



2003 CONSOLIDATED NET INCOME UP 42.2% AT € 33.9 MILLION (2003 EBITDA INCREASES BY 24.0%)

2003 was a key year in Iliad's development and further demonstrated the Group's ability to deliver profitable growth :

- Consolidated revenues increased by 82.7 % to € 293.1 million
- 2003 EBITDA was € 53.6 million, compared to € 43.2 million in 2002
- Pre-tax earnings were € 33.8 million in 2003, compared to € 29.8 million in 2002
- Group net income was € 33.9 million, up 42.2% compared to the previous year. Based on the shares issued as of Dec. 31, 2003, earnings per share was € 0.71

In light of these results and the Group's cash flow, the Board of Directors will propose a € 0.10 per share dividend to be voted at the Annual Shareholder Meeting.

Last year's achievements included :

- Free became the leading alternative broadband ISP in France, with a 15% market share in residential ADSL as of Dec. 31, 2003
- One.Tel increased its client base by over 40%, reaching 215,000 customers as of Dec. 31, 2003
- Iliad successfully integrated Kertel with the rest of the Group and accelerated its pre-paid card sales growth, especially in the second half of 2003.

Iliad invested over € 85 million in ADSL equipment and fiber IRUs in order to further enhance its position as the ADSL mass-market champion. Free launched the first and only triple-play ADSL offering in France, based on the proprietary technology of the Freebox : For € 29.99 per month, over 100,000 French households around the country are equipped with a Freebox modem, which provides a 2Mbs minimum bandwidth connection, free unlimited national and local calls and access to over 100 TV Channels.

In addition, Iliad successfully completed its IPO on Euronext Paris Premier Marché on January 30, 2004.

Consolidated Income Statement

(in € '000)	Dec. 31 2003	Dec. 31 2002	Var. (%)
Revenue	293,051	160,263	82.7
Other operating income	29,566	4,838	
Operating expenses	287,650	130,004	
EBITDA¹	53,643	43,249	24.0
Operating income (EBIT)	34,967	35,097	0.0
Net interest expenses	(940)	(2,447)	
Exceptional items	116	(2,747)	
Amortization of goodwill	313	95	
Pre tax income	33,830	29,808	13.5
Corporate income tax	(45)	5,980	
Net income	33,875	23,828	42.2

¹ corresponds to REAA in France, EBIT plus Depreciation of tangible and intangible assets only.

- The 82.7% consolidated revenue growth was fuelled primarily by ADSL subscriber growth and to a lesser extent by the success of the telephony sector offerings and the addition of Kertel revenues. At Free, the number of directly billed customers grew from 324,000 as of Dec 31, 2002 to 700,000 as of Dec 31, 2003.
- 24.0% EBITDA growth. Iliad was able to deliver strong year-on-year EBITDA growth. It is worth noting that EBITDA progressed both in the Internet sector and in the Telephony sector. This growth further validates the rationale of unbundling the local loop and operating its own network.
- A resilient EBIT at € 35.0 million. Iliad was able to maintain its EBIT level despite depreciation charges increasing by 129% year-on-year to € 18.7 million.
- Pre tax income increased by 13.5% as there were fewer restructuring charges and other exceptional items on the Group's activities in 2003.
- Tax charges were close to zero, due to a full activation of One.Tel's remaining tax losses, in light of One.Tel's profitability.

Group Balance Sheet and Cash Flow

(in € '000)	Dec. 31 2003	Dec. 31 2002
Fixed assets	124,344	39,871
Other Current Assets	85,202	61,755
Cash & Equivalents	11,357	15,756
Total assets	220,903	117,382
Shareholders' equity	55,227	25,638
Provisions for contingencies and charges	6,745	5,470
Borrowings	20,877	15,023
Other liabilities	138,054	71,251
Total liabilities and shareholders' equity	220,903	117,382
CASH FLOWS:		
Net cash provided (used) by operating activities	91,410	48,976
Net cash used by investing activities	(97,300)	(25,097)
Net cash provided (used) by financing activities	1,843	(11,991)
Change in cash and cash equivalents	(4,047)	11,888

In 2003, Iliad pursued its strategy of self-funded growth. Total investments, including advances made towards 2004 capital expenditures, accounted for € 97.3 million, which were covered by cash flow from operations and a net debt increase from approximately zero to € 9.5 million.

