

Paris, 23 March 2010

2009: A year of strong profitable growth

- **25% revenue growth to €1,955 million**
- **389,000 additional subscribers recruited by the Free brand in 2009, a 23% market share¹**
- **75% growth in consolidated net profit to €176 million**
- **Cash generation outstripping the target of €300 million (€376 million)**
- **Sound financial position enabling the Group to finance its entry in the mobile market**
- **Rapid financial recovery by Alice**

2009 KEY EVENTS

Iliad Group continued its profitable growth strategy over 2009, based on strong organic growth in its historic perimeter and the financial recovery of Alice. The improved profitability and highly significant free cash flow generation enabled the Group to reduce its debt at a fast pace and become one of the least indebted telecom operator in Europe.

(i) Rapid and continuing growth in the Group's principal operational and financial indicators on its historic perimeter:

- **Organic revenue growth approaching 13%**, due to the 389,000 increase in Free's ADSL subscriber base over 2009, a continuing low termination rate (below 1% a month) and the continuing increase in value-added services usage;
- **Strong growth in major profitability indicators**, due to a higher unbundling rate, an acquisition cost that remained the lowest in the market and the controlled increase in major expense items, enabling the Group to achieve a **record EBITDA margin of 39.4%**;
- **Very strong cash generation by Free's ADSL business over 2009**, largely outstripping the € 300 million target at **€ 376 million**, enabling the Group to self-finance FTTH capital expenditure and strengthen its cash position.

¹ Based on estimated net recruitments for the whole market of 1,691,000 subscribers over 2009.

(ii) Rapid financial recovery by Alice

Over 2009, the Group succeeded in a **rapid recovery for Alice with the implementation of synergies identified** in marketing expenditure, revenue per user and network, IT system and structure costs. In addition, as from June, the Group started to unbundle Alice subscribers in areas covered by Free's network, in order to maximise its unbundled rate and thus improve its gross profit.

The implementation of these various steps, in spite of the erosion in the Alice subscriber base (termination rate in excess of 2% per month), generated a strong increase in Alice's contribution to Group EBITDA over 2009. **Alice's 2009 contribution to Group EBITDA thus totalled €23.8 million.**

(iii) Rapid reduction in Group debt

Due to significant cash flow from operating activities, non-recurring collections relating to a number of Alice acquisition price restatement clauses and the use of Alice's retained losses, the Group's leverage ratio declined sharply over 2009. The latter was 1.0x EBITDA at 31 December 2009, compared to 1.7x at 31 December 2008.

MAIN FINANCIAL INDICATORS

(€ millions)	31 Dec. 2008* incl. Alice	31 Dec. 2009 incl. Alice	% change	31 Dec. 2009 excl. Alice
Revenues	1,565.0	1,954.5	24.9%	1,619.7
EBITDA	524.7	661.4	26.1%	637.6
<i>% revenues</i>	<i>33.5%</i>	<i>33.8%</i>		<i>39.4%</i>
Operating profit	172.3	332.9	93.2%	416.5
<i>% revenues</i>	<i>11.0%</i>	<i>17.0%</i>		<i>25.7%</i>
Consolidated net profit	100.4	175.9	75.2%	-
ADSL FCF	157	328	79.0%	376
Dividends	€0.34	€0.37	-	€0.37
Leverage ratio	1.7x	1.0x	-	-

* Alice consolidated from 26 August 2008

GROUP OBJECTIVES

Given its 2009 results, the Group intends to continue to implement its strategy of achieving profitable growth and has set itself the following objectives:

(i) Operational objectives:

- Continuing growth in the subscriber base, while maintaining a low customer acquisition cost, with a view to totalling about 5 million broadband subscribers in 2011,
- A circa 90% group-wide unbundling rate in the medium term,
- As part of the rollout of its FTTH network, the Group confirms its target of providing horizontal coverage to 4 million households by end 2012.
- As part of the mobile project:
 - Cover 27% of the French population by January 2012,
 - Launch a commercial offering in 2012.

