



Paris August 2, 2005

Leading Voice over IP and TV over ADSL Operator in Europe Consolidated Revenues at € 337.8 million up 52% in 1H05 ADSL Subscribers at 1,316,000 up 24% during 1H05

Iliad reinforced its leading alternative position in the French ISP market during the 2nd quarter 2005. Free managed to increase its number of ADSL subscribers from 1,064,000 as of December 31, 2004 to 1,316,000 as of June 30, 2005. Free increased its ADSL subscriber base by 102,000 in the 2nd quarter.

Despite intense competitive pressure, Free consolidates its position as the number 2 broadband ISP in France and as the leading alternative to Wanadoo. These statistics confirm the power of Free ADSL offering and in particular of the Freebox services. At this date, Free remains the only provider with a national triple-play offer based on ADSL 2+ technology, integrated in one single CPE, for a flat all-inclusive monthly fee of € 29.99.

In addition, Free maintained its focus on unbundling of the local loop. On June 30, 2005, Free had over 883,000 unbundled customers connected to its network, or 67.1% of its subscribers base vs. 53.2% as of December 31, 2004. Over the 1st half 2005, Free unbundled close to 43% of all the unbundled lines in France.

As of June 30, 2005, thanks to the modem upgrade program launched in November 2004, about 1,180,000 users were equipped with a Freebox, close to 90% of Free's subscriber base.

During the 1st half 2005, value-added services generated revenues of approximately € 27.5 million, compared with € 13.5 million in 2004 for the entire year, corresponding to an ARPU of over € 4.7 per Freebox user per month. The usage of these value-added services are broken down as follows :

- 1,135,000 telephone users
- 130,000 paying subscribers to Freebox TV services¹

1H 2005 & 2Q 2005 Revenues²

(in € '000)	1H2005	1H2004	Change	2Q2005	2Q2004	Change
Consolidated Revenues	337,832	221,949	52%	174,713	117,453	49%
Internet Revenues	292,742	173,018		153,512	91,340	
- Intersegment	(32,746)	(31,042)		(16,014)	(15,655)	
Cons. Internet Revenues	259,996	141,976	83%	137,497	75,685	82%
Telephony Revenues	84,344	79,024		40,778	42,118	
- Intersegment	(11,946)	(6,349)		(6,174)	(3,887)	
Cons. Telephony Revenues	72,399	72,675	0%	34,605	38,231	(9%)
Other Services Revenues	9,699	13,858		4,622	7,447	
- Intersegment	(4,262)	(6,560)		(2,012)	(3,909)	
Cons. Other Services Revenues	5,437	7,298	(25%)	2,611	3,538	(26%)

¹ Including Canal + Group channels

² Under IFRS

As anticipated, the Telephony sector started to suffer from the ever growing success of voice over broadband offers. The total number of One.Tel subscribers declined slightly over the period to 328,000 customers billed on June 30, 2005 from 335,000 as of December 31, 2004. Onetel ARPU stood at around € 15.8 per subscriber per month, marking a slight decrease quarter on quarter. Kertel posted a stable 1st half 2005 with over 3.6 million cards sold over the period vs. close to 3.6 million cards sold in the 1st half 2004.

ADSL Customer Base in 2003, 2004 and 2005

	Dec. 31, 2003	June 30, 2004	Dec. 31, 2004	June 30, 2005
Total ADSL Subscribers	485,000	768,000	1,064,000	1,316,000
Unbundled Subscribers	163,000	355,000	566,000	883,000
Unbundled Subscribers as % of Total	33.6%	46.2%	53.2%	67.1%
Residential ADSL Market Share ³	15.0%	16.8%	17.4%	17.4%

Key Developments in 1H 2005

Product Offering

During the 1st half 2005, Iliad demonstrated once again its ability to lead media and telecommunications convergence through innovation.

- **Over 100,000 downloads of the Freeplayer application.** On June 22, 2005, Free announced that it had turned the Freebox into the first true home media center, enabling users to use their television screen to watch movies stored on their computer or their stereo system to listen to music.
- **Offering competitive pre-selection tariffs to Freebox users.** New subscribers to Free's partial unbundling and option 5 offer are now able to use Free as a telecom carrier on their traditional phone line. Customers are thus able to have 100% of their voice traffic routed through Free, via the Freebox modem as well as directly on their phone line.

In addition, Free was also the first broadband provider to broadcast radio channels through its platform in digital quality, to open Canal + subscription by one-click on the remote control, to offer most of the DTT channels and to allow for 5.1 Dolby stereo sound.

Customer Care

Following stunning growth and ADSL 2+ implementation in 2004, one of Iliad management's priorities for 2005 was the improvement of customer care.

Better processes were put in place over the 1st half 2005 and hotline staff increased from 654 as of December 2004 to 839 as of June 2005. These improvements led to the following performance :

- Less than 2.5 minutes average waiting time in June 2005, less than 10 seconds for full unbundling customers
- Same-day reply on all emails since April 2005
- Less than 10 day average provisioning delay for unbundled subscribers

³ Based on France Telecom market data

Outlook

Based on 1st half performance, Iliad reiterates a number of key objectives for 2005 :

- To reach 1.5 million ADSL subscribers by end 2005 and to remain the leading alternative operator in the French residential ADSL market
- To maintain its focus on unbundling of the local loop and reach over 70% unbundling ratio
- To complete 100% ADSL2+ DSLAM upgrade by end 2005
- To reach free cash flow break even during the 2nd half 2005

1st half 2005 Group EBITDA should exceed € 90 million (not audited).

On Thursday September 8, 2005, Iliad will present its 1st half 2005 results in IFRS and the 2004 IFRS transition documentation.

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 over 900 people. Iliad is listed on Euronext Paris under the ticker ILLD.

Exchange : **Euronext Paris**

Market place : **1er Marché (SRD)**

Ticker : **ILLD**

ISIN Code : **FR0004035913**

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