Outlook for 2004

Iliad reiterates the strategy outlined in its IPO documents. Management remains focused on unbundling of the local loop which continues to be the only option to propose a differentiated and profitable ADSL offer in France. Management feels comfortable it can reach its objective of 1 million ADSL subscribers by the end of 2005. Management is also actively working to meet its other two objectives : 50% of its customers on unbundled lines by the end of 2004 and 60% by the end of 2005.

In light of these objectives, Iliad announces the following recent developments :

- As of Feb 29, 2004, IRU contracts have been signed in 15 cities for over 700 kms of dark fibre, connecting close to 70 new central offices. These IRUs have been signed with both local authorities and private corporations. The total cost will be approximately € 8.3 million payable from January 2004 to January 2009.

- Free has signed 1-year renewable leased lines agreements with France Telecom. These will allow Free to offer its unbundled services to more customers, faster and migrate them away from Option 5 service restrictions and tariffs.

In addition, Iliad has committed to increasing its One.Tel customer base over the coming years. Marketing expenses in 2004 will be significantly higher than in 2003, however the Telephony sector EBIT is anticipated to grow on a year-on-year basis.

Financials per sector

Internet Sector (in € '000)	Dec. 31 2003	Dec. 31 2002	Variation %
Net revenues	215 042	101 656	111.5
Other operating revenue	28 684	3 942	NM
Purchases used in production and other operating expenses	201 030	75 607	165.9
Payroll costs	9 170	5 648	62.4
Taxes other than on income	1 027	855	20.1
Additions to provisions	3 333	1 862	79.0
EBITDA	29 166	21 626	34.9
Depreciation and amortization	17 423	7 062	146.7
Operating income	11 743	14 564	(19.4)

(in € '000)	Dec. 31 2003	Dec. 31 2002	Variation %
ISP revenues (<i>Pay-as-you-go, 50-hour plan, ADSL</i>)	177 118	89 904	97.0
Hosting and advertising revenues	4 743	2 783	70.4
Inter-segment and other revenues	33 181	8 969	269.9
Total revenues	215 042	101 656	111.6

Telephony Sector (in € '000)	"Excluding Kertel"		Actual		
	Dec. 31 2003	Variation %⁽¹⁾	Dec. 31 2003	Dec. 31 2002	Variation %
Net revenues	67 546	51.6	96 366	44 546	116.3
Other operating revenue	756	NS	848	762	11.3
Purchases used in production and other operating expenses	48 038	69.2	74 007	28 399	160.6
Payroll costs	1 464	(50.0)	3 033	2 929	3.6
Taxes other than on income	156	(73.6)	347	590	(41.2)
Additions to provisions	1 464	160.5	1 810	562	222.1
EBITDA	17 180	33.9	18 017	12 828	40.5
Depreciation and amortization	531	(26.6)	957	724	32.2
Operating income	16 649	37.5	17 060	12 104	40.9

(1) The changes presented are based on published data for the period ended December 31, 2002

(in € '000)	" Excluding Kertel "		Dec. 31 2003	Actual	
	Dec. 31 2003	Variation % ⁽¹⁾		Dec. 31 2002	Variation %
Fixed telephony and prepaid phone card revenues	46 203	15,3	75 269	40 089	87,8
Revenues from services to operators	21 343	NM	21 097	4 457	NM
Total revenues	67 546	51.6	96 366	44 546	116.3

Other Activities (in € '000)	Dec. 31 2003	Dec. 31 2002	Variation %
Net revenues	25 026	26 018	(3.8)
Other operating revenue	35	134	(73.9)
Purchases used in production and other operating expenses	16 132	15 029	7.3
Payroll costs	2 218	2 018	9.9
Taxes other than on income	249	293	(15.0)
Additions to provisions	2	17	(88.2)
EBITDA	6 460	8 795	(26.5)
Depreciation and amortization	296	366	(19.1)
Operating income	6 164	8 429	26.9

Iliad is a leading player in the French telecommunications and Internet access industry via its subsidiaries Free (the second largest ISP and a licensed network operator), One.Tel (a fixed telephony provider) and Kertel (the leading alternative prepaid cards provider). Founded in 1991, the Group employs 520 people and is one of the last independent companies in the French telecommunications industry. Iliad is listed on Euronext Paris under the ticker ILD.

Exchange : **Euronext Paris**

Market place : **1er Marché**

Ticker : **ILD**

ISIN Code : **FR0004035913**

FTSE Ranking: **974 Internet**

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