



Paris, October 27, 2005

## 130,000 ADSL Net Adds in 3Q 2005 : For the First Time Ever, Free Adds More ADSL Subscribers than All Alternative Operators Combined

**9 Months Consolidated Revenues at € 521.3 million, up 50%**  
**3<sup>rd</sup> Quarter Consolidated Revenues at € 183.4 million, up 46%**

Iliad reinforced its position as the leading alternative player in the French broadband market during the 3<sup>rd</sup> quarter 2005. Free increased its ADSL subscriber base from 1,316,000 as of June 30, 2005 to 1,446,000 as of September 30, 2005, an increase of 130,000 in the 3<sup>rd</sup> quarter vs. 102,000 in the 2<sup>nd</sup> quarter.

As of September 30, 2005, about 1,317,000 users - over 90% of Free's subscriber base - were equipped with a Freebox, the only triple-play modem available in France. As of today, Free has more than 1 million unbundled subscribers.

Despite significant increase of its competitors' marketing expenses, Free continues to consolidate its position as the leading alternative to the incumbent operator. These statistics confirm the power of the Free ADSL offering and in particular of the Freebox services. At this date, Free remains the only provider with a national triple-play<sup>1</sup> offer based on ADSL 2+ technology, for a flat all-inclusive monthly fee of €29.99, unchanged since the launch of the service.

During the 3<sup>rd</sup> quarter 2005, value-added services generated revenues of approximately € 18.9 million, corresponding to an ARPU of over € 4.9 per Freebox user per month. There were 159,000 paying subscribers to Freebox TV services<sup>2</sup> as of September 30, 2005.

### 3Q05 & 9 Months Revenues<sup>3</sup>

(in € '000)	9M2005	9M2004	Change	3Q2005	3Q2004	Change
<b>Consolidated Revenues</b>	<b>521,268</b>	<b>347,694</b>	<b>50%</b>	<b>183,436</b>	<b>125,741</b>	<b>46%</b>
Internet Revenues	455,263	273,443		162,521	100,421	
- Intersegment	(47,671)	(46,626)		(14,925)	(15,584)	
<b>Cons. Internet Revenues</b>	<b>407,592</b>	<b>226,817</b>	<b>80%</b>	<b>147,596</b>	<b>84,837</b>	<b>74%</b>
Telephony Revenues	124,361	121,129		40,016	42,105	
- Intersegment	(18,414)	(10,601)		(6,468)	(4,252)	
<b>Cons. Telephony Revenues</b>	<b>105,947</b>	<b>110,528</b>	<b>(4%)</b>	<b>33,548</b>	<b>37,853</b>	<b>(11%)</b>
Other Services Revenues	13,863	18,112		4,164	4,254	
- Intersegment	(6,134)	(7,763)		(1,872)	(1,203)	
<b>Cons. Other Services Revenues</b>	<b>7,729</b>	<b>10,349</b>	<b>(25%)</b>	<b>2,292</b>	<b>3,051</b>	<b>(25%)</b>

As announced at the time of 1<sup>st</sup> half 2005 results, the Telephony sector continued to suffer from the growing success of voice over broadband offers. The total number of Onetel subscribers declined slightly over the period to 315,000 customers billed on September 30, 2005 from 328,000 as of June 30, 2005.

<sup>1</sup> Depending on copper pair technical features

<sup>2</sup> Including Canal + Group offers

<sup>3</sup> Under IFRS

Onetel ARPU stood at around € 13.9 per subscriber per month. Kertel posted a stable 3<sup>rd</sup> quarter 2005 with over 1.8 million cards sold over the period vs. close to 3.6 million cards sold in the 1<sup>st</sup> half 2005.

### **Acquisition of Altitude Telecom**

On September 5, Iliad Group announced it had reached an agreement with Altitude Telecom shareholders to acquire 100% of the shares of the company. Altitude Telecom owns the only national WiMAX licence (3.5 Ghz frequency) granted by ARCEP, the French Telecommunications Regulatory Authority. ARCEP will grant two additional licences (on a regional basis) in 2006. On October 18, ARCEP published the list of companies applying for the regional licences, 175 different companies have submitted an application. Thanks to the Altitude Telecom acquisition, Iliad will not have to enter the bidding process organised by ARCEP and continues to demonstrate its ability to lead technological innovation.

