

Paris, 31 August, 2007

**1st Half 2007 Consolidated EBITDA at € 205.6 million, up 36.6%**  
**Ebitda Margin at 35.8%**

(in € million)	Six months to June 30, 2007	Six months to June 30, 2006	% change
<b>Revenues</b>	<b>574.1</b>	<b>439.1</b>	<b>30.7</b>
Purchases used in production	(293.8)	(234.2)	25.4
Payroll costs	(25.2)	(17.8)	41.6
External charges	(31.2)	(24.0)	30.0
Taxes other than on income	(5.4)	(4.1)	31.7
Additions to provisions	(2.9)	(2.1)	38.1
Other income and expenses from operations, net	(9.9)	(6.4)	54.7
<b>EBITDA</b>	<b>205.6</b>	<b>150.5</b>	<b>36.6</b>
Depreciation and amortization	(104.2)	(63.3)	64.6
<b>Profit from ordinary activities</b>	<b>101.4</b>	<b>87.2</b>	<b>16.3</b>
Other operating income and expense, net	-	-	-
<b>Operating profit</b>	<b>101.4</b>	<b>87.2</b>	<b>16.3</b>
Financial income and expense, net	(2.3)	(0.3)	-
Corporate income tax	(34.1)	(29.9)	14.0
Profit for the period before results of discontinued operations/operations held for sale	65.0	56.9	14.2
Profit from discontinued operations	13.9	1.7	-
<b>Profit for the period</b>	<b>78.9</b>	<b>58.6</b>	<b>34.6</b>
<b>Diluted earnings per share (in €)</b>	<b>1.43</b>	<b>1.08</b>	<b>32.4</b>

## 1. Comparison of results for first-half 2007 and first-half 2006

There were no significant changes in Group structure in first-half 2007. On February 7, 2007 Iliad sold its entire interest in Kertel SA to Proximania. Kertel was no longer considered a strategic business in light of the Group's focus on broadband and high speed broadband.

The business was sold for €20.6 million, including €6 million in vendor finance repayable between June 29 and December 31, 2007.

The first-half 2006 financial information has been adjusted to exclude Kertel SA, sold in February 2007, and Société SA, sold in August 2006.

The following section reviews revenues, EBITDA and operating profit for the Group as a whole.

### *ADSL Subscriber Base in 2006 and 1H 2007*

	Six months to June 30, 2006	Year ended December 31, 2006	Six months to June 30, 2007
Total ADSL subscribers	1,905,000	2,278,000	2,626,000
Unbundled subscribers	1,377,000	1,730,000	2,060,000
Percentage of unbundled subscribers	72.3%	75.9%	78.4%
Share of French residential ADSL market <sup>1</sup>	18.2%	19.0%	19.7%

### *Revenues*

Revenues for first-half 2007 rose by around 31% compared with the same period in 2006. The increase was mainly attributable to the Broadband segment, led by Internet access and optional value-added services available through the Freebox.

For the six months to June 30, 2007, these optional services represented revenues of €120.1 million, some 65% more than in first-half 2006.

### *Operating expenses*

Excluding depreciation and amortization, operating expenses were 27.9% higher than in first-half 2006, coming in at €368.5 million. They declined in relative terms, to 64.2% of consolidated revenues from 65.7%, reflecting the higher proportion of subscribers on unbundled lines during the period and the lower cost of IP transit services.

### *Earnings before interest, tax, depreciation and amortization (EBITDA)*

EBITDA rose by a strong 36.6% to €205.6 million in first-half 2007, reflecting (i) new ADSL subscribers signed up directly under Option 1, (ii) migration of Option 5 subscribers to Option 1, and (iii) the contribution of optional value-added services provided through the Freebox.

EBITDA margin increased to 35.8% from 34.3% in first-half 2006.

### *Operating profit*

Operating profit rose to €101.4 million in first-half 2007 from €87.2 million in the prior-year period, representing a 16.3% increase. This performance reflects the combined impact of:

<sup>1</sup> Source: Iliad, and France Telecom for market shares in 2006 and 2007

- Higher Broadband margins, spurred by the steadily growing proportion of broadband subscribers on unbundled lines.
- The contribution of optional value-added services provided through the Freebox.

Depreciation and amortization was 64.6% higher than in first-half 2006, primarily reflecting an increase in capital expenditure in the Broadband business due to the rapid expansion of the subscriber base and the introduction of the Freebox HD at the end of April 2006 at a cost three times higher than the previous version.

### ***Financial income and expense, net***

In first-half 2007, net financial expense amounted to €2.3 million, corresponding mainly to interest on the “Océane” convertible bonds issued on June 29, 2006. Interest paid on these bonds represented €3.7 million, and the aggregate expense recognized under IFRS – reflecting the effective interest rate – came to €6.9 million.

Interest expense was partially offset by U.S. dollar foreign exchange gains and income from short-term investments.

### ***Profit for the period***

Profit for the period came to €78.9 million, up from €58.6 million in first-half 2006, representing a period-on-period increase of more than 34.6%. This figure includes the €13.9 million net-of-tax gain from the February 7, 2007 sale of Kertel SA. Income tax expense amounted to €34.1 million, compared with €29.9 million in first-half 2006. The Profit for the period before results of discontinued operations/operations held for sale was € 65.0 million, up 14.2%.

## **2. Additional Information**

On July 30, 2007 Iliad applied for France’s fourth mobile phone license. ARCEP announced that Iliad was the only candidate to have submitted a bid.

The call for bids provides for three phases:

- A qualification phase at the end of which the French Telecommunications Regulator (ARCEP) will reject bids that are not in line with the specifications.
- A selection phase at the end of which ARCEP will announce the bidder with the highest score before February 29, 2008.
- A specifications-drafting phase. The specifications will set out the commitments of the successful bidder as well as the financial terms decided by the Government, and the license will be issued on March 31, 2008 at the latest.

The call for bids stipulates that the operator chosen by ARCEP will have the right to withdraw the bid at any time until the license is granted.

Since July 31, 2007, Free’s ADSL subscribers have all had access to a selection of TV channels from Free’s portal.

## 3. Results Presentation

First-half 2007 financial results presentation is staged on September 4, 2007 at 9:30. The full half-year report and the presentation slideshow will be available on [www.iliad.fr/en](http://www.iliad.fr/en).

## 4. Glossary

In light of the discrepancies between operators' definitions concerning ADSL, Iliad wishes to reiterate the definitions it has been using since the inception of its services.

-Total ADSL Subscribers at the end of a period correspond to the total number of customers identified by their individual phone lines who have signed up for Free's ADSL service, excluding customers recorded as having requested the termination of their subscription.

-Unbundled Subscribers are ADSL subscribers who have signed up for Free's ADSL service on a Central Office unbundled by Free.

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*The Iliad Group is a major operator on the French Internet access and Telecommunications market with Free (2,626,000 ADSL subscribers at 30.06.07), Onetel and Iliad Télécom (fixed telephony operators) and IFW (Wimax). The Iliad Group is listed on the Eurolist of Euronext Paris under the abbreviation ILD.*