(ii) Financial objectives:

- Cumulative ADSL Free Cash Flow in excess of € 1.1 billion between 2010 and 2012 (including Alice),
- Double-digit growth in Group EBITDA over 2010 (including Alice),
- A very strong increase in net profit over 2010,
- Generate incremental EBITDA of € 90 million from Alice (on a full-year basis) from the second half of 2010.

CONSOLIDATED INCOME STATEMENT

(€millions)	31 Dec. 2009 incl. Alice	31 Dec. 2008* incl. Alice	% change incl. Alice
Revenues	1,954.5	1,565.0	24.9%
Cost of sales	(920.3)	(781.5)	17.8%
Gross profit	1,034.2	783.5	32.0%
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Personnel costs	(108.6)	(79.8)	36.1%
External charges	(154.0)	(109.5)	40.6%
Taxes and duties	(42.9)	(27.9)	53.8%
Provisions	(29.3)	(25.2)	16.3%
Other operating income and expenses	(38.0)	(16.4)	131.7%
EBITDA	661.4	524.7	26.1%
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Employee benefits	(7.3)	(5.4)	35.2%
Amortisation and depreciation	(294.7)	(316.3)	(6.8%)
Profit from ordinary activities	359.4	203.0	77.0%
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Other operating income and expenses	(26.5)	(30.7)	(13.7%)
Operating profit	332.9	172.3	93.2%
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Net finance income (cost)	(49.0)	(19.5)	151.3%
Income tax	(109.0)	(52.3)	108.4%
Net profit (loss) from operations sold	1.0	(0.1)	-
Net profit	175.9	100.4	75.2%

* Alice consolidated from 26 August 2008

Revenues

Group revenues grew by nearly 25% between 31 December 2008 and 31 December 2009. This strong increase was due to:

- The Free brand's commercial dynamics, which reported growth of nearly 13% over 2009,
- The full-year consolidation of Alice,
- Continuing strong growth in value-added services usage by Free and Alice subscriber over 2009. At 31 December 2009, revenues from these services totalled € 474.7 million, compared to € 376.7 million at 31 December 2008, representing growth of more than 26% over the period. This development was supported by continuing growth in the contribution of video services. Over 2009, more than 8.5 million VOD and S-VOD subscriptions were achieved, being year-on-year growth of more than 31%.

The commercial success of the Free offering and the synergies made possible by the integration of Alice enabled Iliad Group to report an **ARPU of € 36.5** over the 4th quarter 2009, a level virtually equal to that achieved by Free prior to the acquisition of Alice.

EBITDA

Including Alice:

Group EBITDA of consolidated companies grew by 26.1% to € 661.4 million at 31 December 2009, compared to 31 December 2008. EBITDA margin came to 33.8% at 31 December 2009, compared to 33.5% in 2008. This ratio rose to 35.9% over the second half of 2009.

Excluding Alice:

During the 2009 financial year, and in spite of the recognition of additional duties, the Group **reported a record EBITDA margin of 39.4%**, compared to 37.6% over the same period of 2008. This improvement can be explained by:

- The positive impact of the rise in the unbundling rate (85.4% at 31 December 2009);
- The growth in value-added services, as specified above;
- A continuing low customer acquisition cost;
- The absorption of fixed cost by fast-paced business growth.

Alice:

Over the 2009 financial year, the Group continued its policy of integrating Alice, by implementing the synergies identified in marketing expenditure, revenue per user and network, IT system and structure costs. The main steps taken over 2009 were as follows:

- Simplification and repositioning of commercial offerings;
- Streamlining of the Alice network and optimizing costs paid to third parties;
- Migration to Free's IT systems;
- In areas covered by the Free network, migration of Alice subscribers to unbundled packages that enable the Group to improve the service provided to subscribers and increase gross profit.

These steps resulted in a € 23.8 million positive contribution to Group EBITDA over the 2009 financial year, compared to a € 14.4 million loss over the 4 months of operation consolidated in 2008.

