

**Ruling by the French supreme administrative court regarding unbundling prices.
Free urges the ART to use all means at its disposal in order to establish a truly
cost-oriented pricing regime.**

In response to an appeal by France Télécom, the French supreme administrative court, the Conseil d'Etat, has just issued a ruling dated 25 February 2005 which sets aside, on the grounds of procedural irregularity, the Autorité de Régulation des Télécommunications' Decision No. 02-323 dated 16 April 2002, in which the regulator ordered France Télécom to change its unbundling prices in order to achieve greater orientation towards costs.

Free would like to point out that it is as a result of this courageous decision by the Autorité de Régulation des Télécommunications (ART) that the broadband Internet and local loop unbundling markets in France have been able to take off and that it has been possible to introduce innovative "multiplay" services at competitive prices for consumers.

Free has taken note of this pragmatic ruling from the Conseil d'Etat which not only excludes the principle of retroactivity but also has seen fit to limit the scope of its ruling:

- first, by approving the basic approach taken by the ART concerning the method of setting unbundling prices,
- and secondly, by delaying the entry into effect of this ruling to set aside the decision by two months.

The ART will be able to use this period to take any necessary action within its powers in order to avoid the risk, as referred to by the Conseil d'Etat in the recitals of its ruling, of a clear and serious infringement of Community law and adverse effect on the development of competition in the broadband market, both of which could result in the imposition of sanctions on France by the European authorities.

This is why, since the Conseil d'Etat has recognised the soundness of the basic approach taken by the regulator, Free now urges the ART to use all legal means available to it by law to monitor the activity of a powerful operator whose actions could destabilise the market and in particular to take without delay a decision concerning unbundling prices which will guarantee a cost-oriented pricing regime, as required in no uncertain terms by the Conseil d'Etat.

Free would also like to reiterate the fact that, in accordance with applicable legislation, overall unbundling prices need to fully comply with the principle of cost orientation, which means a tariff of less than 8 euros, in order to make it possible to achieve real competition.

About Free

Free is a subsidiary of the Iliad Group

The Iliad Group is a major player in the Internet and telecommunications markets in France through its subsidiaries Free (second largest Internet service provider), One.Tel and Iliad TELECOM (fixed telephony operators) and Kertel (prepaid phone cards). It is one of only a few independent French groups in the telecommunications sector. The Iliad Group is listed on the Euronext Paris Primary Market under the mnemonic code ILD and is also a member of the Next 150 and SBF 250 indices.