



1H06 Results Announcement

Paris, September 7, 2006

Consolidated Net Income at € 58.6 million, up 143% yoy Group EBITDA at € 153.0 million, Margin over 34% Group EBIT at € 89.5 million, Margin at 20%

During the 1st half 2006, Iliad continued to accelerate operational and financial growth. The Group's innovative broadband strategy coupled with subscribers' increasing usage of value-added services available on the Freebox generated significant top-line growth and profitability improvements :

- Consolidated Revenues grew to € 447.9 million, up 32.6%, with value-added Freebox services contributing € 73.5 million of revenue;
- Group EBITDA increased to € 153.0 million, up 61.1%. Group EBITDA margin reached 34.1% vs. 28.1% a year earlier:
 - Broadband sector EBITDA increased to € 140.3 million, up 69%. Broadband sector EBITDA margin reached 36% vs. 32% a year earlier. The average gross margin per unbundled subscriber exceeded € 20 in the 1st half 2006 with 1,377,000 unbundled subscribers of which around 50% were fully unbundled ;
- Operating profit more than doubled to € 89.5 million, with a margin of 20%;
- Net income grew from € 24.1 million in 1H05 to € 58.6 million in 1H06, with a margin of 13%.

In addition, as of June 30, 2006, Iliad confirmed its position as :

- The leading alternative broadband operator in France with 1,905,000 subscribers;
- The leading VoIP operator in France and in Europe, with 1,650,000 subscribers using the telephony services on their Freebox;
- The leading TV over ADSL operator in France and in Europe with 1,260,000 TV enabled users and 273,000 subscribers paying for audiovisual content.

Consolidated Income Statement

The summary consolidated income statement is presented below.

<i>(in € '000) IFRS</i>	1H06	1H05	Change	2005
Revenues	447,938	337,832	32.6%	724,201
EBITDA	152,952	94,916	61.1%	224,313
<i>EBITDA Margin</i>	<i>34.1%</i>	<i>28.1%</i>	-	<i>31.0%</i>
Depreciation	(63,424)	(55,706)	13.9%	(116,627)
Operating Profit	89,528	39,210	128.3%	107,686
Financial Income & Expenses, Net	(152)	(2,278)	-	(2,795)
Corporate Income Tax	(30,772)	(12,805)	140.3%	(36,371)
Profit for the Period	58,604	24,127	142.9%	68,898
<i>Net Margin</i>	<i>13.1%</i>	<i>7.1%</i>	-	<i>9.5%</i>

Selected Segment Information

<i>(in € '000) IFRS</i>	Broadband	Traditional Telephony	Total
Consolidated Revenues	388,699	59,239	447,938
EBITDA	140,265	12,687	152,952
Operating Profit (EBIT)	77,377	12,151	89,528

Cash Flow Statement

During the 1st half 2006, Iliad posted a positive operating free cash flow of € 0.6 million vs. a negative operating free cash flow of € 31.6 million in 1H05.

1st half operating FCF is traditionally lower than that of the 2nd half due to seasonality effects. In particular, 1H06 operating FCF was impacted by (i) high capital expenditures due to record ADSL net adds, (ii) € 39 million of corporate taxes payment, (iii) € 10.5 million of VAT credit and (iv) management's willingness to recreate a sufficient "buffer" inventory of new Freebox HD (€ 10 million).

Net cash generated from financing activities amounted to € 310.6 million. During the 1st half 2006, the Group reimbursed € 14.7 million in borrowings. On June 21, 2006, Iliad issued convertible bonds which will come to maturity in January 2012. The net proceeds from the issuance amounted to € 326 million.

Balance Sheet

As of June 30, 2006, Consolidated Financial Liabilities totalled € 371.8 million and undrawn credit facilities totalled € 179 million. The Group's Cash and Equivalents position was € 366.4 million.

Consolidated Net Debt was € 5.4 million as of June 30, 2006 vs. € 38.5 million on December 31, 2005..

Key Developments in 2006

Since the beginning of 2006, Iliad has continued to lead in broadband innovation by regularly introducing new services:

- 04/06 – New Freebox HD released with unique features such as WiFi MIMO, HDTV and SIP telephony
- 05/06 – CANALPLAY Kids VoD platform opened
- 05/06 – French Tennis Open broadcasted in High Definition on Freebox HD
- 06/06 – iConcerts VoD platform added
- 08/06 – New offer for wholesale subscribers (Option 5) at € 29.99 including France Telecom line rental
- 09/06 – Timeshifting and recording capabilities opened on Freebox HD, free of charge

The increase in usage of Freebox services coupled with award-winning customer service have contributed to high ADSL subscriber growth and an ever low churn rate.

In August 2006, Iliad sold its entire stake in Société.com, a corporate information website created in 1999 for a consideration of € 7.8 million.

Outlook

As far as 2006 is concerned, Iliad's targets are to exceed 2 million ADSL subscribers by the end of the year and to increase its unbundling ratio to 75% by December 31, 2006. Based on the current trend, 3rd quarter 2006 net adds are anticipated be equivalent to 3rd quarter 2005 net adds.

The Group remains committed to its profitable growth strategy and believes that its cash flow position enhances its ability to deliver breakthrough broadband innovations and guarantees its unique position on the French market.

Through its subsidiary Free, Iliad intends to pursue its strategy of delivering the most innovative broadband solutions at the lowest price.

Iliad is a leading player in the French telecommunications and Internet access industry via its subsidiaries Free (the leading alternative operator), One.Tel and Iliad Telecom (a fixed telephony provider), Kertel (the leading alternative prepaid cards provider), IFW (Wimax). Founded in 1991, the Group employs over 1,300 people. Iliad is listed on Euronext Paris under the ticker ILD.

Exchange : **Euronext Paris**

Market place : **Eurolist A (SRD)**

Ticker : **ILD**

ISIN Code : **FR0004035913**

FTSE Ranking: **974 Internet**

Member of SBF 120 Index and Next 150

Glossary of terms

In light of the discrepancies between operators' definitions as it relates to ADSL, Iliad reiterates the definitions it has been using since inception of the service.

Total ADSL Subscribers at the end of a period consists of the total number of customers identified by their individual "phone lines" who have signed up for Free ADSL service excluding those for whom an unsubscription notice has been registered.

Net adds consists of the difference between Total ADSL Subscribers at the end of two different periods.

Unbundled subscribers are ADSL subscribers who have signed up for Free ADSL service on a Central Office unbundled by Free.

Broadband ARPU (Average Revenue per User) includes revenues from the flat-rate package and the value-added services but excludes one-time revenues (e.g. migration from one offer to the other or unsubscription fee) divided by the total number of ADSL subscribers invoiced for the period.

TV enabled users are subscribers equipped with a Freebox in an unbundled area.