2003	2004	2005*
Fixed telephone service subscriptions	34.081	34.084	34.124	33.913	34.541	36.380
Carrier selection	4.359	5.938	6.420	7.514	7.676	8.199
Internet subscriptions	5.263	6.987	9.124	10.617	11.939	13.265
Number of mobile service customers	29.645	36.854	38.593	41.702	44.544	48.099

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Subscriptions

% change	2000	2001	2002	2003	2004	2005*
Fixed telephone service subscriptions	0.6%	0.0%	0.1%	-0.6%	1.8%	5.3%
Carrier selection		36.2%	8.1%	17.0%	2.2%	6.8%
Internet subscriptions	73.7%	32.8%	30.6%	16.4%	12.4%	11.1%
Number of mobile service customers	43.8%	24.8%	4.3%	8.1%	6.8%	8.0%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

All services showed even higher numbers of customers in 2005.

Since the end of 2003, the number of customers in the mobile sector has risen steadily at a rate of 7.5-8% per year. At the end of 2005, mobile operators reported having slightly more than 48 million customers for their services.

The number of Internet subscribers rose by 11.1% in 2005. In one year, about 1.3 million new subscribers were added: the change in broadband reinforces the trend observed in 2004. This evolution is occurring largely at the expense of narrowband. Overall, the number of subscriptions at the end of 2005 exceeded 13 million, nine-tenths of which were "consumer" subscriptions covering a little more than 26 million French households.

Fixed telephony subscriptions rose in 2005 owing to the growth of broadband access, which rose by more than 3 million over 2004.

2. Average customer consumption

The notion of an average bill per consumer is not the same for fixed and Internet services as it is for mobile services. A subscription to fixed network or Internet access is shared among household members. In the great majority of cases, a mobile subscription is used by just one individual. The average monthly bill therefore reflects the consumption of the mobile owner and not that of a household.

During 2005, the difference between average revenue from fixed and mobile subscribers increased (€ 27.1 and € 29.2 respectively before tax) though they were practically the same at the end of 2004. The average bill per customer grew for mobile telephony subscribers while it declined for fixed telephony subscribers. Though average monthly traffic per customer, expressed in minutes, remained higher for fixed subscribers than mobile subscribers, fixed use nevertheless fell slightly whereas mobile use rose. On average, each fixed subscriber made 239 minutes (3:59 hours) of phone calls per month whereas each mobile subscriber made 147 minutes (2:27 hours) of calls.

Average monthly bill per customer

€/month before tax



Source: ARCEP.

Average monthly consumption from fixed customer terminals declined 4.0% in volume and 7.9% in value in 2005. These declines are due primarily to the growth of voice over IP (mainly through voice over ADSL). About 3 million subscribers use broadband services to make telephone calls, including 600 000 who do so exclusively because their lines are unbundled. Some 2.4 million customers have both a subscription with the incumbent and a subscription with an ISP (Internet Service Provider). Their consumption is divided between the two operators, which automatically causes a drop in average consumption per subscription. In addition, broadband telephone communications are charged at a rate well below switched network tariffs, which results in a lower average bill.

Average monthly volume per customer

Minutes/month



Source: ARCEP.

Average bills and ARPU: methodological details

ARCEP publishes a quarterly Market Observatory report providing average monthly billing indicators per subscription for fixed telephony, mobile telephony, and the Internet. The figures correspond to the average amount operators bill their customers for subscription and usage (voice and data). These indicators are different from ARPU (Average Revenue per User) which corresponds to operator revenue for all income associated with network use (for both incoming and outgoing calls).

Revenue taken into account in calculating the average monthly bill for mobile-originated traffic includes revenue from: outgoing calls, data services (interactive messaging and Internet access services), and roaming out. Revenue from interconnection (incoming calls) is not included.

Financial analysts and operators for their part publish an indicator of average revenue per customer (average recurring revenue or ARPU). This includes: revenue from outgoing calls, data services, value-added services, AND revenue from incoming calls (interconnection). Depending on the operator, the figure may also include roaming revenue.

Similarly, the Observatory publishes indicators of monthly average outgoing traffic per customer, representing the extent to which customers use their telephones.

Certain financial analysts and operators use AUPU (Average Usage per User), an indicator of average traffic per customer, which is analogous to ARPU; it incorporates all incoming calls or a subset to arrive at a volume base comparable to that used for ARPU. It does not represent average consumption per customer but is yet another indicator of the volume of operator activity on a per-customer basis.

With respect to fixed telephony, the only revenue included is from telephone subscriptions and calls (including revenue from telephone calls over broadband). All other revenue, especially from advanced and Internet services, is excluded. This provides only a partial view of the fixed bill, since it looks only at values related to telephony.

With respect to the Internet, it comprises revenue from flat-rate subscriptions for Internet access and revenue from Internet connections charged by the minute.

B. Investment and employment

Direct employees

Units	2000	2001	2002	2003	2004	2005*
Employees (under former regulatory framework)	154 522	151 191	145 487	138 716	136 687	
% change	-0.5%	-2.2%	-3.8%	-4.7%	-1.5%	
Employees (under new regulatory framework)					142,204	140,662
% change						-1.1%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

The number of direct employees in the sector dipped slightly in 2005, despite the fact that the change of regulatory framework caused the number of operators surveyed by the Market Observatory to double. Operators surveyed under the former regulatory framework reported nearly 137 000 employees at the end of 2004; new operators added approximately 5000 employees to the count. Overall, employment was slightly lower in 2005 than in previous years, dropping 1.1% from 2004 levels. Employment levels were up slightly (+1.7%) for mobile operators, which had a total of 18 000 employees in 2005. Mobile operators accounted for about 13% of total sector employment in 2005.

Annual Investment

€ millions	2000	2001	2002	2003	2004	2005*
Investment (under former regulatory framework)	7 832	9 182	5 699	5 437	5 343	
% change	32.5%	17.2%	-37.9%	-4.6%	-1.7%	
Investment (under new regulatory framework)					5 495	6 272
% change						14.1%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Investment rose 14% in 2005 in contrast with previous years. This improvement affected fixed and mobile operators alike. The latter accounted for a little more than 40% of investments made in 2005.

The various segments of the retail market

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- A. Fixed voice telephony
- B. Internet
- C. Mobile
- D. Other services
- E. Leased lines
- F. Data transport

A. Fixed voice telephony

1. Access

1.1. Subscriptions

Subscriptions for fixed telephone service

Millions of units	2000	2001	2002	2003	2004	2005*	Change
Number of subscriptions at period end	34.081	34.084	34.124	33.913	34.541	36.380	5.3%
of which analogue lines	-29.597	29.248	28.980	28.673	28.502	28.186	- 1.1%
of which digital lines	4.373	4.774	5.084	5.176	5.038	4.780	-5.6%
of which cable	0.043	0.062	0.058	0.060	0.069	0.139	114.9%
of which voice over IP					0.931	3.275	254.2%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

The number of fixed telephony subscriptions rose by 5.3% in 2005 thanks to the development of broadband. Access to cable telephony doubled in just one year after several years of moderate growth.

The evolution of “conventional” subscriptions on analogue and digital lines reflects not only economic but also demographic phenomena, with some conflicting results. The demographic factor is tied to the number of primary residences, which rises by about 300 000 every year according to INSEE. On the other hand, two factors are slowing growth in the number of “conventional” switched-network subscriptions: the substitution of mobile for fixed (according to Médiamétrie and GfK, 18% of households no longer had a fixed telephone in 2005) and the overall rise in unbundling (600 000 lines as of the end of 2005), which together are driving the migration of lines from the “Analogue” and “Digital” categories to the “Voice over IP” category.

Revenue from access charges, subscriptions and additional services

€ millions	2000	2001	2002	2003	2004	2005*	Change
Access, subscriptions and additional services	5 144	5 366	5 426	5 505	5 439	5 613	3.2%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

The higher telephone subscription prices (+7.6%) introduced in March 2005, which were offset by the slight decline in the number of analogue and digital subscriptions, limited the rise in access revenue to 3.2% in 2005.

1.2. Carrier selection

Carrier selection subscriptions

Millions of units	2000	2001	2002	2003	2004	2005*	Change
Carrier selection subscriptions	4.359	5.938	6.420	7.514	7.676	8.199	6.8%
of which per-call selection	2.860	3.167	2.722	2.991	2.513	2,567	2.2%
of which preselection	1.499	2.771	3.698	4.523	5.163	5.632	9.1%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.
 *= 2005 provisional figures.

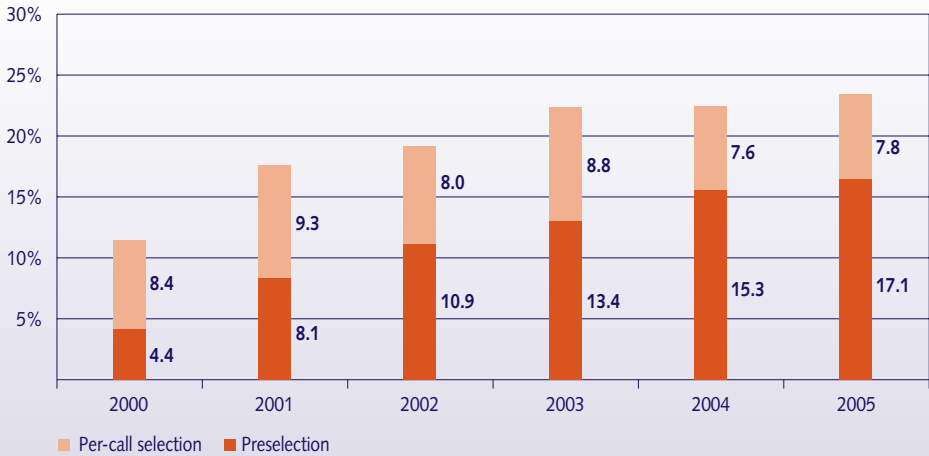
Number of carrier selection subscriptions



Source: ARCEP.

Carrier selection allows calls to be placed via an operator other than one's local loop operator. This choice can be made automatically (by preselection) or per call. The number of carrier selection subscriptions grew a little more than 6.8% in 2005 and affected 8.2 million customers as of year-end. Preselection by subscription rose more slowly than in 2004 (+9.1% versus +14%). Relative to the total count of fixed lines, preselection is chosen by 17.1% of fixed line subscribers. The number of per-call-selection subscriptions rose by nearly 2.2% in 2005 (to 3 million) after declining by 15% in 2004.