Operating profit

Including Alice:

Operating profit amounted to € 332.9 million at 31 December 2009, compared to € 172.3 million at 31 December 2008. The Group's operating profit virtually doubled between 31 December 2008 and 31 December 2009, in spite of the € 83.6 million dilutive effect of Alice on the 2009 financial year.

Excluding Alice:

Operating profit of the historic perimeter grew significantly by 56.4% between the 2008 and 2009 financial years, up the € 400 million mark at 31 December 2009 to € 416.5 million. This increase resulted from the slower growth of amortisation and depreciation charges in relation to revenues over the 2009 financial year, due to:

- A stable Freebox cost at € 180 over the period, in spite of the generalisation of the PLC technology and wifi 802.11n,
- Amortisation periods extended from three to four years for modem and related costs.

After taking account of the above mentioned factors, the operating profit to revenues ratio gained 7.1 percentage points between the 2008 and 2009 financial year, to a record level of 25.7%.

Alice:

In spite of Alice's positive contribution to Group EBITDA, Alice's contribution to the Group's operating profit was a negative € 83.6 million over the year, due to:

- € 80.9 million depreciation charges in relation to certain network assets. Alice's amortisation and depreciation charges are bound to sharply decrease by the end of the subscriber migration process to the Free network.
- The recognition of a € 26.5 million provision charge to cover restructuring costs.

Net profit

In spite of Alice's dilutive impact (as described above), the Group's consolidated net profit totalled € 175.9 million at 31 December 2009, an increase of more than 75%.

Capital expenditure

Cash outflows relating to the acquisition of non-current assets (net of disposals) were € 419.6 million at 31 December 2009 and may be mainly analysed as follows:

- **Growth investments**, relating to the ADSL business (Freebox modems and DSLAMs, France Télécom service access charges ("SACs", mobile telephony SACs...): € 250.6 million. This item of expenditure was unchanged compared to the previous period, due to Freebox inventories built up to improve customer service by reducing delivery times.
- **Network investments** (IRUs, France Télécom rooms, civil engineering, transmission equipment, etc.): € 57.3 million;
- **FTTH investments**: € 111.7 million. Note that the majority of properties to be used as fibre optic hub, as well as certain network components were acquired through leasing contracts, the value of which is not recognised under capital expenditure (from an accounting point of view). These totalled € 21.8 million over the 2009 financial year.

Cash flow

The 2009 financial year featured very strong cash flow generation, the main components of which were as follows:

- Net cash flow from operating activities of € 734.3 million, including non-recurring collections,
- Growth in **free cash flow** generated by Free's ADSL business to **€376 million, an increase of €166 million compared to the same period of 2008,**
- **€26.3 million non-recurring cash outflow relating to the restructuring of Alice.**

BALANCE SHEET

At 31 December 2009, the Group had gross debt of € 1,298.8 million and net debt of € 664.9 million. Net debt decreased by € 217 million over 2009, enabling the Group to markedly improve its balance sheet structure. The net debt to EBITDA ratio was thus 1.0x at 31 December 2009, compared to 1.7x at end 2008.

GLOSSARY

Unbundled subscribers: ADSL subscribers who have signed up for a Group ADSL offering in 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 another or connection and termination 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 number of ADSL subscribers: consists of the total number of customers at the end of a period identified by their individual phone lines, who have signed up for Free's ADSL offering, excluding those for whom a termination notice has been registered.

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

Free Cash Flow: represent EBITDA less investments made in connection with property, plant and equipment and intangible assets acquired for the Group's ADSL operations.

FTTH: "Fibre To The Home" is a data delivery technology that directly connects subscribers' homes to an optical node.

Leverage ratio: corresponds to the ratio between net debt (short- and long-term financial liabilities less cash and cash equivalents) and EBITDA.



Exchange: *Euronext Paris*

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Member of Eurostoxx, SBF 120, Next 150 and CAC mid 100

The Iliad Group is a major player in the French telecommunications and Internet access market via Free and Alice (4,456,000 ADSL subscribers as of 31 December 2009), Onetel and Iliad Télécom (fixed telephony providers) and IFW (Wimax). The Iliad Group is listed on Euronext Paris under the ticker ILD.).