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A Strong Positioning & Significant Opportunities Ahead

A strong positioning
- High quality subscription business
- Best product, best value for money, strong brand
- Quick integration of Alice

Significant Opportunities ahead
- Headroom to grow customer base and VAS take-up
- Sound financial position, backed by strong ADSL FCF generation
- FTTH: A clear regulatory framework
- Mobile: Tender process launched
Market Consolidation Benefits Iliad

June 30, 2008
Market Shares

15.8M ADSL Subscribers

free

Others 6.8%

23.8%

49.6%

Orange

SFR

June 30, 2009
Market Shares

17.6M ADSL Subscribers

iliad

Others 3.3%

23.5%

48.8%

Orange

SFR

Source: Iliad & France Telecom
## Combined KPIs

### June 2008
- **ADSL Subs.**: 3,134,000
  - **free**: 3,134,000
  - **iHPC**: -
- **ARPU (end of period)**: €36.3
  - **free**: €36.3
  - **iHPC**: -
- **Unbundling ratio**: 83.4%
  - **free**: 83.4%
  - **iHPC**: -

### Dec. 2008
- **ADSL Subs.**: 4,225,000
  - **free**: 3,389,000
  - **iHPC**: 836,000
- **ARPU (end of period)**: €35.9
  - **free**: 85.6%
  - **iHPC**: 50.7%
- **Unbundling ratio**: 78.7%
  - **free**: 85.6%
  - **iHPC**: -

### June 2009
- **ADSL Subs.**: 4,371,000
  - **free**: 3,589,000
  - **iHPC**: 782,000
- **ARPU (end of period)**: €36.3
  - **free**: 87.2%
  - **iHPC**: 53.8%
- **Unbundling ratio**: 81.2%
  - **free**: 87.2%
  - **iHPC**: -

---

**Free churn rate maintained below 1% per month**
Alice: Quick Integration Delivering Strong Synergies

**Revenues**
- Streamlining & rationalization of Alice’s commercial offers
- Launch of the new Alicebox
- Increase of VAS take-up

**Profitability**
- Marketing expenses squeezed
- IT& billing system migrated
- Streamlining of the fixed costs base (network, G&A…)
- Increasing the unbundling ratio of Alice subscribers base

**Exceptional**
- Tax shield
- Price adjustment clause

EBITDA break-even achieved in 1H 2009
Increased EBITDA contribution on 2H 2009
The Four Pillars of Growth

1. Unbundling
2. Value Added Services
3. FTTH
4. Mobile

CORE ASSETS
- A strong brand: Free
- A loyal customer base
- A state of the art network
Unbundling: Still a Profitable Growth Driver

As of June 30, 2,375 Central Offices equipped with DSLAMs

Dilutive impact of Alice on Iliad’s unbundling ratio
- Unbundling ratio of 53.8% on Alice
- Alice unbundling migration starting in 2H 2009

Objectives end of 2009:
- 2,700 COs equipped
- Unbundling ratio of 82%

Iliad 1st Unbundler with 51% market share in June 2009

<table>
<thead>
<tr>
<th></th>
<th>In thousand subs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incl. Alice</td>
</tr>
<tr>
<td>June 06</td>
<td>1,377,000</td>
</tr>
<tr>
<td>June 07</td>
<td>2,060,000</td>
</tr>
<tr>
<td>June 08</td>
<td>2,614,000</td>
</tr>
<tr>
<td>June 09</td>
<td>3,551,000</td>
</tr>
<tr>
<td></td>
<td>3,350,000</td>
</tr>
<tr>
<td></td>
<td>4,547,000</td>
</tr>
<tr>
<td></td>
<td>6,008,000</td>
</tr>
<tr>
<td></td>
<td>6,986,000</td>
</tr>
<tr>
<td>41.1%</td>
<td>45.3%</td>
</tr>
<tr>
<td>43.5%</td>
<td>50.8%</td>
</tr>
</tbody>
</table>

Total Unbundled Subscribers in France
Free Unbundled Subscribers
Pushing the On-Demand Concept to the Next Level

Value Added Services

ABONNEMENTS

- **AD START > 7,99€ / MOIS**
  7 chaînes thématiques au choix

- **AD FULL > 11,99€ / MOIS**
  11 chaînes thématiques au choix

- **AD ONE > 4,99€ / MOIS**
  1 chaîne thématique au choix

S'ABONNER

**AKTU #01**

- **SÉRIE**
  La nouvelle série "Primes" arrive sur TF1 Vision

- **DOCS**
  Vidéo plus de 3 500 docs
  Offre spéciale limitée 0,99€ / mois
  Au lieu de 7,99€ / mois