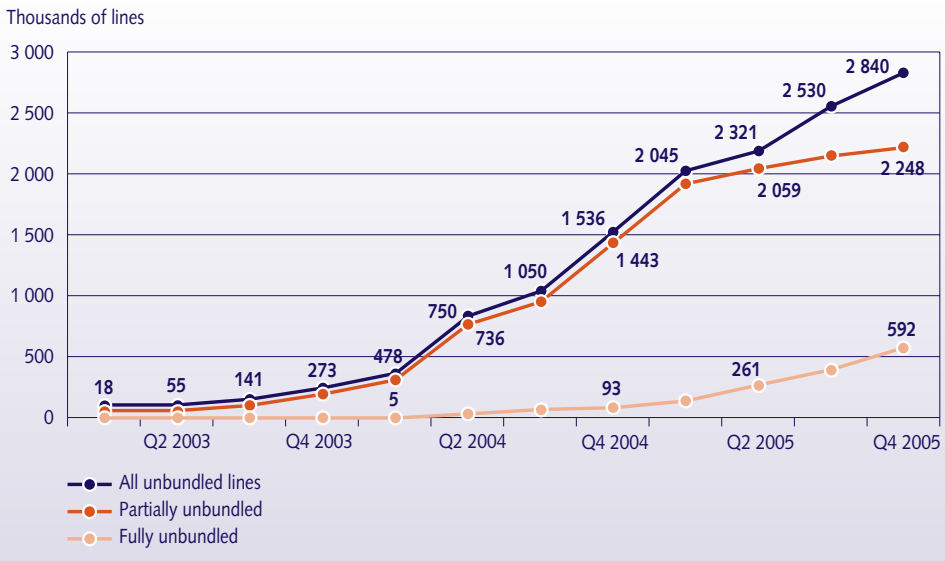
Carrier selection subscriptions as a proportion of telephone service subscriptions (exclusive of cable and VoIP)



Source: ARCEP.

1.3. Local loop unbundling

Number of unbundled lines



Source ARCEP.

With 2.8 million unbundled lines as of end 2005, unbundling has continued to exhibit strong growth. The number of partially unbundled lines rose by 785 000 during the year and the number of fully unbundled lines by nearly 500 000. In the second half of the year the overall rate of unbundling

accelerated: the number of fully unbundled lines rose even more than the number of partially unbundled lines (+330 000 versus +170 000).

1.4. Cards and public payphones

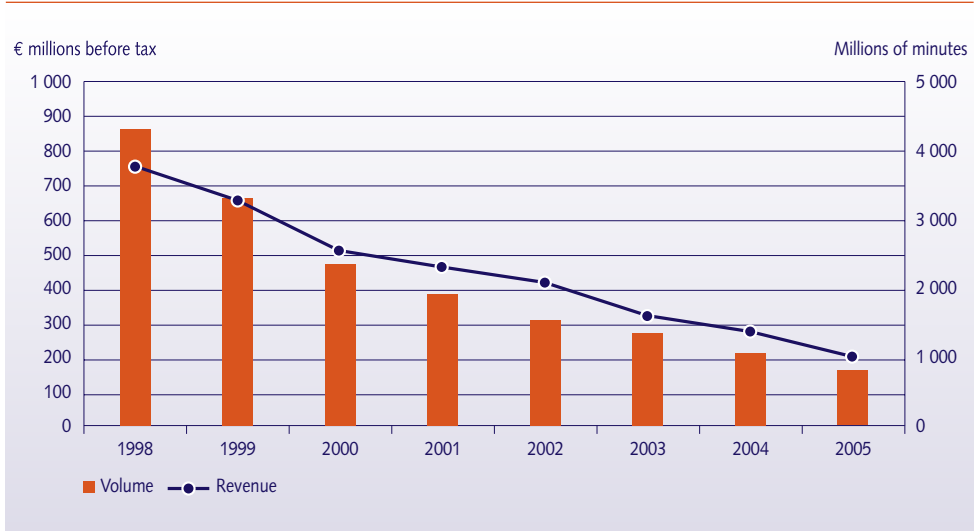
Public payphones

Millions of units	2000	2001	2002	2003	2004	2005*	Change
Call revenue (€ millions)	516	469	426	333	277	220	-20.7%
Call volume (millions of minutes)	2 397	1 960	1 627	1 383	1 092	829	-24.1%
Number of public payphones as of 31 December (units)	229 620	213 993	202 418	192 275	189 298	179 770	-5.0%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Public payphones



Source: ARCEP.

Postpaid and prepaid fixed phone cards

	2000	2001	2002	2003	2004	2005*	Change
Fixed telephone card revenue (€ millions)	332	251	217	244	248	233	-5.9%
Millions of card minutes	2 611	1 903	1 380	1 741	1 941	2 247	15.8%
Millions of prepaid cards sold	44	26	16	23	13	28	110.6%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

There are two types of phone card for fixed networks (apart from phone cards usable only on an operator's public payphones):

- *postpaid cards for which billing takes place after the call has been completed (either subscription cards connected to a subscriber account where call charges appear on the subscriber's bill or bank or credit cards allowing calls to be billed directly to a bank account or to a distributor account);*
- *prepaid cards supporting telephone call charges up to a fixed amount, which is paid in advance.*

2. Fixed telephony

Details of indicators for IP telephony service or "outgoing voice over IP calls"

About the terminology used

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

ARCEP defines "voice over broadband" as fixed telephony service using voice over IP technology on an Internet access network at speeds in excess of 128kbps 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 who have not declared their activity and which support PC-to-PC voice over Internet. These operators are outside the scope of the survey.

Revenue taken into consideration

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

2.1. Communications by value and by volume

Fixed line call revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
National calls	5 014	4 520	4 192	3 850	3 567	3 215	-9.9%
International calls	897	871	850	819	673	620	-7.9%
Calls to mobiles	2 729	2 895	2 919	2 758	2 425	2 091	-13.8%
All fixed line revenue	8 639	8 287	7 961	7 427	6 666	5 926	-11.1%
of which calls originating from VoIP services					16	100	514.7%

Source: ARCEP Market Observatory Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Fixed line call volume

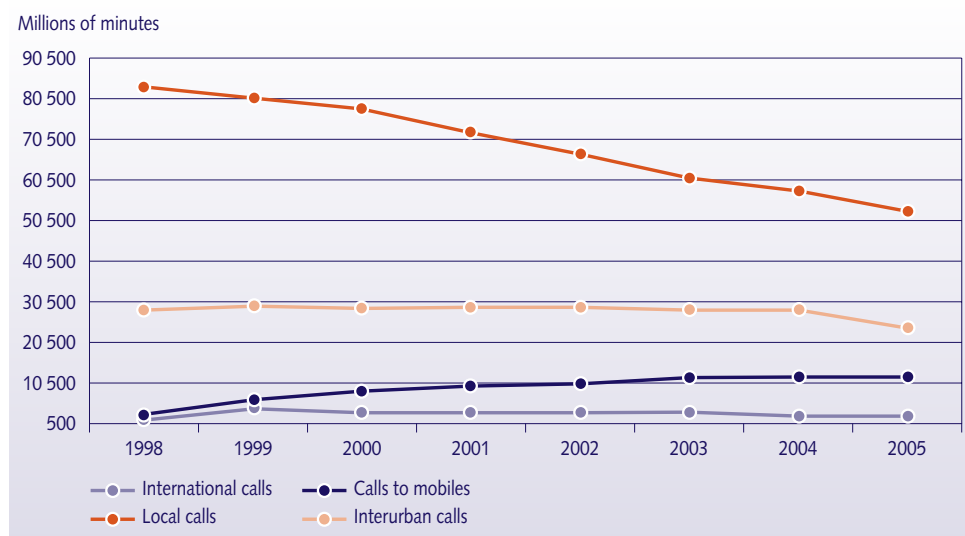
Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
National calls	104 838	100 624	94 143	89 536	86 149	85 100	-1.2%
International calls	4 454	4 610	4 808	4 907	4 281	4 056	-5.3%
Calls to mobiles	7 649	9 384	10 498	11 365	11 638	12 086	3.9%
All fixed line volume	116 942	114 617	109 449	105 807	102 067	101 242	-0.8%
of which calls originating from VoIP services					1 453	8 041	453.5%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Since 1998, traffic from fixed terminals has been in continuous decline. However, the 1.2% dip in 2005 seemed to indicate a pause compared to the downturns observed from 2002 through 2004 (in the order of 3.5% to 4.5% per year). At 8 billion minutes, outgoing calls from IP access slowed the decline in traffic from fixed lines: without the VoIP traffic the 2005 decline would have been more pronounced at 7.4%.

Outgoing fixed-line call volume



Source: ARCEP.

2.2. Fixed telephony totals (value and volume)

All fixed-telephony revenue

€ Millions	2000	2001	2002	2003	2004	2005*	Change
Access, subscriptions and calls from fixed lines	13 783	13 653	13 387	12 932	12 105	11 539	-4.7%
Public payphones	516	469	426	333	277	220	-20.7%
Cards	332	251	217	244	248	233	-5.9%
All fixed-telephony	14 631	14 373	14 030	13 509	12 630	11 992	-5.0%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

All fixed-telephony volume

Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
All calls from fixed lines	116 942	114 617	109 449	105 807	102 067	101 242	-0.8%
Public payphones	2 397	1 960	1 627	1 383	1 092	829	-24.1%
Cards	2 611	1 903	1 380	1 741	1 941	2 247	15.8%
All fixed-telephony	121 950	118 480	112 456	108 931	105 100	104 318	-0.7%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

3. Average consumption per customer

Average monthly consumption per fixed subscription

	2000	2001	2002	2003	2004	2005*	Change
Average monthly bill per customer (€ before tax)	33.8	33.4	32.7	31.7	29.5	27.1	-7.9%
Average monthly volume per customer	286.8	280.2	267.4	259.2	248.5	238.5	-4%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Notes : 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.

The bill is calculated by dividing the fixed line call revenue and subscription revenue for Year N by the estimated customer base for Year N and dividing the result by 12.

Average monthly volume is calculated by dividing the traffic volume for Year N by the estimated customer base for Year N and dividing the result by 12.

B. Internet

1. Internet market

1.1. Subscriptions

Internet subscriptions

Millions of units	2000	2001	2002	2003	2004	2005*	Change
Narrowband*		6.385	7.469	7.048	5.377	3.800	-29.3%
Broadband		0.602	1.655	3.569	6.561	9.465	44.3%
Total Internet subscriptions*	5.263	6.987	9.124	10.617	11.939	13.265	11.1%

* Source: AFA up to and including 2002. Thereafter, statistics of access providers: 9 Online, AOL France, Club Internet, Free (dialup 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).

