



## 3Q 2006 Revenues

iliad

Paris, October 26, 2006 5.30PM

### Consolidated Revenues at € 688 million, up 32% 171,000 ADSL Net Adds in 3Q 2006

Iliad greatly reinforced its leading alternative position in the French residential broadband market during the 3<sup>rd</sup> quarter 2006 by increasing its ADSL subscriber base from 1,905,000 as of June 30, 2006 to 2,076,000 as of September 30, 2006. Free added 171,000 subscribers during the 3<sup>rd</sup> quarter 2006 vs. 130,000 during the 3<sup>rd</sup> quarter 2005. In addition, September was Free's best recruitment month since the launch of its broadband service in November 2002.

Free's ADSL subscriber base thus exceeds 2 million, the objective that was initially set for year end 2006. Free boasts the only homogeneous, organically-built subscriber base with every one of its 2 million subscribers having opted for the Free brand and an identical € 29.99 package.

During the 3<sup>rd</sup> quarter 2006, optional value-added services generated revenues of approximately € 40.1 million, bringing value-added revenues to € 113.6 million for the first 9 months 2006. Broadband ARPU was stable at € 33.5 per month (excl. VAT) during the 3<sup>rd</sup> quarter 2006, despite lower usage in the summer months (September Broadband ARPU was € 34.0).

At Iliad, Broadband ARPU only includes revenues from the flat-rate package and optional value-added services. Logically, one-time revenues (e.g. migration from one offer to the other, unsubscription fee or sale of accessories), portal revenues, revenues generated from calls to the hotline are not included in Broadband ARPU.

#### 3Q 2006 and 9 Months Revenues

(in € '000)	9M2006	9M2005	Change	3Q2006	3Q2005	Change
<b>Consolidated Revenues</b>	<b>687,997</b>	<b>521,268</b>	<b>32.0%</b>	<b>240,059</b>	<b>183,436</b>	<b>30.9%</b>
Broadband	635,101	455,263		224,311	162,521	
- Intersegment	(31,584)	(47,671)		(9,493)	(14,925)	
<b>Cons. Broadband</b>	<b>603,517</b>	<b>407,592</b>	<b>48.1%</b>	<b>214,818</b>	<b>147,596</b>	<b>45.5%</b>
Traditional Telephony <sup>1</sup>	115,313	135,842		37,270	43,404	
- Intersegment	(30,833)	(22,166)		(12,029)	(7,564)	
<b>Cons. Trad. Telephony</b>	<b>84,480</b>	<b>113,676</b>	<b>(25.7%)</b>	<b>25,241</b>	<b>35,840</b>	<b>(29.6%)</b>

Traditional Telephony (which does not include IP telephony) continued to suffer from the growing success of voice over broadband offers. The total number of Onetel subscribers declined over the period to 240,000 customers billed on September 30, 2006 from 258,000 as of June 30, 2006.

<sup>1</sup> Endeis Telecom sold in October 2005, 2005 not pro forma. Société.com sold in August 2006.

## **Key Developments in 3Q 2006**

In September 2006, Free opened the Personal Video Recorder (PVR) functionality on the Freebox HD. By opening this service, Free allows subscribers to store all their multimedia content directly on the Freebox, free of charge. Given the number of Freebox HD subscribers, Free instantly created the largest installed base of HD PVR in France.

During the 3<sup>rd</sup> quarter, Iliad's quality of service was praised in three different surveys :

- The leading consumer group "60 millions de consommateurs" published its 3<sup>rd</sup> yearly ISP study. In this study, Free came out as one of the two leading broadband operator with 82% of satisfied subscribers and only 17% of subscribers intending to churn, the lowest percentage across the industry. Specifically, Free was voted (i) the easiest box to install, (ii) the best operator for full unbundling and (iii) the best TV over ADSL operator.
- Iliad does not resort to outsourcing for its hotline. Free's technical call-center is operated from Iliad's Paris headquarters in order to provide the most reliable service. In this year's TechCity Mystery Contact Challenge (TMCC<sup>2</sup>), Free was ranked #1 for its phone helpline (as was the case in the 2005 TMCC), with a 77% efficiency ratio vs 72% in 2005 and 67% for the sector average.
- SVM MAC magazine published its 2006 quality ranking for MAC computers in its November issue. Free was ranked overall #1 with (i) the best hotline, (ii) the best box, (iii) the best TV over ADSL offer and (iv) the best hosting service.

## **Outlook**

The Group will maintain its focus on unbundling of the local loop in order to reach around 75% unbundling ratio by end 2006.

Free reiterates its commitment to maintain an average gross margin of € 20 per unbundled subscriber per month.

*Iliad is a leading player in the French telecommunications and Internet access industry via its subsidiaries Free (the leading alternative operator), OneTel and Iliad Telecom (a fixed telephony provider), Kertel (the leading alternative prepaid cards provider), IFW (Wimax). Founded in 1991, the Group employs over 1,500 people. Iliad is listed on Euronext Paris under the ticker ILLD.*

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**

**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.

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<sup>2</sup> Source : <http://www.techcity.fr/layout.asp?origin=tmcc>