

Paris, 29 October 2007

**Consolidated turnover of €881.1m, with a 37.4%<sup>1</sup> increase in the Broadband sector**  
**Highest satisfaction rating of subscribers in the sector at 93% and best Triple Play Offer**  
*(source: "60 Millions de Consommateurs")*

During the 3<sup>rd</sup> quarter 2007, Iliad has confirmed the dynamism and quality of its organic growth with 141,000 net adds over the quarter. As of 30 September 2007, Free's ADSL subscriber base reached 2,767,000, vs. 2,626,000 as of 30 June 2007.

For the fifth quarter in a row, Free's market share for new ADSL subscribers is clearly above its market share in stock, emphasising the attractiveness of its offer.

Free is the only market player to have a uniform subscriber base, developed without external growth and built on 2.77 million subscribers equipped with a Freebox for a single fixed price of 29.99 euros. In the 3<sup>rd</sup> quarter 2007, Free's churn rate was the lowest in the market below 1% per month.

During the first nine months, Value-added services generated revenues of €185.8m vs. €113.6m for the same period in 2006. Broadband ARPU increased to 35.3 euros per month (excl. VAT), vs. 35.0 euros in the 2<sup>nd</sup> quarter 2007 and 33.5 euros in the 3<sup>rd</sup> quarter 2006.

#### **Revenues for the 3<sup>rd</sup> quarter 2007 and the first 9 months of 2007**

<i>(in millions of euros)</i>	<b>9M 07</b>	<b>9M 06 PF<sup>1</sup></b>	<b>Change</b>	<b>Q3 07</b>	<b>Q3 06 PF<sup>1</sup></b>	<b>Change</b>
<b>Consolidated turnover</b>	<b>881.1</b>	<b>676.3</b>	<b>30.3%</b>	<b>307.0</b>	<b>237.2</b>	<b>29.4%</b>
Broadband	862.6	635.1	35.8%	301.6	224.3	34.5%
- Intersector	(8.3)	(13.5)	(38.5%)	(2.4)	(4.1)	(41.5%)
<b>Consolidated Broadband turnover</b>	<b>854.3</b>	<b>621.6</b>	<b>37.4%</b>	<b>299.2</b>	<b>220.2</b>	<b>35.9%</b>
Traditional telephony	39.8	84.2	(52.7%)	13.1	28.5	(54.0%)
- Intersector	(13.1)	(29.5)	(55.6%)	(5.4)	(11.5)	(53.0%)
<b>Consolidated Trad. telephony turnover</b>	<b>26.7</b>	<b>54.7</b>	<b>(51.2%)</b>	<b>7.7</b>	<b>17.0</b>	<b>(54.7%)</b>

The Traditional Telephony sector (which does not include IP telephony) continues to suffer from the success of Voice over IP. The total number of Onetel subscribers fell in the 3<sup>rd</sup> quarter 2007 to 180,000 subscribers as of 30 September 2007, compared to 194,000 on 30 June 2007. ARPU has stayed at around 10 euros since the 4<sup>th</sup> quarter 2006.

Furthermore, Kedra's revenues decreased by 81% between the 3<sup>rd</sup> quarter 2006 and the 3<sup>rd</sup> quarter 2007, due to the large increase in direct interconnection with mobile operators.

<sup>1</sup> 9M 2006 and Q3 2006 Proforma exclude Kertel SA (sold in February 2007)

## Key points of the 3<sup>rd</sup> quarter 2007

During the 3<sup>rd</sup> quarter 2007, the quality of the services offered by Free was recognised by various studies:

- In September 2007, the magazine specialised in consumers rights defense “60 Millions de Consommateurs<sup>2</sup>” published, for the fourth consecutive year, its Internet service provider satisfaction survey. This study ranks Free as the best ISP, with a satisfaction rating of 93%. More specifically, the survey emphasises that the Freebox is the best developed box. Finally, the triple-play offer from Free is recommended by the magazine in its list of the Best “Internet, telephone, television, telephone subscription inclusive” offers.
- In the 2007 edition of the annual barometer *TechCity Mystery Contact Challenge (TMCC)*<sup>3</sup> measuring call centre performances, Free comes second with a satisfaction rating of 71% and a sample group average of 64%. With regard to web media, Free’s customer support is at the top of the class with an efficiency rating of 94% and a sample group average of 76%.
- Iliad received the *Best Innovator 2007* prize in the “Marketing and business innovation” category. Created in 2004, this European prize, awarded by the strategy consultants A.T. Kearney in partnership with Les Echos, is based on a detailed analysis to determine which of 700 companies (turnover > €300m) is considered as the most innovative. It rewards the best practices in terms of innovation management.

In the survey published online by *Journal du Net*<sup>4</sup>, on companies providing the best workplace for employees, Iliad/Free is ranked number 1 in the high tech category. Free is also the only ISP in the TOP 10.

## Outlook

With regard to strong performances during the 3<sup>rd</sup> quarter, Iliad is reiterating its key targets for 2007:

- To reach more than 2.8 million broadband subscribers by the end of 2007 and 4 million broadband subscribers by 2010;
- To have an unbundling rate of 80% of subscribers by the end of 2007 and 85% of subscribers in the long term;
- To maintain a 20 euros average gross margin per unbundled subscriber;
- To pursue the innovative and profitable growth strategy;
- To have 8 equipped FTTH NROs providing horizontal coverage of 241,000 homes by the end of 2007.

## Glossary

**Unbundled subscribers:** subscribers who have chosen Free’s ADSL offer within a telephone exchange unbundled by Free.

**Broadband ARPU (Average Revenue per Broadband User):** includes sales generated by the fixed price and value added services, but excludes one-off sales (for example costs of migration from one offer to another or connection and termination fees), divided by the total number of ADSL subscribers invoiced over the period.

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<sup>2</sup> Survey of Internet users published in the monthly magazine “60 Millions de Consommateurs” dated October 2007 carried out between 7 May and 27 July 2007 on the website [www.60millions-mag.com](http://www.60millions-mag.com).

<sup>3</sup> Source: <http://www.techcity.fr> This study was carried out between 1 June and 6 July 2007 on more than 126 companies that are leaders in their respective business sectors through 12 product/services sample groups and via 3 reference media: telephone, email and the internet.

<sup>4</sup> Source : « 100 entreprises où il fait bon vivre en 2007 » published by *Le Journal du Net Management* and available on <http://www.journaldunet.com/management/ressources-humaines/enquete/07/071016-enquete-entreprises-preferees/ht/global.shtml>

**Total number of ADSL subscribers:** represents, at the end of the period mentioned, the total number of subscribers identified by their telephone line who have subscribed to the Free ADSL offer after eliminating those for whom a termination of contract has been recorded.

**NRO (Fibre optics connection hub):** term used to designate Free central office, where all the fibre optic connections serving a given geographical area originate.

**Recruitment:** corresponds to the difference between the total numbers 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 (2,767,000 ADSL subscribers on 30/09/2007), Onetel and Iliad Télécom (fixed line operators) and IFW (Wimax). The Iliad Group is listed on the Eurolist Euronext Paris stock exchange under the symbol ILD.*

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