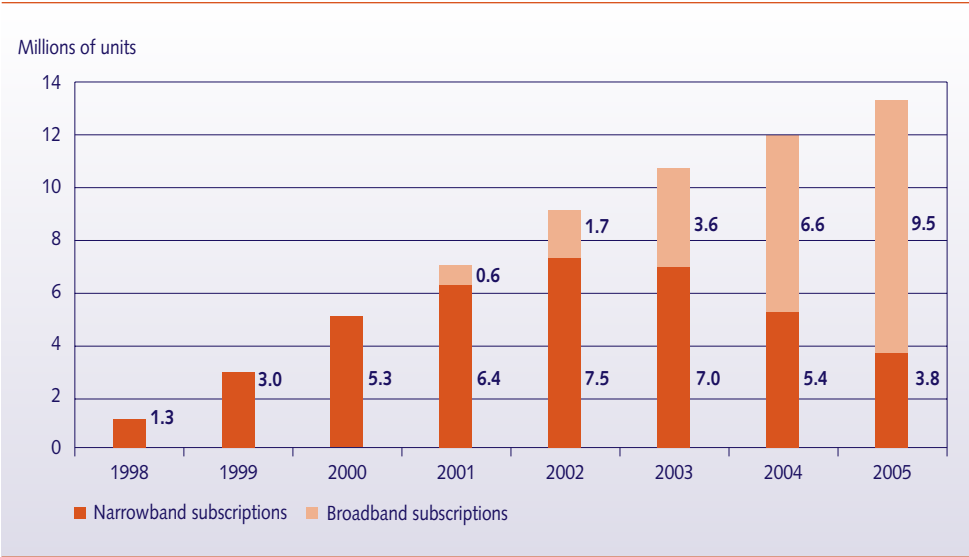
Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

* = 2005 provisional figures.

The number of Internet subscriptions reached 13.3 million at the end of 2005, marking continued sustained growth as in 2004 (+11.1% versus +12.4% in 2004). Broadband Internet rose very sharply (+44% over 2004), especially given the surge in unbundling and the substitution of broadband subscriptions for narrowband subscriptions (which dropped nearly 30%). At the end of 2005, broadband subscriptions (to xDSL, cable, and other

services) represented more than two-thirds of Internet subscriptions, as compared to 55% at the end of 2004.

Number of Internet subscriptions



Source: ARCEP.

1.2. Revenue

Total Internet revenue
(under new regulatory framework)

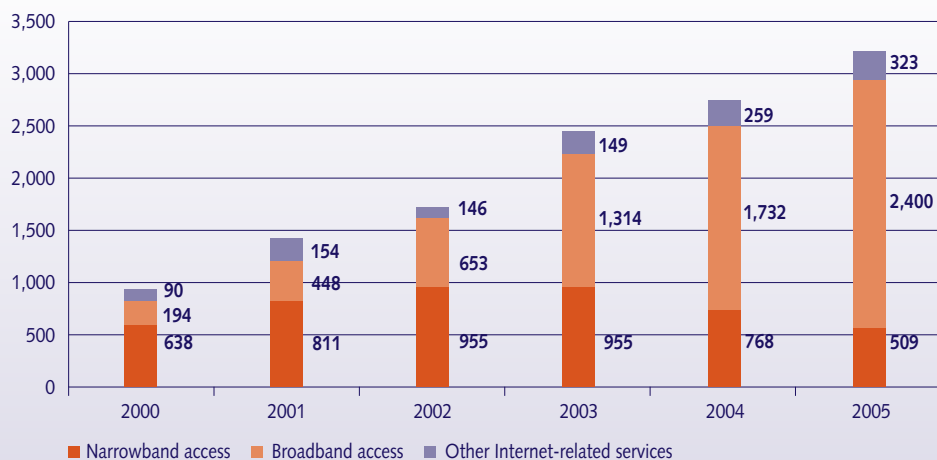
€ Millions	2000	2001	2002	2003	2004	2005*	Change
Narrowband access	638	811	955	955	768	509	-33.7%
Broadband access	194	448	653	1 314	1 732	2 400	38.5%
Other Internet-related services	90	154	146	149	259	323	24.7%
Total Internet	922	1 413	1 753	2 418	2 760	3 232	17.1%

Source: ARCEP Market Observatory, estimates for 2000-2003, 2004 Annual Survey and 2005 quarterly survey.
*= 2005 provisional figures.

Changes in Internet revenue faithfully follow the subscription trend observed in 2005. Revenue structure saw the same changes in narrowband and broadband as witnessed in the customer base structure. Thus, in 2005, three-quarters of Internet revenue was derived from broadband access, as compared with 63 % in 2004 and a little more than half in 2003.

Internet revenue under the new regulatory framework

€ millions before tax



Source: ARCEP.

2. Narrowband

Narrowband subscriptions

Millions of units	2001	2002	2003	2004	2005*	Change
Pay-as-you-go accounts			2.747	2.376	1.619	-31.9%
Flat-rate accounts			4.301	3.001	2.180	-27.3%
Total	6.385	7.469	7.048	5.377	3.800	-29.3%

*Source: AFA up to and including 2002. Thereafter, statistics of access providers: 9 Online, AOL France, Club Internet, Free (dialup 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 Market Observatory, 2003 and 2004 quarterly surveys and 2005 quarterly survey.

*= 2005 provisional figures.

Narrowband Internet access revenue

(under new regulatory framework)

€ Millions	2000	2001	2002	2003	2004	2005*	Change
Access calls	208	189	313	251	195	129	-33.7%
Flat-rate accounts	430	622	641	704	574	380	-33.7%
Narrowband Internet access	638	811	955	955	768	509	-33.7%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

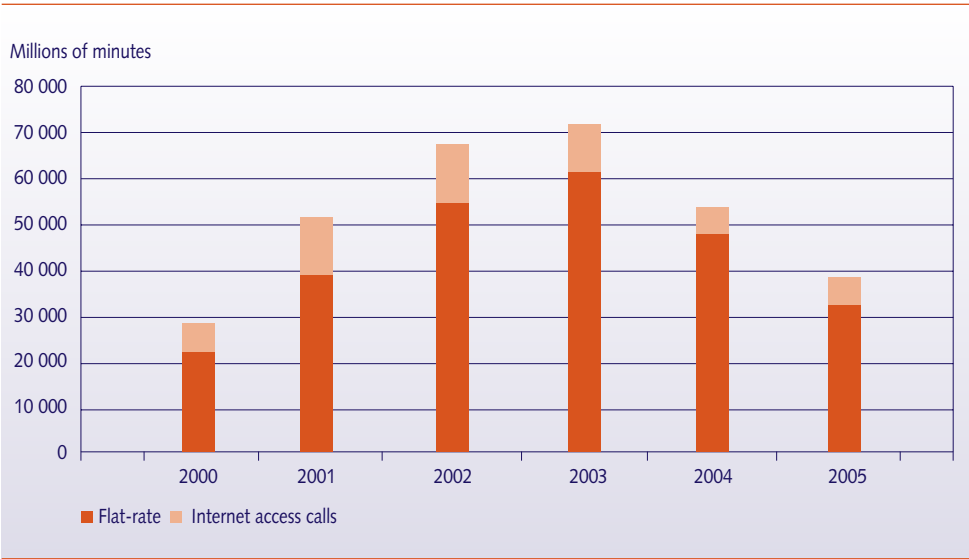
Narrowband Internet volume

Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
Access calls	6 740	13 326	12 310	10 161	7 690	5 258	-31.6%
Flat-rate accounts	22 159	39 120	54 521	61 618	46 997	32 889	-30.0%
Narrowband Internet volume	28 903	52 446	66 831	71 779	54 687	38 147	-30.2%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.
*= 2005 provisional figures.

The decline in the number of narrowband access lines began at the end of 2003 when subscriptions dropped sharply to the benefit of broadband. However, the impact on traffic and revenue was not observed until the beginning of 2004. In 2005, the reduction was slightly more than 30%.

Distribution of narrowband Internet traffic



Source: ARCEP.

3. Broadband

Broadband subscriptions

Millions of units	2000	2001	2002	2003	2004	2005*	Évol.
xDSL access	0.068	0.408	1.368	3.172	6.103	8.900	45.8%
Cable access*	0.127	0.190	0.283	0.394	0.454	0.560	23.3%
Other access (WLL optical fibre satellite etc.)	0.002	0.003	0.004	0.003	0.004	0.007	54.5%
Total	0.196	0.602	1.655	3.569	6.561	9.465	44.3%

*Source: Up to and including 2003, AFORM (Association Française des Opérateurs de Réseaux Multiservices, www.aform.org).
Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.
*= 2005 provisional estimate.

Broadband Internet access revenue

(under new regulatory framework)

€ millions	2000	2001	2002	2003	2004	2005*	Change
xDSL access	21	163	455	998	1 521	2 195	44.3%
Cable access	25	68	84	129	116	115	-0.8%
Other access (WLL optical fibre satellite etc.)	148	217	114	186	95	90	-5.3%
Broadband Internet revenue	194	448	653	1 314	1 732	2 400	38.6%

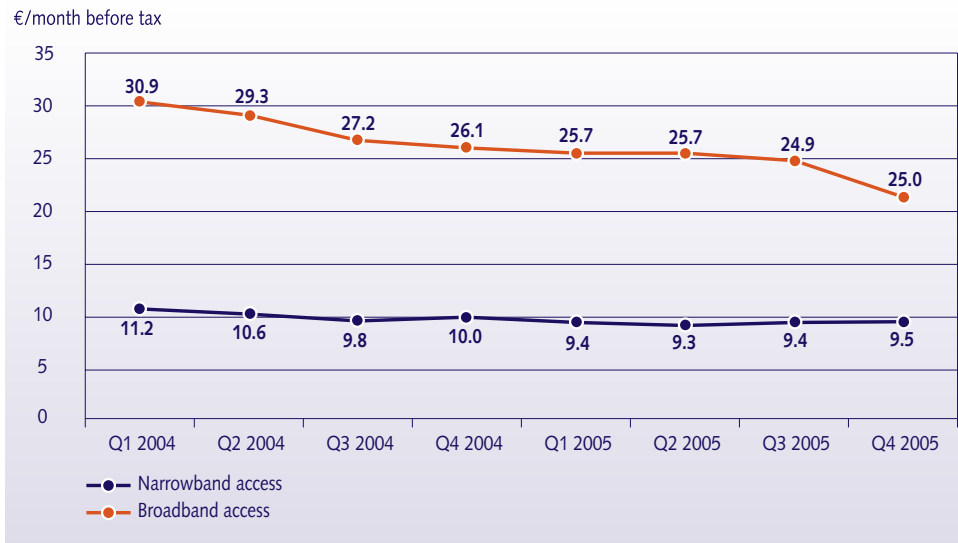
Source: ARCEP Market Observatory, estimates for 2000-2003, 2004 Annual Survey and 2005 quarterly survey.

*= 2005 provisional figures.

The number of broadband Internet subscribers reached nearly 9.5 million at the end of 2005 representing 44.3% growth in one year. The number of broadband Internet access lines grew by 2.9 million after a sharp rise in 2004 (of more than 3 million subscriptions). ADSL accounted for the vast majority of subscriptions, 8.9 million. ADSL is also the revenue growth engine. In 2005, ADSL revenue rose 45.8% and accounted for nine-tenths of all broadband revenue.

4. Average monthly bill per Internet subscriber

Average monthly bill per Internet subscription



Source: ARCEP.

At the end of 2005, the before-tax average monthly subscriber bill was € 9.5 for narrowband access and € 25 for broadband access.

C. Mobile

1. Mobile market

1.1. Customers

1.1.1. Total customers

In 2005, the number of mobile telephony customers continued to rise at a rate similar to that of 2004 (+8% versus +6.8% in 2004).

