



## Record year for Iliad

- **Consolidated Revenues of 1.212 billion euros, with 36.2% growth in the Broadband sector**
- **2,904,000 ADSL subscribers at 31 December 2007: Free is the sole market player to gain significant market share in 2007**
- **Record ARPU at 36.3 euros for Q4 2007, buoyed up by the growth of Freebox optional value-added services (+61% in 2007)**

During the year 2007 Iliad again strengthened its strategic position in the French Broadband market by being the **only market player to gain significant market share**, by continuously improving the quality of its € 29.99 single offering and by promoting use of optional value-added services among its subscribers.

During the 4<sup>th</sup> quarter of 2007, Iliad confirmed the dynamism and the quality of its organic growth with 137,000 net adds over the quarter. **The Free ADSL subscriber base thus stands at 2,904,000 at 31 December 2007.** Free's market share of French ADSL subscribers at 31 December 2007 was more than 19.7%, compared to 19.0% at the end of 2006.

**The Average Revenue Per Broadband User (ARPU) reached the record level of €36.3 in the 4<sup>th</sup> quarter**, which shows an increase of 1 euro compared to the 3<sup>rd</sup> quarter of 2007 and 1.8 euros more than in the 4<sup>th</sup> quarter of 2006. This increase is explained by the greater number of unbundled subscribers with a rate of 81.5%, the strong use of existing optional value-added services and the launch of new services that were favourably received by subscribers, such as *Free Home Video* (S-VOD). Free now has the largest pool of subscribers with ADSL television access (IPTV).

The increase in the number of subscribers associated with the improvement of the ARPU allowed the Group to show strong growth in Broadband sales, 1,178.4 million euros, which represent growth of 36.2% over 2006. Optional value-added services generated sales of 263.4 million euros in 2007 compared to 163.4 million euros in 2006 for an increase of 61%. These services hence provide more than 22.4% of the revenues of the Broadband sector compared to 18.9% in 2006.

The Group's consolidated revenues were 1,212.4 million euros, representing growth of 29.7%. The Group's growth was penalised by the decline of the Traditional Telephony sector (which does not include IP telephony), down 51.4% at 34 million euros. This evolution may be explained, by the strong diminution of revenues generated by Kedra due to the end of indirect interconnections, and to a lesser extent by the drop in the number of OneTel subscribers.

## 2007 consolidated revenues and those of 4<sup>th</sup> quarter 2007

(millions of euros)	2007	2006 PF <sup>1</sup>	Diff.	Q4 07	Q4 06 PF <sup>1</sup>	Diff.
<b>Consolidated sales</b>	<b>1,212.4</b>	<b>935.0</b>	<b>29.7%</b>	<b>331.3</b>	<b>258.7</b>	<b>28.1%</b>
Broadband	1,189.0	881.6	34.9%	326.4	246.5	32.4%
- Intersector	(10.6)	(-16.5)	(36.0%)	(2.3)	(-3.0)	(-24.7%)
<b>Consolidated Sales Broadband</b>	<b>1,178.4</b>	<b>865.1</b>	<b>36.2%</b>	<b>324.1</b>	<b>243.5</b>	<b>33.1%</b>
Traditional Telephony	53.0	111.5	(52.5%)	13.2	27.3	(51.6%)
- Intersector	(-19.0)	(41.6)	(54.3%)	(5.9)	(-12.1)	(51.2%)
<b>Consolidated Sales Traditional Telephony</b>	<b>34.0</b>	<b>69.9</b>	<b>(51.4%)</b>	<b>7.3</b>	<b>15.2</b>	<b>(-52.0%)</b>

## ADSL subscriber pool in 2005, 2006 and 2007

	31 Dec. 2005	31 Dec. 2006	31 Dec. 2007
Total number of ADSL subscribers	1,595,000	2,278,000	2,904,000
Unbundled subscribers	1,120,000	1,730,000	2,366,000
Unbundled subscribers as % of total	70.2%	75.9%	81.5%
Share of consumer market <sup>2</sup>	18.0%	19.0%	19.7%