### **Outlook**

Based on the year to date performance, Iliad reiterates a number of key objectives for 2005 :

- To reach over 1.5 million ADSL subscribers by year-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 attain a ratio of over 70% unbundled subscribers
- To complete 100% ADSL2+ DSLAM upgrade by end 2005
- To be free cash flow positive during the 2<sup>nd</sup> half 2005

In 2005, Iliad has significantly reinforced its image of the most innovative company in the French broadband market. Iliad started R&D on the Freebox in 2000 and, from its launch in late 2002, competitors have tried to replicate the “box” concept, with limited success. Iliad intends to pursue its strategy of constant innovation coupled with service quality and hence to secure its position of leading alternative broadband operator in France.

*Iliad is a leading player in the French telecommunications and Internet access industry via its subsidiaries Free (the leading alternative operator), One.Tel (a fixed telephony provider) and Kertel (the leading alternative prepaid cards provider). Founded in 1991, the Group employs over 1,000 people. Iliad is listed on Euronext Paris under the ticker ILLD.*

Exchange : **Euronext Paris**

Market place : **Eurolist A (SRD)**

Ticker : **ILD**

ISIN Code : **FR0004035913**

FTSE Ranking: **974 Internet**

Member of SBF 120 Index and Next 150

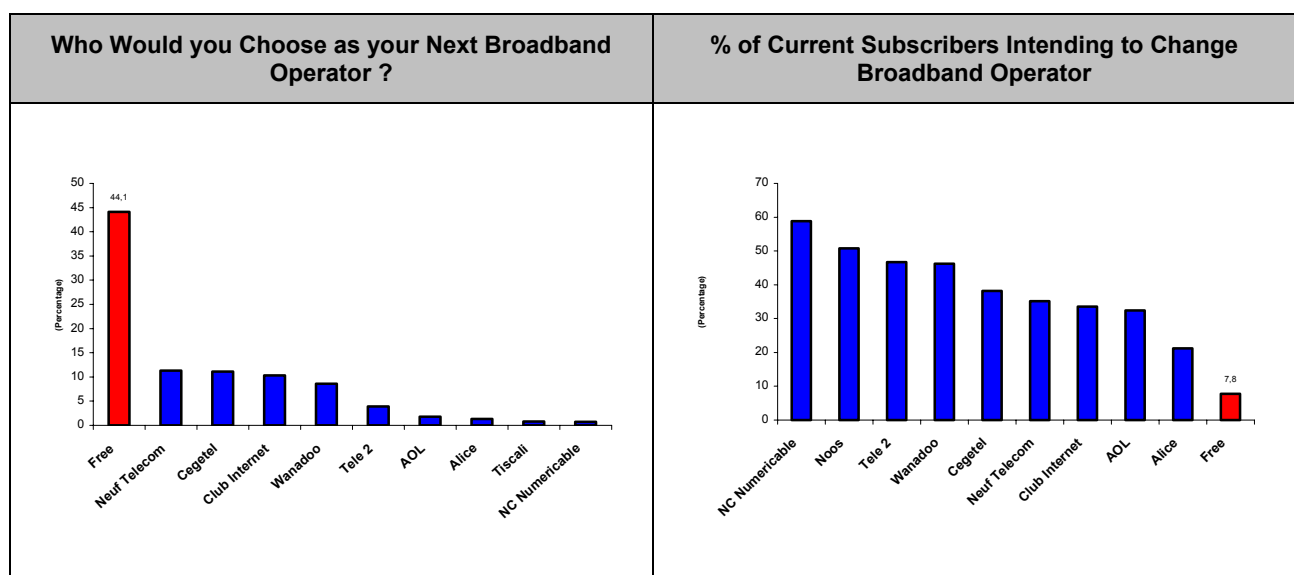
## Overview of the French ADSL Market

Over the past few weeks, various independent research and consumer groups have published a number of surveys on the French broadband market. These surveys show that Free's ADSL offer leads the French broadband market on quality of offer, price and customer service:

- Free is ranked # 1 in terms of intention to subscribe
- Free has the lowest ranking in two different studies relating to desire to change broadband operator by its current subscribers
- Free's customer service is amongst the leading services in the industry

### L'Internaute-Benchmark Group Survey

From July 13 to September 13, L'Internaute Magazine posted a questionnaire titled "Judge your ISP!". Over 12,000 questionnaires were completed and answers were weighted based on each ISP's market share. Key results are presented below.