Number of mobile customers by customer type

Millions of units	2000	2001	2002	2003	2004	2005	Change
Number of customers	29.645	36.854	38.593	41.702	44.544	48.099	8.0%
Consumer	26.163	32.390	34.133	36.522	38.720	41.690	7.7%
Business	3.482	4.464	4.459	5.179	5.824	6.410	10.0%

Source: ARCEP Market Observatory. Annual Surveys 1998-2004 and 2005 quarterly survey.

1.1.2. Segmentation by subscription type

Number of mobile customers

Millions	2000	2001	2002	2003	2004	2005	Change
Subscriptions and flat-rate plans	15.838	18.832	21.485	24.553	27.420	30.515	11.3%
Prepaid cards	13.806	18.022	17.108	17.149	17.124	17.584	2.7%
of which active prepaid cards		16.734	16.416	16.462	16.409	16.727	1.9%
Number of mobile customers	29.645	36.854	38.593	41.702	44.544	48.099	7.8%

Source: ARCEP Market Observatory. Annual Surveys 1998-2004 and 2005 quarterly survey.

The number of flat-rate subscriptions grew 11% in 2005 while the number of customers using prepaid cards rose 2.5% (versus no growth in 2004). The percentage of inactive cards remained very low at less than 2% of the total card base (860 000 cards had not been activated in the fourth quarter of 2005).

The flat-rate share rose 1 point in 2005 at the expense of prepaid.

Changes in flat-rate plans and prepaid cards



Source: ARCEP.

1.1.3. Multimedia mobile base

Slightly more than 14 million mobile customers used a multimedia service in December 2005. This represented 29% compared with 23% a year earlier.

The multimedia base is defined as the group of prepaid and postpaid customers who used a WAP, iMode, MMS or email multimedia service at least once during the previous month.

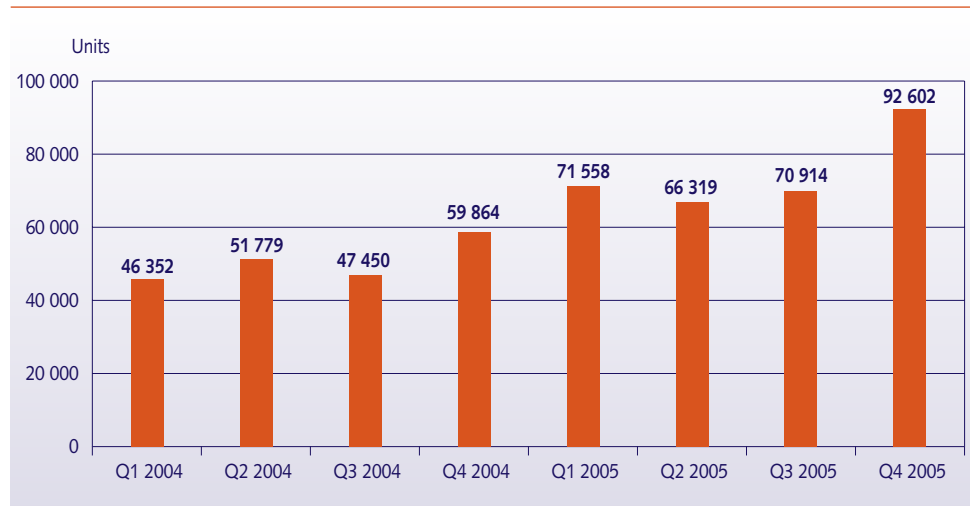
Mobile multimedia customer base



1.1.4. Portability

The count of mobile numbers ported from one operator to another reached 92 600 during the fourth quarter of 2005. Total numbers ported (numbers activated by the recipient operator) exceeded 300 000 in 2005 compared to approximately 200 000 in 2004 (+47%).

Number of ported mobile numbers per quarter



Source: ARCEP.

1.2. Revenue and volume

1.2.1. Growth in 2005

Voice represented the vast majority of mobile service revenue (apart from advanced services). The importance of the supplementary revenue operators derive from data transport (SMS, MMS, etc.) has increased year over year.

Breakdown of mobile telephone service revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
Voice services	7 738	9 497	11 093	12 125	13 446	14 199	5.6%
Data transport	152	405	676	1 106	1 416	1 927	36.1%
Mobile service revenue	7 761	10 000	11 768	13 231	14 862	16 126	8.5%

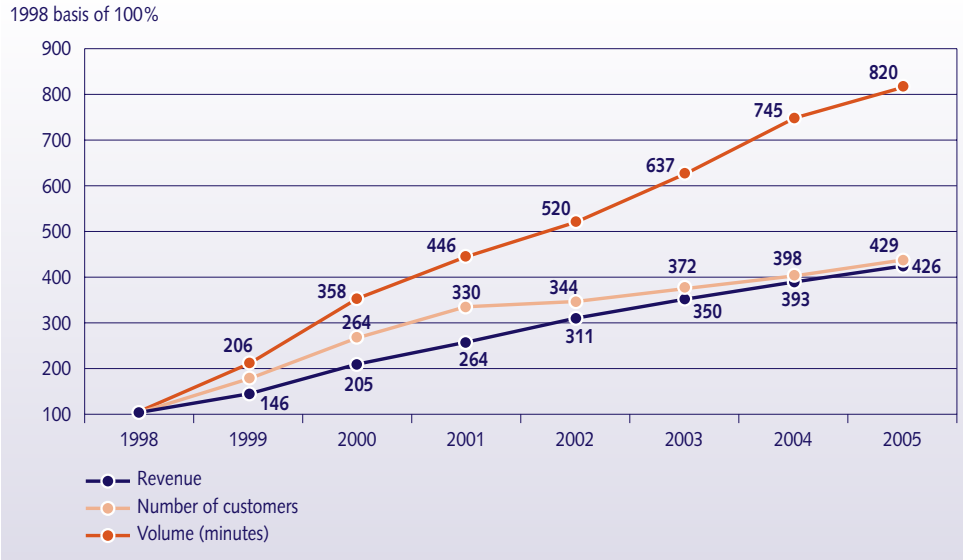
Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

1.2.2. Market evolution since 1998

Changes in mobile telephony value, volume and customer base

Retail market (excluding advanced services)



Source: ARCEP.

In 2005, mobile revenue grew just a little faster than the customer base contrary to the other years since 2002.

The very high growth in traffic volume observed in recent years slowed in 2005. For the first time, traffic volume, which is measured in minutes, did not increase at a higher rate than revenue from customer invoices. Since 1998, traffic volume measured in minutes has grown eightfold while revenue and the mobile customer base have grown fourfold.

1.2.3. Segmentation by subscription type

Mobile service revenue by subscription type

€ millions	2000	2001	2002	2003	2004	2005*	Change
Subscriptions and flat-rate plans	6 851	8 360	9 636	10 963	12 580	13 826	9.9%
Prepaid cards	910	1 640	2 132	2 268	2 281	2 300	0.8%
Mobile service revenue	7 761	10 000	11 768	13 231	14 862	16 126	8.5%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

In 2005, mobile operators continued their policy of favouring monthly flat-rate subscriptions that generate the larger part of revenue (86% versus 14% for prepaid) and mobile traffic (91% of minutes consumed by mobile customers) even though they represent only 63% of SIM cards.

Volume of mobile-originated minutes by subscription type

Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
Subscriptions and flat-rate plans	32 070	39 793	46 646	57 378	68 066	74 574	9.6%
Prepaid cards	3 570	4 626	5 197	6 091	6 182	7 130	15.3%
Total minutes volume	35 640	44 419	51 844	63 469	74 248	81 704	10.0%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

* = 2005 provisional figures.

2. Voice over mobile

2.1. Voice revenue by call destination

Mobile telephony minutes revenue by call destination

€ millions	2000	2001	2002	2003	2004	2005*	Change
National calls	7 076	8 681	10 219	10 942	12 029	12 685	5.5%
International calls	269	323	424	437	535	551	2.9%
Roaming out	394	492	450	745	881	963	9.3%
Mobile outgoing call revenue	7 738	9 497	11 093	12 125	13 446	14 199	5.6%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

* = résultat provisoire 2005.

National calls, which cover all calls from a mobile to a fixed station in France as well as calls to paid voice mail generate nearly 90% of voice revenue and 97% of traffic. Roaming out (calls sent and received by mobile customers when they are abroad) rose by 13.2% in volume and 9.3% in value.

2.2. Voice volume by call destination

Mobile telephony volume by destination

Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
National mobile-to-fixed calls	16,269	17 665	18 710	20 839	22 168	20 103	-9.3%
On-net calls	11 715	16 157	19 939	25 968	31 869	40 583	27.3%
Off-net mobile-to-mobile calls	6 840	9 521	11 973	15 202	18 267	18 905	3.5%
International calls	498	692	713	805	959	998	4.1%
Roaming out	313	385	509	655	985	1 115	13.2%
Mobile outgoing call volume	35 640	44 419	51 844	63 469	74 248	81 704	10.0%

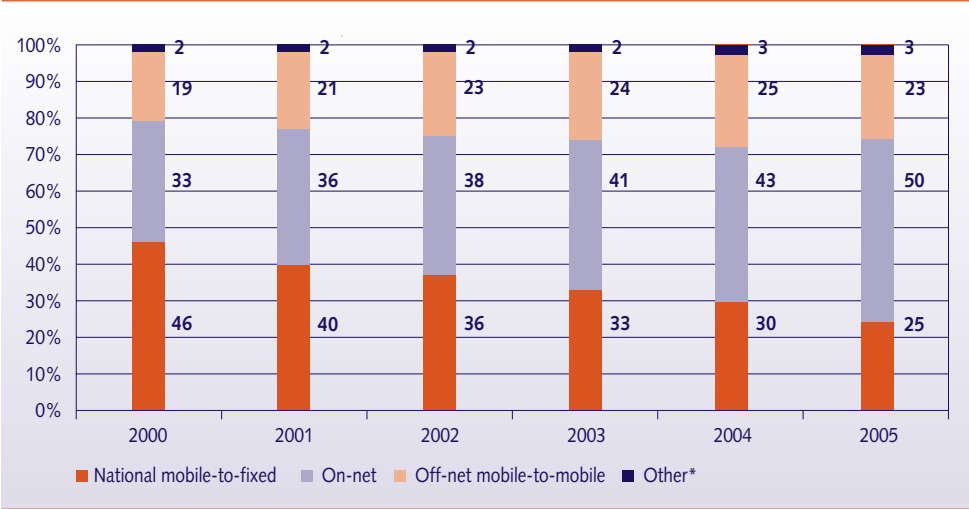
Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

The 10% rise in voice-traffic volume in 2005 represents some contrasting underlying trends:

- For the first time, traffic to fixed terminals declined (-9.3%).
- On-net calls (where calling and called parties are customers of the same mobile operator) rose 27.3% in one year (+9 million minutes). In 2003 and 2004, they rose by 6 million minutes. With the end of the bill-and-keep system (in which mobile operators do not bill one another for call termination) in January 2005, operators increased the number of "unlimited" services, giving preference to calls to customers of the same network. In 2005, this traffic represented half of outgoing mobile calls.
- Calls to other mobile operators remained relatively stable (+3.5%).