## Highlights of the year 2007

In 2007 Iliad confirmed its leadership in innovation and service quality in the ADSL market in France. True to its strategy, throughout the year 2007 Iliad offered major innovations to its subscribers, in particular the following:

- Deployment of IPV6 (December 2007)
- 41 new destinations included in the Freebox package (January and December 2007)
- Agreement with the Canal+ Group for 7 new channels available in the Freebox package (August 2007)
- TV available to 100% of Free subscribers (July 2007)
- First operator in the world to integrate the DslSafe software solution with its ADSL equipment (June 2007) on a serial basis.
- First operator to launch an S-VOD (Cinema and Series) offering on ADSL television with *Free Home Video* (June 2007)
- Launch of *TV Perso Freebox* : first personal television service in the world (June 2007) with 168 million videos watched between June 2007 and December 2007. Seven months after its launch, this innovative service has still not been technically replicated by Iliad's competitors.
- Freebox also becomes a fax (April 2007)
- TF1, M6, TMC, Tfou and Odyssee available on Freebox TV (January 2007)

<sup>1</sup> 2007 and Q4 2006 Proforma exclude Kertel SA (sold in February 2007)

<sup>2</sup> Source: Iliad, France Telecom and Arcep

Moreover, during the year 2007, the quality of the Free offering was again recognised by several independent studies including the following:

- J.D Power and Associates<sup>3</sup>: Free, best French ISP in terms of subscriber satisfaction. The Free offering was in particular rated number one on the following criteria: performance and reliability, image and cost of services.
- In September 2007 the specialised consumer defence magazine *60 Million Consumers*<sup>4</sup> published, for the fourth consecutive year, its Internet Access Provider satisfaction survey. This study rated Free as the best ISP with a satisfaction rate of 93%. More precisely, the survey underscores that Freebox is the most advanced Box. Finally, the Free triple-play offering is recommended by the magazine in its Best Offers Merit List of "internet, telephony, television, telephone subscription included".

## **Outlook**

Still strong from its 2007 performance, Iliad stresses that its objective is to acquire 4 million broadband subscribers from now to the end of 2010. The Group hopes to continue developing the ARPU of its broadband subscribers by facilitating the use of its existing services and by launching new innovative services.

Moreover, the Group wants to pursue the optimisation of its network by further increasing the rate of unbundling the local loop, with an objective of 85% in the medium term, and by deploying fibre optics to the subscriber (FTTH) at a large scale.

The 2007 annual earnings will be made available on **Wednesday 12 March 2008**.

## **Glossary**

**Unbundled subscribers:** subscribers who have signed up for a Free ADSL offering in a telephone exchange unbundled by Free.

**Broadband ARPU (Average Revenue Per User - Broadband):** includes sales generated by the package and added-value services, but excludes non-recurring sales (for example, fees for migration from one offering to another or service start up or termination fees), divided by the total number of ADSL subscribers invoiced in the period.

**Total number of ADSL subscribers:** represents, at the end of the period mentioned, the total number of subscribers identified by their telephone lines who have subscribed to the Free ADSL offering after elimination of those for whom a termination was registered.

**Recruitment:** corresponds to the difference between the total number of ADSL subscribers at the end of two different periods.

*The Iliad Group is a major player on the French internet access and telecommunications market with Free (2,904,000 ADSL subscribers at 31/12/2007), Onetel and Iliad Télécom (fixed-line operators) and also IFW (Wimax). The Iliad Group is listed on the Euronext Paris Eurolist with symbol ILD.*

Place of listing: [Euronext Paris](#)

Place of trading: [Eurolist A of Euronext Paris \(SRD\)](#)

Value code: [ILD](#)

ISIN code: [FR0004035913](#)

FTSE Classification: [974 Internet](#)

Member of the SBF 120 and Next 150

<sup>3</sup> Source: Satisfaction survey J.D Power and Associates 2007 French Broadband Internet Service Provider Satisfaction Study<sup>SM</sup>, <http://www.jdpower.com/corporate/>

<sup>4</sup> The survey appeared in the monthly magazine *60 Million Consumers* in October 2007, and was conducted among internet users between May 7 and July 27 2007 on the site [www.60millions-mag.com](http://www.60millions-mag.com).