Source : L'Internaute Magazine-Benchmark Group, Sep. 2005

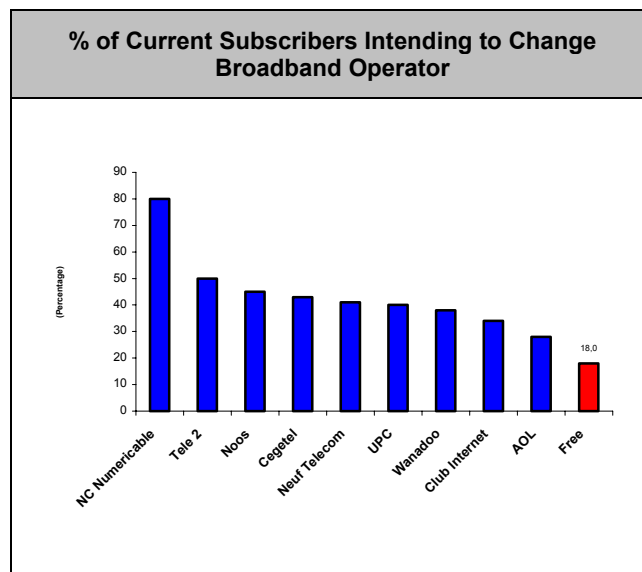
### TechCity Mystery Contact Challenge 2005 Survey

From June 1 to July 31 (from 9am to 7pm), TechCity Solutions teams conducted calls with every broadband operators' hotline. The hotline quality was ranked on the following criteria : (i) overall availability, (ii) quality of answers, (iii) user-friendliness and (iv) quality of the solution provided. On average 21 items were discussed and every operator received 24 calls.

Based on these criteria, Free's hotline was ranked number 1 with a 72.0% mark as far as telephone assistance was concerned. Overall the customer care service (including emails and web assistance) received a 62.6% mark, positioning Free as the 3<sup>rd</sup> best service in France.

### 60 millions de consommateurs Survey

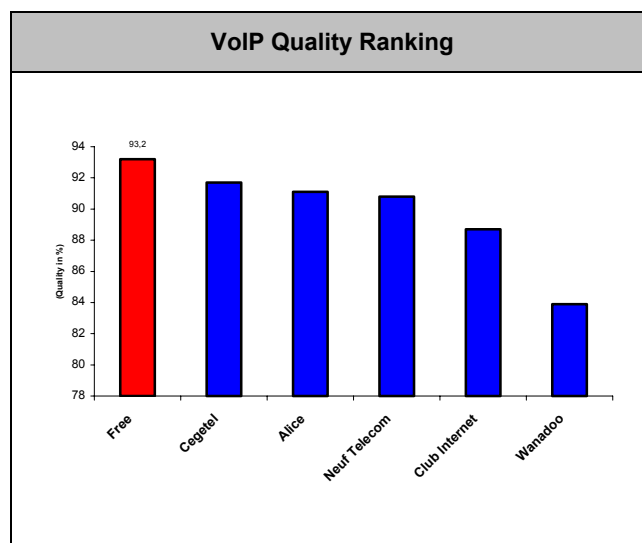
This leading consumer group presented a survey in its monthly magazine dated October 2005. Amongst other questions, a panel of existing broadband users was asked about their intention to leave their current broadband operator. The results are shown below.



Source : 60 millions de consommateurs, Oct. 2005

IP Label Voice over IP Survey

For the second consecutive quarter, Freebox VoIP services received the highest mark in the IP label quality analysis. Criteria reviewed were (i) availability of service, (ii) sound quality, (iii) network capacity and (iv) dialing time.



Source : IP Label, 01Net, Oct. 2005