Mobile call volume by destination



Source ARCEP,

*Others: Calls to international destinations and roaming out. Roaming out refers to calls placed from abroad by customers of French mobile operators.

3. Mobile data

3.1. Revenue

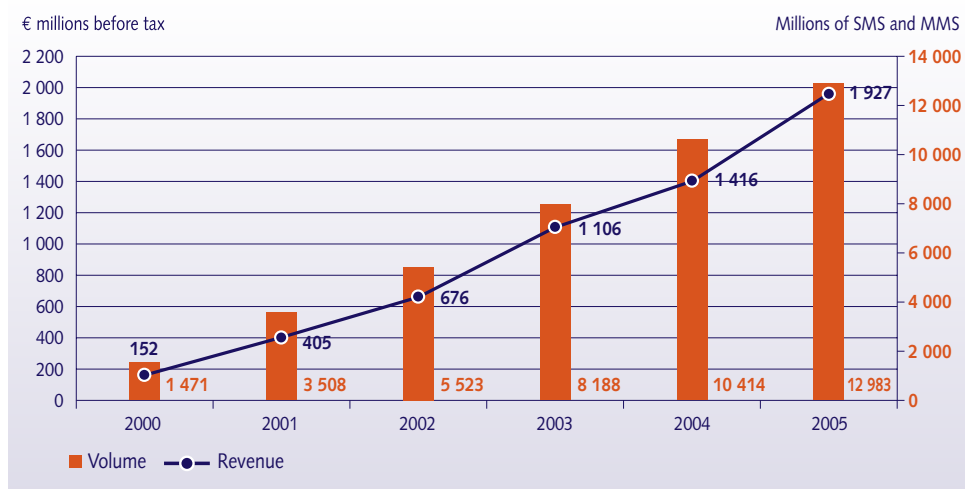
Data revenue showed a very clear rise in 2005 (+36.1% versus +28% in 2004). This change has been sustained by the rise in SMS and MMS usage (in the order of 23% in value and volume) and by the strong growth in access services for mobile Internet and multimedia services (shown under “Other data transport”).

Mobile data network transport revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
Data transport	152	405	676	1 106	1 416	1 927	36.1%
of which interpersonal messaging (SMS, MMS)	151	395	639	915	1 102	1 357	23.2%
of which other data transport	1	10	37	191	314	570	81.5%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.
*= 2005 provisional figures.

Interpersonal messaging



Source: ARCEP.

3.2. Total SMS volume sent

Number of interpersonal messages sent

Millions of units	2000	2001	2002	2003	2004	2005*	Change
Number of interpersonal SMS and MMS messages sent	1 471	3 508	5 523	8 188	10 414	12 983	24.7%
of which SMS	1 471	3 508	5 523	8 188	10 335	12 721	23.1%
of which MMS					79	262	231.6%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

4. Average consumption per customer

Average monthly consumption per mobile customer

	2000	2001	2002	2003	2004	2005*	Change
Average monthly bill per customer par client (€/month before tax) (1)	25.7	25.1	26.0	27.5	28.7	29.0	1.0%
Average monthly volume per customer (minutes) (2)	117.7	111.3	114.5	131.7	143.4	146.9	2.4%
Average monthly number of SMS sent per customer (3)	4.9	8.8	12.2	17.0	20.0	22.9	14.6%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

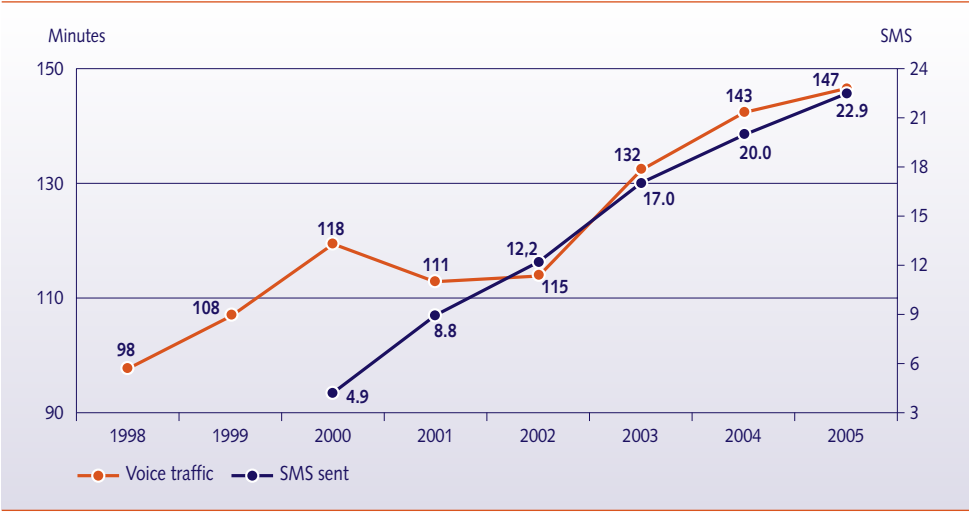
Notes : Average customer base for Year N: (Total customer base at the end of Year N + Total customer base at the end of Year N-1)/2.

- (1) This indicator is calculated by dividing mobile telephony 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.
- (2) This indicator is calculated by dividing the traffic volume for Year N by the estimated average customer base for Year N and dividing the result by 12.
- (3) This indicator is calculated by dividing the number of SMS for Year N by the estimated average customer base for Year N and dividing the result by 12

Until 2001, the average bill per customer was declining, with the result that the preferred operator policy during those years was to win new customers. Consequently, the customer base grew faster than revenue. The change to a policy favouring consumption automatically caused average traffic per subscriber to rise.

In 2005, growth in average revenue per customer slowed while average traffic volume per customer, which had not stopped rising until 2004, showed weaker growth than in 2005.

Monthly average volume per mobile customer



Source: ARCEP.

The ratios of average monthly invoice and average monthly traffic show the differences in consumption between the two types of customer: prepaid cardholders make phone calls for an average of 30 minutes per month amounting to € 11 before tax while flat-rate subscribers call a little more than 150 minutes per month amounting to an average of € 40 before tax.

Average monthly bill per mobile customer

€/month before tax



Source: ARCEP.

Average monthly consumption per customer by subscription type

Flat-rate	2000	2001	2002	2003	2004	2005*	Change
Average monthly revenue per customer (€ before tax)	39.2	40.1	39.7	39.7	40.3	39.7	-1.4%
Average monthly volume per customer (minutes)	183.7	190.7	192.3	207.7	218.0	214.3	-1.7%
Cards	2000	2001	2002	2003	2004	2005*	Change
Average monthly revenue per customer (€ before tax)	7.2	8.6	10.1	11.0	11.1	11.0	-0.4%
Average monthly volume per customer (minutes)	28.2	24.2	24.6	29.6	30.1	34.2	13.9%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

D. Other services

1. Advanced services

Advanced service revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
All advanced service revenue	1 842	1 810	1 856	1 900	2 070	2 131	2.9%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Advanced service volume

Millions of minutes	2000	2001	2002	2003	2004	2005*	Change
All advanced service volume*	9 805	9 859	10 063	10 031	9 761	9 401	-3.7%
of which fixed operators	9 144	8 776	8 900	8 979	8 537	7 953	-6.8%
of which mobile operators	661	1 083	1 163	1 052	1 224	1 448	18.3%

Source: ARCEP Market Observatory Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Advanced-service volume and value are not identical in scope: volume covers voice services only while revenue covers data services as well. In 2005, revenue from services such as SMS+ and MMS+ accounted for 28% of revenue from advanced services billed by mobile operators.

2. Directory information service, directory and advertising revenue

Revenue from telephone-related services: directory services, directories, and advertising

€ millions	2000	2001	2002	2003	2004	2005*	Change
Directory services, directories, and advertising	319	342	344	358	364	375	2.9%
of which fixed operators	276 74	286	279	287	201	202	0.5%
of which mobile operators	43	55	64	71	163	173	5.8%

Source: ARCEP Markets Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

In 2005, the number of directory service calls exceeded 25 million. Calls from mobiles accounted for the majority, representing a little more than 60% of the total. Fixed operator revenue in 2004 included some € 70 million generated by directory sales, advertising, and supplying lists.

3. Terminal sales and rental

Revenue from terminal equipment sales and rental

€ millions	2000	2001	2002	2003	2004	2005*	Change
Revenue from equipment and terminals	1 760	2 049	1 753	2 014	2 380	2 241	-5.8%
of which fixed (including Internet) operators	673	809	633	624	813	718	-11.7%
of which mobile operators	1 087	1 240	1 120	1 389	1 567	1 523	-2.8%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

4. Hosting and call centre management

Hosting and call centre management revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
Revenue from hosting and call centre management	20	43	34	40	25	17	-31.8%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

E. Leased lines

Leased line base

Units	2000	2001	2002	2003	2004	2005*	Change
Base of analogue and digital leased lines	357 916	366 529	359 003	317 548	455 860	452 188	-0.8%

Source: ARCEP Market Observatory, Annual Surveys 1998-2004 and 2005 quarterly survey.

*= 2005 provisional figures.

Note : Leased line revenue may include double counts to the extent that operator-to-operator sales are counted. These sales may represent up to 35% of total leased line revenue..

F. Data transport

Data transport revenue

€ millions	2000	2001	2002	2003	2004	2005*	Change
Data transport revenue	1 551	1 853	2 191	2 284	2 104	2 077	-1.3%

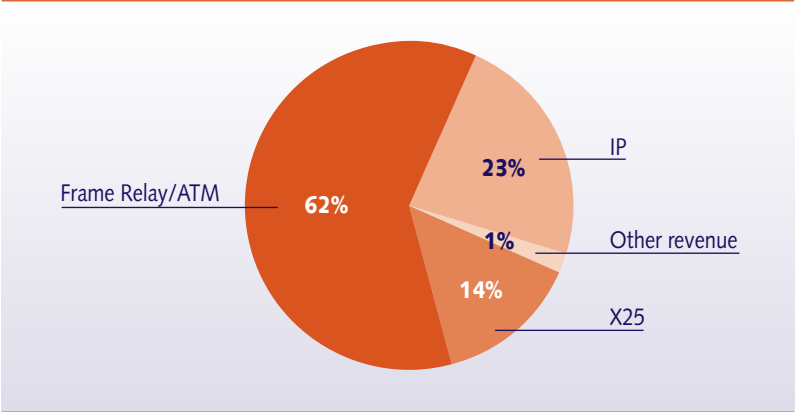
Source: Joint ARCEP/INSEE survey on electronic communications for 2000-2003 data; ARCEP Market Observatory, 2004 Annual Survey and 2005 quarterly survey.

*= 2005 provisional figures.

Data transport includes services provided on X.25, Frame Relay, MAN, IP, and other such networks. These volume-billed capacity-transport services are different from the leased line offerings generally chosen to connect two business locations that have potentially high data traffic requirements.

