



Consolidated Net Income at € 68.9 million, up 69% Positive Free Cash Flow of € 18.1 million for Full Year 2005, on a Constant Scope Basis

During 2005, Iliad accelerated its growth, allowing it to continue to achieve strong financial performance. The Group's unbundling strategy coupled with an increasing usage of value-added services on the Freebox generated significant profitability improvements :

- Consolidated Revenues grew to € 724.2 million, up 47.4%. Value-added services on the Freebox generated close to € 75 million of revenues in 2005 vs. € 13.5 million in 2004;
- Group EBITDA increased to € 224.3 million, up 98.8% from 2004. Group EBITDA margin reached approximately 31% vs. 23% a year earlier:
 - Internet sector EBITDA increased to € 199.6 million, up 134.7%. Internet sector EBITDA margin reached 34.5% vs. 25.7% a year earlier, in line with incumbents' residential segment margin. The average gross margin per unbundled subscriber exceeded € 20 in the H2 2005 with a significant proportion of fully unbundled subscribers on a total of 1,120,000 unbundled subscribers ;
- Operating profit increased to over € 107.7 million, representing a margin close to 15%;
- Net income grew from € 40.7 million in 2004 to € 68.9 million, representing a margin close to 10%;
- Excluding changes of scope, Iliad generated free cash flow of € 18.1 million in 2005. In particular, free cash flow during H2 2005 was over € 50 million.

As of December 31, 2005, Iliad confirmed its position as :

- The leading alternative broadband operator in France, with 1,595,000 subscribers;
- The leading VoIP operator in France and in Europe, with 1,304,000 subscribers using the voice services on their Freebox;
- The leading TV over ADSL operator in France and in Europe, with close to 1.1 million subscribers enabled with television service, including 195,000 subscribers of additional Pay TV channels.

Consolidated Income Statement

The summary consolidated income statement is presented below.

<i>(in € '000) IFRS</i>	FY 2005	FY 2004	% Change
Revenues	724,201	491,446	47.4
EBITDA	224,313	112,818	98.8
<i>EBITDA Margin</i>	<i>31.0%</i>	<i>22.9%</i>	
Depreciation	(116,627)	(57,152)	104.1
Operating Profit	107,686	55,666	93.5
Financial Income & Expenses, Net	(2,795)	2,677	NM
Corporate Income Tax	(36,371)	(20,181)	
Net Income	68,898	40,718	69.2
<i>Net Margin</i>	<i>9.5%</i>	<i>8.3%</i>	
EPS (fully diluted)	1.26	0.75	68.0

Selected Segment Information

<i>(in € '000) IFRS</i>	Internet	Traditional Telephony	Other
Consolidated Revenues	578,114	136,022	10,065
EBITDA	199,547	24,858	(92)
Operating Profit (EBIT)	84,075	23,954	(343)

Balance Sheet

As of December 31, 2005, Consolidated Financial Liabilities totalled € 89.6 million for a Cash and Equivalent position of € 51.1 million. Net financial debt was € 38.5 million.

Key Innovations in 2005

Throughout 2005, Iliad established its unquestionable leadership in broadband innovation by continuously introducing new services:

- 01/05 – First operator to offer ADSL2+ up to 20 Mbps speed
- 03/05 – First operator to propose DTTV channels over ADSL
- 06/05 – First to launch a mediacenter application on the Freebox, Freeplayer
- 12/05 – First operator to launch full video-on-demand service with Canalplay on TV over ADSL
- 12/05 – First operator to announce international phone calls within its flat rate package
- 12/05 – First operator to offer choice of a multi-device television viewing : TV screen, a PC monitor or both

The increasing usage of Freebox services coupled with leading customer service have contributed to high ADSL subscriber growth and an ever-low churn rate.

Outlook

Iliad, with its subsidiary Free, intends to pursue its strategy of delivering the most innovative broadband solutions at the lowest price.

Iliad reiterates its goal to remain the leading alternative broadband operator in France. As far as 2006 is concerned, Iliad's targets are to exceed 2 million ADSL subscribers by the end of the year and to increase its unbundling ratio to 75% by December 31, 2006.

Iliad has successfully delivered positive free cash flow less than 24 months after its IPO. The Group remains committed to its profitable growth strategy and believes that its cash flow position enhances its ability to deliver breakthrough broadband innovations and guarantees its unique position on the French market.

The Board of Directors will propose a € 20 cents dividend (15.7% payout) to be voted at the upcoming shareholder meeting for fiscal year 2005.

Iliad is a leading alternative broadband operator in France via its subsidiary Free. Iliad is also a key player in traditional telecommunications with Onetel (a fixed telephony provider) and Kertel (the leading alternative prepaid card provider). Founded in 1991, the Group employs over 1,100 people. Iliad is listed on Euronext Paris under the ticker ILD.

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

Glossary of terms

In light of the discrepancies between operators' definitions as it relates to ADSL, Iliad reiterates the definitions it has been using since inception of the service.

Total ADSL Subscribers at the end of a period consists of the total number of customers identified by their individual "phone lines" who have signed up for Free ADSL service excluding those for whom an unsubscription notice has been registered.

Net adds consists of the difference between Total ADSL Subscribers at the end of two different periods.

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

Broadband ARPU (Average Revenue per User) includes revenues from the flat-rate package and the value-added services but excludes one-time revenues (e.g. migration from one offer to the other or unsubscription fee) divided by the total number of ADSL subscribers invoiced for the period.