

Paris, 19 March 2009

2008: A Record-Breaking Year

- 1.3 million more ADSL subscribers in 2008 due to the acquisition of Alice and the commercial success of Free's offering
- €210 million in Free Cash Flow from ADSL operations under the Free brand
- 44% growth in net profit (original group structure)
- Sound medium term outlook with 5 million subscribers by 2011 and over €1 billion in cumulative Free Cash Flow from ADSL operations over the 2009-2011 period

2008 KEY EVENTS

The 2008 financial year featured the following:

(i) a sharp improvement in the Group's operational and financial indicators compared to its original group structure (excluding acquisition of Alice):

- **Strong organic growth:** Free's ADSL subscriber base grew by 485,000 over 2008 to 3.39 million at 31 December 2008. Higher usage of value added services helped the Group achieve a record-breaking ARPU of €36.9 over the 4th quarter of 2008
- **Improved profit margins:** resulting from the 4.1 percentage point increase in the unbundling rate to 85.6% at 31 December 2008, lower interconnection charges and the growing use of value added services by Free's subscriber base,
- **Strong cash generation by Free's ADSL operations:** this business generated close to €210 million in 2008, compared to €23 million in 2007.

(ii) Acquisition and integration of Liberty Surf Group SAS:

- 0.84 million increase in the subscriber base at 31 December 2008.
- Implementation of the first cost and revenue synergies: reduction in the selling and marketing budget and ARPU improved to €32 in December 2008.
- Implementation of a syndicated loan of €1,200 million to finance the Alice acquisition, as well as future growth.

CONSOLIDATED INCOME STATEMENT

(€ millions)	31 Dec. 2008 Incl. Alice	31 Dec. 2008 Excl. Alice	31 Dec. 2007	% change Incl. Alice	Var. (%) Excl. Alice
Revenues	1,565.0	1,434.1	1,212.4	29.1%	18.3%
Cost of sales	(781.5)	(697.9)	(612.5)	27.6%	13.9%
Gross profit	783.6	736.2	599.9	30.6%	22.7%
Personnel costs	(79.8)	(59.9)	(47.5)	68.0%	26.1%
External charges	(109.5)	(79.8)	(68.4)	60.1%	16.7%
Taxes and duties	(27.9)	(25.8)	(12.1)	130.6%	113.2%
Provisions	(25.2)	(16.0)	(8.7)	189.7%	83.9%
Other operating income and expenses	(16.4)	(15.6)	(19.6)	(16.5%)	(20.4%)
EBITDA	524.7	539.1	443.6	18.3%	21.5%
Employee benefits	(5.4)	(5.4)	(3.2)	68.8%	68.8%
Amortization and depreciation	(316.4)	(267.4)	(226.7)	39.6%	18.0%
Profit from ordinary activities	203.0	266.3	213.8	(5.1%)	24.6%
Other operating income and expenses	(30.7)	-	(2.0)	-	-
Operating profit	172.3	266.3	211.8	(18.6%)	25.7%
Net finance income (cost)	(19.5)	2.7	(3.5)	-	(177.1%)
Income tax	(52.3)	(52.3)	(72.0)	(27.4%)	(27.4%)
Net profit (loss) from operations sold	(0.1)	-	13.9	-	-
Net profit	100.4	216.7	150.2	(33.2%)	44.3%

Revenues

The Group's 2008 consolidated revenues totalled €1,565 million, which is a 29% increase compared to 2007. Alice France contributed four months and five days of its operations to 2008 consolidated revenue. Excluding the Alice France acquisition, 2008 revenue growth would have been 18.3%.

EBITDA

New group structure:

Group EBITDA of consolidated companies grew by 18.3% to €525 million over 2008. EBITDA as a percentage of sales was 33.5% at end 2008, compared to 36.6% over the same period of 2007.

Original group structure:

During the 2008 financial year, Group profitability **sharply improved, driven by a dynamic Broadband division**. EBITDA thus amounted to € 539 million at 31 December 2008, a 22% increase compared to 2007 and representing 37.6% of revenues, compared to 36.6% in 2007. This improvement in operating profitability can be explained by:

- **The positive impact** of the rise in the unbundling rate (opening of 700 new Central Offices in 2008). The number of unbundled lines increased significantly, from 2,366,000 lines at 31 December 2007 to 2,900,000 lines at 31 December 2008.
- The relative **decrease in phone interconnection charges**.
- **The growth in value added services**, as specified above.
- Leverage of the fixed cost base by strong revenue growth.