Note : More than half of the customer-side Frame Relay revenue and a significant portion of the customer-side ATM revenue reported by IP VPN operators is based on mixed transport technologies (leased lines, Frame Relay, DSL, ATM, Ethernet).

Distribution of data transport turnover in 2003



Source: INSEE, joint survey of telecommunications

Consumption and usage in France

4

- A. Household penetration
- B. Penetration among individuals

A. Household penetration

1. Fixed telephony

According to the Médiamétrie/GfK study on multimedia penetration, *La Référence des Équipements Multimédia*, fixed telephony penetration of households has declined sharply over the past decade, from 97% in 1997 to 82% in 2005.

The strong development of mobile telephone usage explains this reduction: at the end of 2005, just one-third of the youngest households (where the respondent was 18-24 years old) and just two-thirds of those where the respondent was 25-34 years old had a fixed telephone at home. It is the lower-income households that are more likely to substitute a mobile phone for a fixed phone. 70% of working-class households have a fixed telephone in contrast to 90% of professional households.

Fixed telephone penetration of households



Source: "La référence des Équipements Multimédia" 2005 – Médiamétrie / GfK

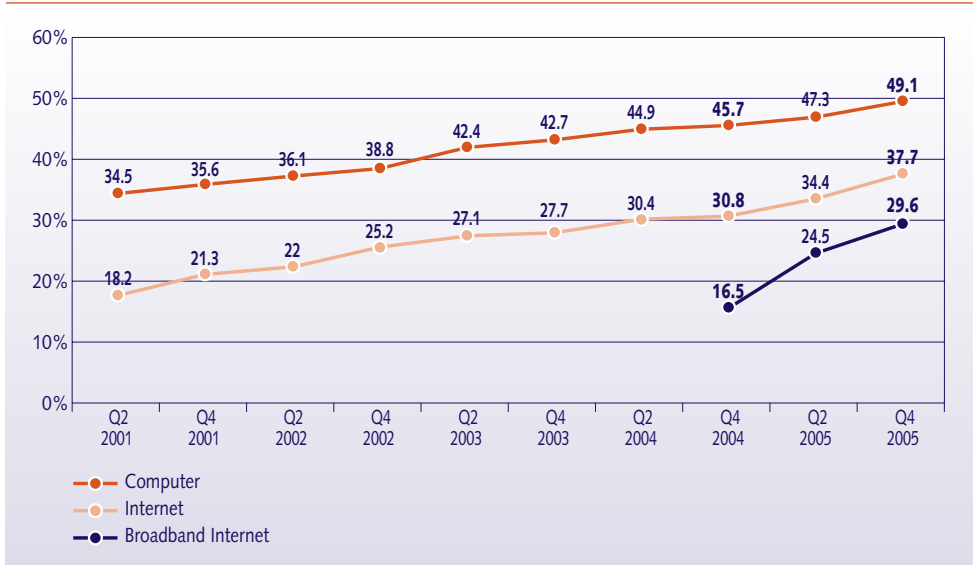
2. Computing

Based on this study, nearly one-half of French households were equipped with a computer at the end of 2005, representing a one-year increase of 3.5 points.

Penetration in professional households approached 90%. In this category of households, replacement and supplementary devices constitute the principal market for manufacturers. 40% of professional households and 21% of semi-professional households had more than one home computer at the end of 2005.

Computer penetration is rising especially in the households that until now have exhibited the lowest penetration: farmers, artisans, shopkeepers, and operatives. The presence of children in the household remains a strong incentive: in 2005, penetration again rose faster in households of three or more persons - already the category with highest penetration - than in smaller households. Also, 28% of households with four or more persons have multiple computers. Penetration in the oldest households of 65 years and older typically is the lowest, and did not grow much, remaining at about 13%.

Household penetration



Source: "La référence des Equipements Multimédia" 2005 – Médiamétrie / GfK

3. Internet

At the end of 2005, 37.7% of households had Internet access at home, a 7-point rise over 2004. This year again, penetration rose fastest in the household age categories that already had the highest penetration: 52% of households where the respondent was 25-34 years old reported having Internet access at home. That is 13 points higher than the year before. Penetration of professional households reached 80%, an 11-point gain over 2005. A very significant proportion of households in every social category already have Internet access from home: 44% of agricultural households, 42% of office-worker households, and 36% of operative households.

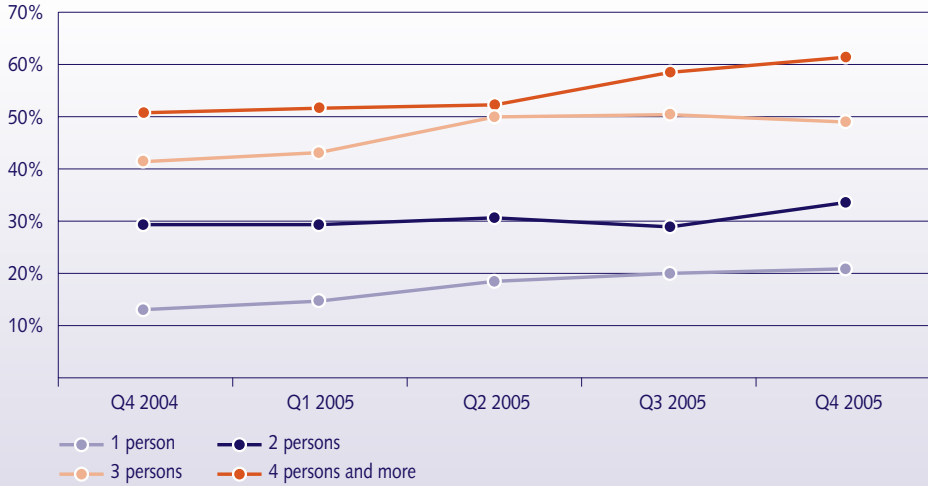
In 2005, Internet access penetration grew most in families, which already were the group with the highest penetration as of the end of 2004: penetration rose by more than 10 points in 2005 to reach 62%. Household

size remains a very important criterion for PC penetration and therefore Internet access: the larger the number of persons in the household, the higher the penetration rate¹.

It is likely that this is not observed beyond a certain size. In very large households, financial constraints may negatively affect penetration rate.

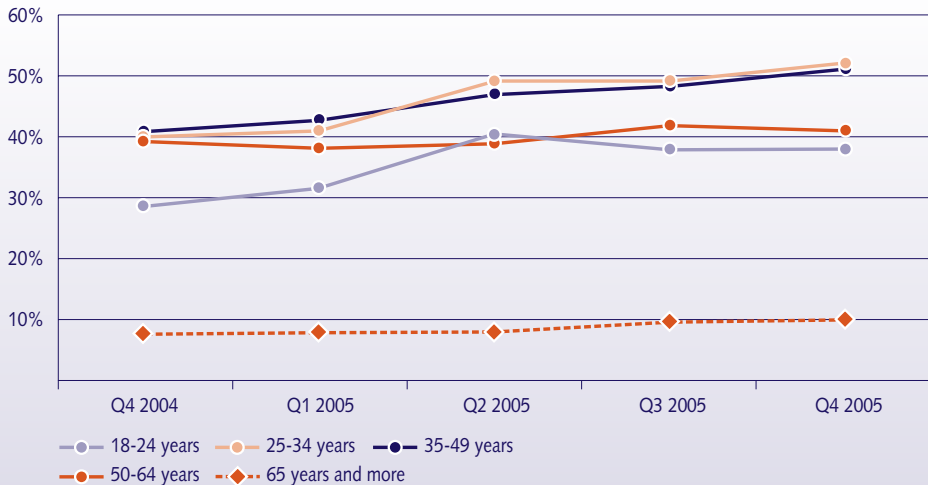
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Internet penetration by household size



Source: "La référence des Equipements Multimédia" 2005 – Médiamétrie / GfK

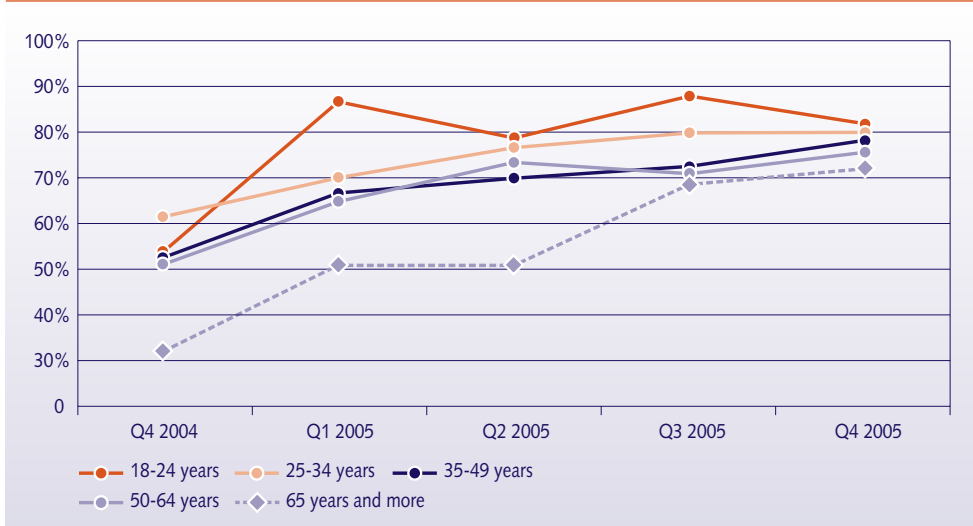
Internet penetration by age of person responding in the household



Source: "La référence des Equipements Multimédia" 2005 – Médiamétrie / GfK

Nearly 30% of households had broadband Internet access as of the end of 2005 representing 13-point growth over the prior year. About 80% of Internet-connected households already had broadband connections compared to 54% just one year before. Above all, 2005 was characterised by a widespread rise in broadband penetration. In addition, at the end of 2004 just one-third of Internet households in the 65 year age group and older had broadband access. At the end of 2005 the difference was not as great: 74% for the oldest households and 81% for the youngest. The reduction in disparity is facilitated by the wider availability of broadband offerings across the country.

Broadband access penetration among Internet households by respondent age



Source: "La référence des Équipements Multimédia" 2005 – Médiamétrie / GfK

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

The Médiamétrie/GfK survey, *La Référence des Équipements Multimédia*, was conducted during 2005 using a representative sample of 22 000 persons aged 15 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 2005 with a sample of 2200 persons aged 12 and older.

In the first case, equipment penetration is understood as the percentage of households having the specified device. In the second case, it is the percentage of individuals who have the specified device in their home.

For example, Médiamétrie estimates that 34% of France's 25 million households had Internet access in June 2005 while, for the same period, CREDOC's survey determined that 40% of the population aged 12 and older (about 50 million persons) had Internet access at home. There is no reason to expect that these two rates should be the same unless the degree of household penetration is independent of household size, which is not the case (the larger the household the greater the number of devices).

