

Paris, 28 August 2008

**1<sup>st</sup> Half 2008:  
Sustained organic growth, historical level of profitability**

- **Consolidated net income up by 27.5%<sup>1</sup> to € 82.9 million**
- **Consolidated EBITDA of € 256.9 million, record EBITDA margin of 37.1%**
- **ADSL Free Cash Flow of € 75 million**

The Iliad Group continued its strategy of profitable growth in the first half of 2008. This was based on innovation unbundling of the local loop and the success of value-added services with the Freebox. The Group's excellent operating performance was reflected in **a significant increase in results**:

- Growth of close to 21% in revenue to € 692.2 million. Between 30 June 2007 and 30 June 2008, the ADSL installed base grew by 19% and the ARPU Broadband by € 1.3;
- Gross margin increased by more than € 70 million to € 353.1 million. Gross margin for the period benefited from:
  - the increase in the rate of unbundling to 83.4%, with the connection of 350 new sites to the historic operator,
  - the decline of certain regulated tariffs,
  - the growing use of audio-visual services.
- Group EBITDA was up by 24.4% to € 256.9 million. The EBITDA margin was a new historic level of 37.1% for the first half of 2008, compared to 36% for the first half of 2007;
- Profit from ordinary activities grew to € 128 million, and represented 18.5% of revenue for the first half of 2008 compared to 17.7% for the first half of 2007;
- Net income was up 27.5%<sup>1</sup> to € 82.9 million;
- ADSL Free Cash Flow was € 74.7 million for the first half of 2008, enabling the Group to finance all its FTTH investments (€ 32 million) and to increase its cash resources by € 42.5 million in the period. At 30 June 2008, the Group thus had cash resources of € 265.5 million.

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<sup>1</sup> The net income for the first half of 2007 does not include the profit of € 13.9 million of operations sold.

## Consolidated income statement

(€ millions)	30 June 2008	30 June 2007	% change
<b>Revenues</b>	<b>692.2</b>	<b>574.1</b>	<b>20.6%</b>
Cost of sales	(339.1)	(293.8)	15.4%
<b>Gross margin</b>	<b>353.1</b>	<b>280.3</b>	<b>26.0%</b>
Personnel costs	(27.4)	(24.4)	12.3%
External charges	(38.9)	(31.2)	24.7%
Taxes and duties	(11.9)	(5.4)	120.4%
Provisions	(9.1)	(2.9)	-
Other operating income and expense	(8.9)	(9.9)	(10.1)%
<b>EBITDA</b>	<b>256.9</b>	<b>206.5</b>	<b>24.4%</b>
Employee benefits	(2.5)	(0.9)	177.8%
Amortisation and depreciation	(126.4)	(104.2)	21.3%
<b>Profit from ordinary activities</b>	<b>128.0</b>	<b>101.4</b>	<b>26.2%</b>
Other operating income and expense	-	-	-
<b>Operating profit</b>	<b>128.0</b>	<b>101.4</b>	<b>26.2%</b>
Finance cost	(1.5)	(2.3)	34.8%
Income tax	(43.5)	(34.1)	27.9%
<b>Net income</b>	<b>82.9</b>	<b>65.0<sup>1</sup></b>	<b>27.5%</b>

## Financial strength

The Group's gross debt totalled € 349.9 million at June 30, 2008, down € 5.5 million compared with December 31, 2007.

At the end of the first half of 2008, the Group's net debt was € 75.5 million, a fall of € 45.1 million on end-2007, due mainly to the strong cash generation in the first six months of the year.

### **Events after the balance sheet date**

On August 26<sup>th</sup>, 2008, Iliad has completed the acquisition of 100% of Liberty Surf Group SAS from Telecom Italia. Liberty Surf Group SAS primarily operates internet service provider activities in France, marketed under the Alice brand.

The price paid for this acquisition is € 775 million and may still be subject to limited downward adjustments. This price reflects:

- The value of the business, which boasts a portfolio of about 850,000 active subscribers;
- The value of loss carry-forwards, generating tax savings for Iliad, an early estimate of which was put at € 350 million;
- Cash and cash equivalents in Liberty Surf Group SAS' balance sheet estimated at € 15 million.

With this transaction, Iliad confirms its position as the leading alternative operator in the French ADSL market, with around 4 million subscribers and a market share estimated at 25.5%.

### **Outlook**

In light of its 1st half 2008 performance, Iliad is confident in the achievement of its full-year guidance:

- Achieve 3.25 million Broadband subscribers (excluding Alice) at 31 December 2008, and 5 million subscribers (including Alice) at end 2011;
- Achieve 84% unbundled subscribers by the end of 2008 (excluding Alice);
- Generate ADSL Free Cash Flow in excess of € 100 million in 2008 (excluding Alice);
- As part of its project to rollout fibre optics up to the subscriber (FTTH), the Group wishes to cover 70% of Paris across the board during the second half of 2009.

### **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 revenues generated by package and value-added services, but excludes non-recurring revenues (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 over 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 in the French telecommunications and Internet access market via its subsidiaries Free (3,134,000 ADSL subscribers as of 30 June 2008), Onetel and Iliad Télécom (fixed telephony providers) and IFW (Wimax). The Iliad Group is listed on Euronext Paris under the ticker ILD.)*



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Ticker : **ILD**

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Marketplace: **Eurolist A of Euronext Paris (SRD)**

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