Alice:

€14.4 million dilutive impact of Alice acquisition on Group EBITDA, due to the low unbundling rate of its subscriber base and the size of its fixed cost base.

Operating profit

New group structure:

Operating profit amounted to € 172 million at 31 December 2008, compared to €212 million at 31 December 2007. This 18.6% decline in operating profit over the period was due to the integration of Alice since 26 August 2008 and to the recognition of a restructuring provision and expenses totalling €31 million, with no cash impact over the financial year.

Original group structure:

Operating profit of the original group structure grew by 25.7% between 2007 and 2008 to €266 million at 31 December 2008. This increase resulted from the slower growth of amortization and depreciation charges in relation to revenues over the 2008 financial year, due to:

- A stable Freebox cost at €180 over 2008, in spite of the introduction of PLC boxes and wifi 802.11n,
- The slower growth in the French ADSL market,
- And lower access charges to France Telecom's service.

After taking account of the above mentioned factors, the operating profit to revenue ratio increased to 18.6% over the 2008 financial year, compared to 17.5% for the 2007 financial year.

From 1 January 2009, and given the average subscription period, the Group decided to increase the amortization period of access charges to France Telecom's unbundling service, postage and logistics costs, DSLAMs and modems (Freebox and Alice Box) from three to four years.

Alice:

Alice's contribution to the Group's operating profit was a negative €94 million in 2008, due to:

- The recognition of **€49 million in amortization and depreciation charges**, Alice's amortization and depreciation charges are bound to sharply decrease by the end of the subscriber migration process to the Free network.
- The recognition of a **€31 million provision charge** for restructuring costs (no cash outflow over the financial year).

Net profit

After taking account of Alice's dilutive impact, the Group's consolidated net profit totalled €100 million at end 2008.

Over the **original group structure**, the Group's net profit exceeded €200 million for the first time and was **€217 million at 31 December 2008, a 44.3% increase.**

Cash Flow

The 2008 cash flow highlights were:

- The **strong €210 million Free Cash Flow generated by Free's ADSL business**, which enabled the Group to finance all its investments in fibre (€65 million) and strengthen its cash position by €112 million,
- The **€71 million cash outflow related to the acquisition of Alice**,
- The **€52 million negative impact of Alice** since 26 August 2008,
- The **€845 million drawn down from the €1,200 million finance facility.**

After taking these factors into account, the Group's cash position improved by €114 million to €337 million at 31 December 2008.

BALANCE SHEET

At 31 December 2008, the Group had gross debt of €1,217.8 million and net debt of €881.9 million. The net debt to EBITDA ratio was 1.68.

MAIN GROUP OBJECTIVES FOR 2009

Given its 2008 results, the Group intends to continue implementing its profitable growth and has set itself the following objectives:

- 5 million broadband subscribers in 2011,
- An 82% group-wide (Free and Alice) unbundling rate by end 2009,
- ADSL Free Cash Flow in excess of €300 million in 2009 (excluding Alice) and in excess of €1 billion over 2009-2011 (including Alice),
- EBITDA Breakeven on Alice during 2Q 2009,
- Generate incremental EBITDA of €90 million from Alice (on a full-year basis) from the second half of 2010,
- A very strong increase in net profit in 2009,
- As part of the roll-out of its FTTH network, the Group confirms its objective of:
 - Providing horizontal coverage of 70% of Paris by the second half year 2009,
 - Providing horizontal coverage to 4 million households by end 2012.

GLOSSARY

Unbundled subscribers: 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 non-recurring revenues (e.g. migration from one offer to the other or connection and unsubscription fee) divided by the total number of ADSL subscribers invoiced for the period.

EBITDA: or operating profit before non-current asset and employee benefit (corresponding to non-cash personnel costs associated with employee stock options) depreciation and amortization. EBITDA is equal to profit from ordinary activities, net of employee benefits and adding intangible assets and property, plant and equipment amortization and depreciation charges.

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.



The Iliad Group is a major player in the French telecommunications and Internet access market via Free and Alice (4,225,000 ADSL subscribers as of 31December 2008), Onetel and Iliad Télécom (fixed telephony providers) and IFW (Wimax). The Iliad Group is listed on Euronext Paris under the ticker ILD.

Exchange: ***Euronext Paris***

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