B. Penetration among individuals

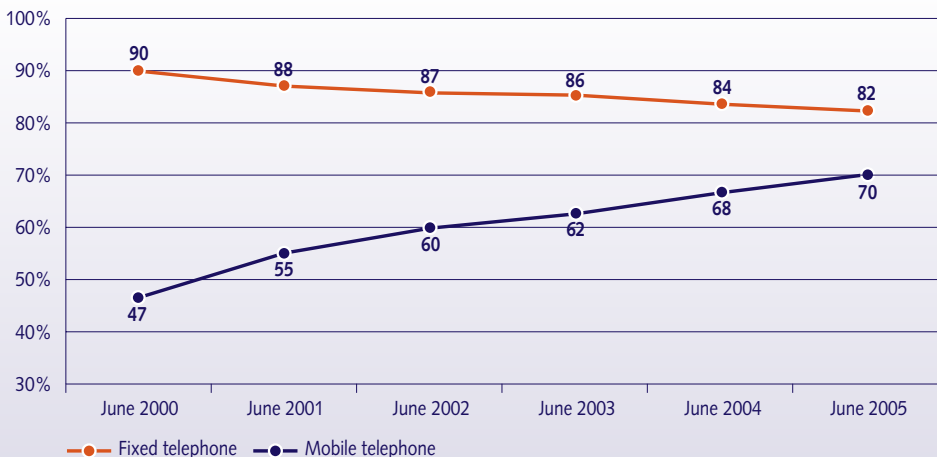
1. Fixed and mobile telephones

Portable telephones are not considered to be household equipment but personal equipment. Even though in the early years of mobile telephony, mobile telephones were items shared by several people in a household, today their widespread penetration has basically rendered them personal items.

According to CREDOC, the mobile telephone is achieving rapid penetration: just eight years after the first GSM licences were awarded (in 1992), the penetration rate had reached 47%; five years later, it was still rising. In June 2005, 70% of the French population had mobile phones.

Fixed and mobile telephone penetration of the adult population

Survey universe: Persons aged 18 and older



Source: CREDOC *Conditions de Vie et Aspirations des Français* - French lifestyle surveys.

At the same time, the percentage of persons who report having a fixed telephone in their home has continued to drop: though 90% in June 2000, it was no more than 82% in June 2005. Nearly all those who cancelled their fixed-line subscription at home replaced it with a mobile phone. Thus, the number of persons equipped with mobile telephones only grew one-third in the space of two years, from 12% of the population in 2003 to 16% in 2005.

Fixed and mobile telephone penetration of the adult population

Survey universe: Persons age 12 and older.

€ Millions	2003	2004	2005
Equipped with a fixed or mobile telephone	50	53	54
Equipped with a fixed telephone only	36	31	28
Equipped with a mobile telephone only	12	14	16
Having no telephone (either fixed or mobile)	2	1	2
Total	100	100	100

Source: CREDOC *Conditions de Vie et Aspirations des Français* --French lifestyle surveys.

2. New uses

Since 2004, and in particular in 2005, there has been a significant increase in the possibilities for making telephone calls via an Internet connection. Two types of service exist:

- "Voice over broadband" (usually via ADSL access), which refers to a fixed telephony service using voice over IP technology on an Internet access network where quality is controlled by the operator (FreeBox, 9Box, LiveBox, etc.).
- "Voice over Internet", which refers to voice communication services using the public Internet network where service quality is not controlled by the operator. In practice, the user downloads appropriate software (such as Skype or NetMeeting) to a computer equipped with microphone and speakers.

These new fixed telephony services and the role played by mobile telephony have paved the way for new types of use.

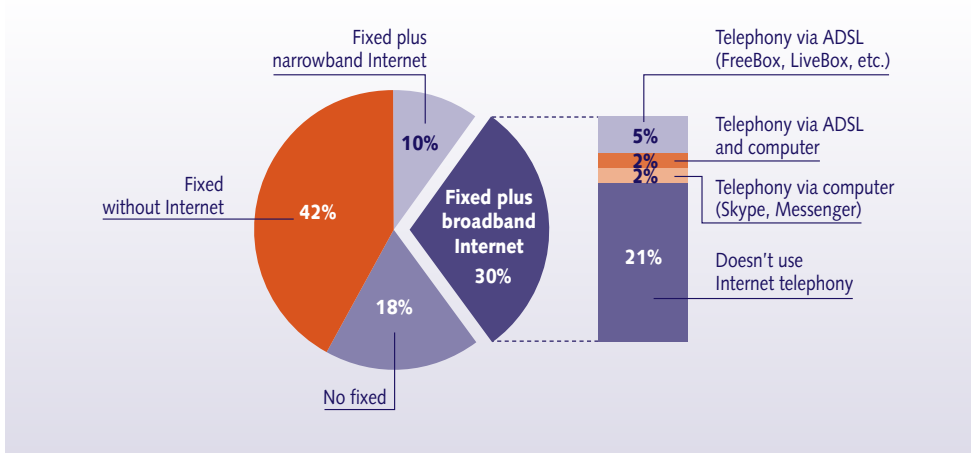
Of the fixed telephone subscriber base, 52% are unable to use the new telephony services: 42% do not have an Internet subscription and 10% have only narrowband access. Among the 30% of persons age 12 and older who have both a fixed telephone and a broadband Internet subscription, 7% place Internet telephone calls via ADSL and 4% do so using Voice over Internet.

In addition, 52% of persons who use systems such as Skype or NetMeeting also place telephone calls via their FreeBox or LiveBox. The explanation may lie in the way these services are billed: in 2005, most ADSL telephone

subscriptions included free national calls to fixed terminals only while Internet telephony also allowed calls to be made free of charge abroad.

Fixed telephone and Internet penetration

Survey universe : Persons aged 12 and older



Source: CREDOC *Conditions de Vie et Aspirations des Français* -- French lifestyle surveys.

Tariffs compared with those of other countries

4

- A. Price of a fixed telephony basket
- B. Subscription
- C. Price of calls in Europe

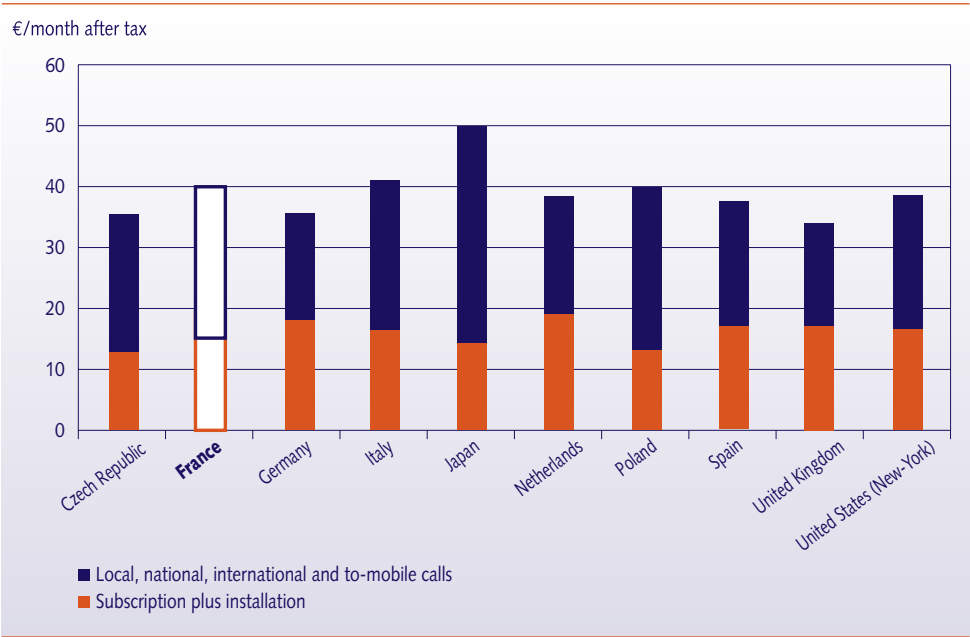
A. Price of a fixed telephony basket

To estimate the average monthly consumer bill in various European countries the Commission, in its 11th Report, relied on OECD composite indices that include national calls to fixed terminals, international calls, and calls to mobiles. Customers, both residential and business, are assumed to be subscribers of the incumbent operator (standard tariffs exclusive of options). Every annually-defined index considers a one-year subscription for a line plus installation amortised over 5 years.

The residential index is based on 1 200 national calls to a fixed line, 120 2-minute calls to a mobile, and 72 international calls. The national calls are calculated as the average of calls made to 14 destinations (3 to 490km distant) based on 4 calls during the week and 2 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 10km distant, and 9% were made to parties more than 100km distant.

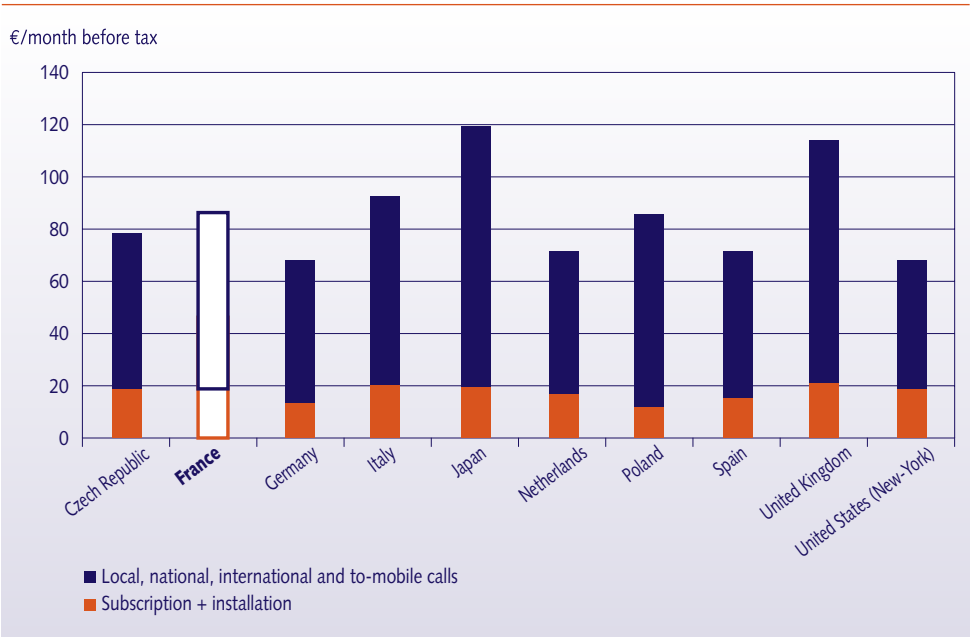
The business index is based on 3 600 national calls, 360 2-minute calls to a mobile, and 216 international calls. The national calls are calculated as the average of calls made to 14 destinations (3km to 490km) based on 4 calls during the week and 2 during the weekend, each lasting 3.5 minutes. Of these calls, 86% were made during peak hours, 64% were made to parties less than 10km distant, and 12.5% were made to parties more than 100km distant.

Basket price for a residential customer (€/month after tax)



Source: 11th Report of the Commission.

Basket price for a business customer (€/month before tax)



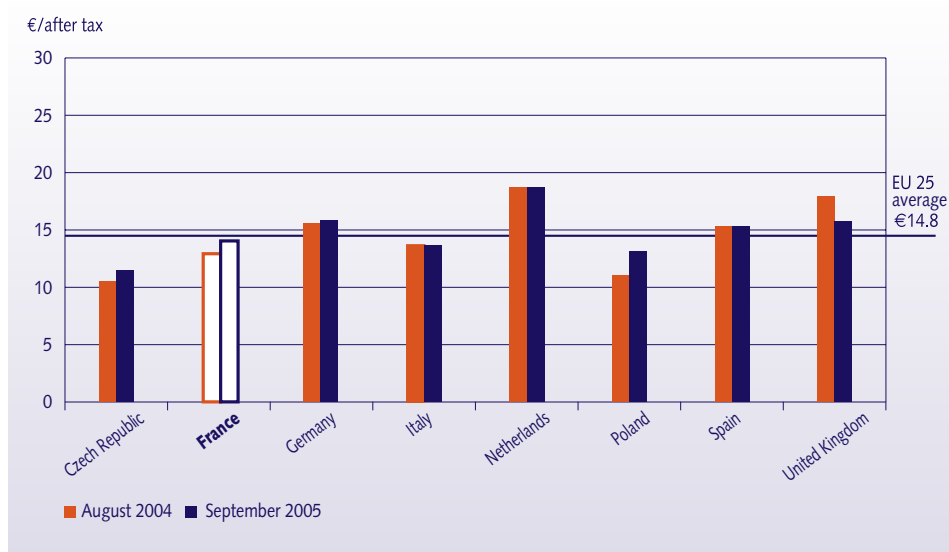
Source: 11th Report of the Commission.

B. Subscription

1. Residential subscription

The monthly residential subscription price in France was slightly lower than the September 2005 European average of € 14.8/month after tax. Germany, the United Kingdom and the Netherlands have higher tariffs.

Residential monthly subscription



Source: 11th Report of the Commission.

2. Business subscription

At € 13.1/month before tax, the price of a French business subscription is lower than the average European price (€ 14.3/month before tax). The United Kingdom and Ireland have the highest tariffs (respectively, € 20.3/month and € 20/month before tax).

Business monthly subscription



Source: 11th Report of the Commission.

C Price of calls in Europe

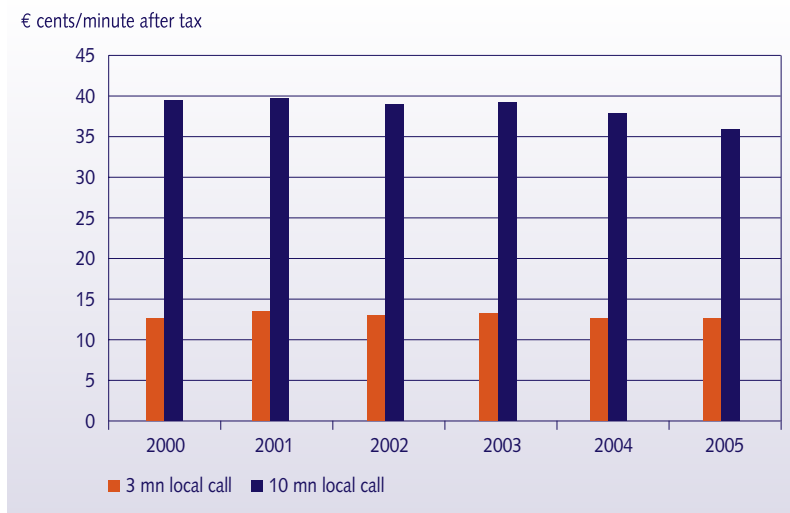
In its 11th Report, the European Commission provided information for reference purposes on the price of calls thereby allowing the countries to be classified according to tariffs in use by the respective incumbent operators. As unlimited services and voice over IP offerings increase in number, the usefulness of these indicators tends to diminish.

1. Local calls

At € 0.134/minute after tax, the price of a 3-minute local call (at the incumbent operator's peak hour basic rate) was lower in France in September 2005 compared to 2004 but remained much higher than the European average of € 0.124/minute after tax¹. The highest prices are observed in Belgium (€ 0.208/minute after tax). For a 10-minute call, the price in France is lower than the European average whereas it was higher in 2004 (before tax, € 0.330 versus € 0.392 a year earlier). Sweden, Belgium and the Czech Republic have the highest prices in Europe.

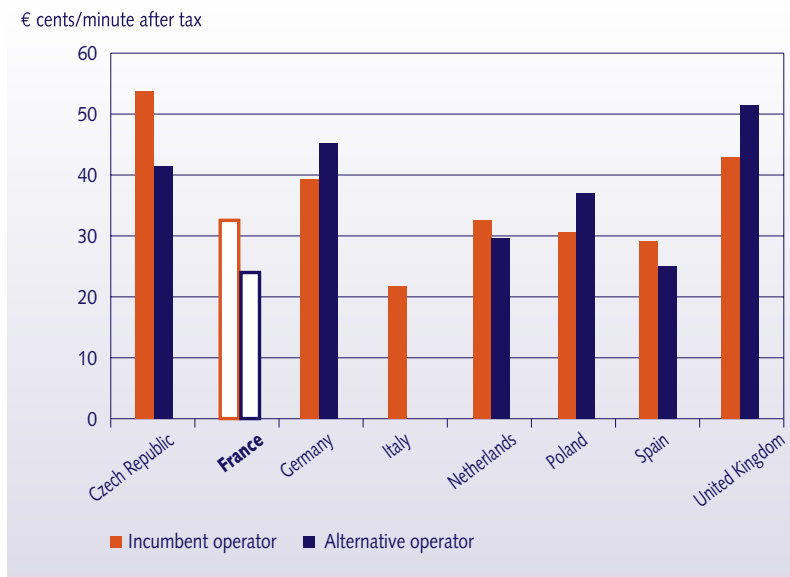
¹ The European average is calculated based on the average for each of the 25 member countries, weighted by the population of each country.

Change in weighted average of local call charge for Europe 25



Source: 11th Report of the Commission.

Incumbent operator's charge for a local 10-minute call and that of its most important competitor

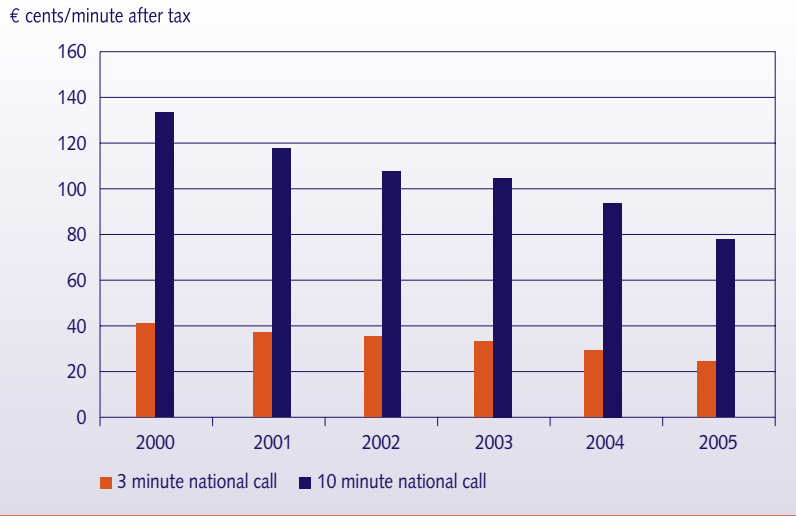


Source: 11th Report of the Commission.

2. National calls

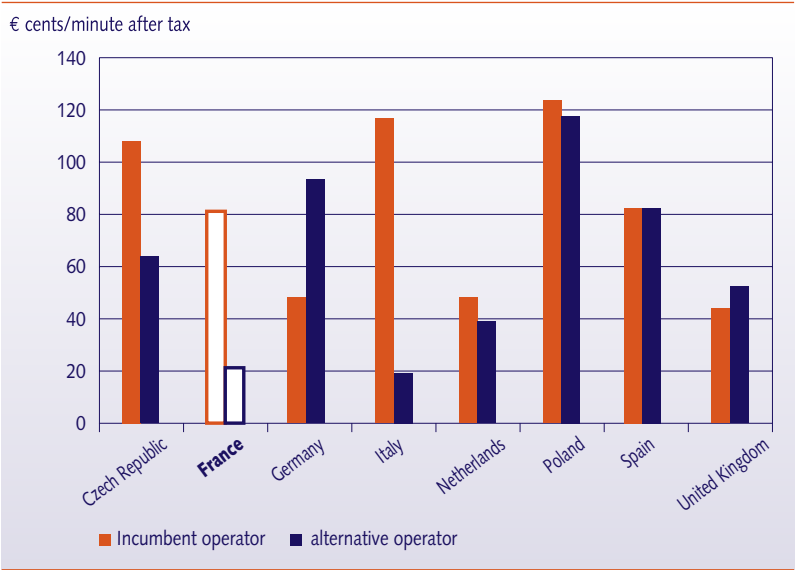
Over the course of the 12 months ending September 2005, the price of a 3-minute national call (at the incumbent operator's peak hour basic rate) did not change in the United Kingdom, the Netherlands or Italy (where the rate of € 0.399 after tax is still the highest in Europe), but it dropped slightly in France, to € 0.288 after tax. In Germany, the price dropped by more than half to € 0.147/minute after tax, well below the European average (€ 0.254/minute after tax). For a 10-minute national call, Poland and Italy charge the highest prices, and France and Spain are above the European average.

Change in weighted average of national calls for Europe 25



Source: 11th Report of the Commission.

Incumbent operator's charge for a local 10-minute call and that of its most important competitor



Source: 11th Report of the Commission.

3. Mobile calls

The Commission compared the price of flat-rate services offered by the two leading mobile operators in each European country using OECD baskets to classify the various offerings. Orange France, which had high prices for low-consumption users in 2004, returned to second place in 2005 behind T-Mobile UK. In this category, Luxembourg and Finland have the most attractive pricing of the Europe 15 countries. For average-consumption users, KPN Netherlands and Vodafone Germany are the least attractive. Luxembourg (Tango), Finland (Sonera) and Denmark (Sonofon) are the most affordable (from €16.5-16.9/month after tax). Vodafone Portugal, T-Mobile Germany and TIM Italy have the least attractive offerings for high-consumption users.

	Highest price	Lowest price	Price range in France
Low consumption (25 outgoing calls/month + 30 SMS)	€37.5/month after tax (United Kingdom)	€5.5/month after tax (Lithuania)	€36.18/month after tax (2nd and 20th place among 49 operators)
Average consumption (75 outgoing calls/month + 35 SMS)	€58.1/month after tax (Netherlands)	€12.7/month after tax (Cyprus)	€40.6-35.6/month after tax (16th and 20th place among 49 operators)
High consumption (150 outgoing calls/month + 42 SMS)	€103.9/month after tax (Portugal)	€20/month after tax (Cyprus)	€71.8-68.6/month after tax (13th and 26th place among 49 operators)

Source: 11th Report of the Commission.