- **MEŠRINE**
  L'instinct de mort
  L'ennemi public n°1

- **HAUTE DEFINITION**
  4,99€ / 24h > Canal 101

Danny Boyle
Blumoo milliardaire
Haute définition
Luc Bejou
Baruel 13
Haute définition
Mickey Russo
The Wrestler
Haute définition
Innovation is at the Heart of Our Strategy

- New mediacenter service (UPnP) to display easily digital content from computers on TV screen
- Opening of the World’s largest Wifi network with c. 3 million Wifi hotspot operating on installed Freebox HD
- Over 100K accounts activated
A Clear Roadmap in Very Dense Areas

Horizontal deployment (network outside private properties)

- **Paris**
  - 55 Optical Nodes acquired & being equipped out of a total of 65 to cover 100% of Paris
  - Horizontal roll-out in the sewers progressing well
  - Free will be able to connect c. 70% of buildings at end year
  - Building agreement needed to connect subscribers (directly or through network sharing)

- **Outside of Paris**
  - 120K home passed horizontally through turnkey agreements at end 2009
  - Ducts deployments started: 800K homes under study, massive deployment over 2H 09
A Clear Roadmap in Very Dense Areas

In-buildings deployment (subscribers connection)

- **On the brink of an efficient legal framework (end of October) - based on Arcep proposal**
  - In-building wiring:
    - Done by the in-building operator that has signed with the building owner
    - Additional fiber installed (from household to the foot of the building) if asked by third-party operators
    - Incremental cost paid by third-party operators and common cost shared between all
  - A technology neutral solution

- **Operators will have to:**
  - Release their in-building lease offer before end 2009
  - Share operational information & building owners agreements to put in place mutualization

**Confirmed plan: 4M home passed for a total investment of €1bn by 2012**
Outside Very Dense Areas

- **Objectives**
  - Authorities in favor of a quick and maximized coverage of France
  - One open network covering up to 15M households is better than 3 networks competing on 7M households
  - Optimize building capacities of subcontractors
  - Ease regulatory issue and give trust to building owners
  - Leverage on financial capacities of all the parties

- **Co-investment in an open infrastructure**

- **To succeed this project needs:**
  - A P2P passive & shared infrastructure from the household to the mutualization point (gathering a min. of 1K lines)
  - The investment of the 3 main FTTH network operators in a JV to set an open infrastructure
  - A State incentive: through CDC investment or direct financing

Iliad is in favor of an open infrastructure outside very dense areas
Time to Bid!

A major growth opportunity
- A €21bn uncompetitive market
- Consumers are upset by prices, lack of flexibility and transparency
- Lowest penetration rate in Europe

A defined time frame
- Application to be submitted before October 29th
- Award of the license in 1H 2010
- Service open 24 months after award

A pro-competitive license
- 2 blocks of 5 Mhz (2.1Ghz + 900Mhz)
- A price fixed at €240M
- Roaming agreement
- Access to site sharing agreement

“Not the usual 4th entrant”
- Strong synergies with existing assets
- Low break-even point of the project
- Drop of MTRs to 3c. In July 2010
- Drop of equipment costs allowing a €1bn network CapEx plan
Financials
## Strong Financial KPIs

*In € million*

<table>
<thead>
<tr>
<th>KPI</th>
<th>1H 2008</th>
<th>1H 2009 Excl. Alice</th>
<th>VAR.</th>
<th>1H 2009 Incl. Alice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>692.2</td>
<td>787.6</td>
<td>+13.8%</td>
<td>969.8</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>256.9</td>
<td>302.3</td>
<td>+17.7%</td>
<td>307.8</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>37.1%</td>
<td>38.4%</td>
<td></td>
<td>31.7%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>128.0</td>
<td>200.5</td>
<td>+56.6%</td>
<td>133.9</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>18.5%</td>
<td>25.5%</td>
<td></td>
<td>13.8%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>82.9</td>
<td>161,0</td>
<td>+94.2%</td>
<td>72.0</td>
</tr>
<tr>
<td><strong>ADSL FCF</strong></td>
<td>74.7</td>
<td><strong>178.4</strong></td>
<td>x2.5</td>
<td>164.1</td>
</tr>
<tr>
<td><strong>Cash end period</strong></td>
<td>265.5</td>
<td>-</td>
<td>-</td>
<td>580.1</td>
</tr>
</tbody>
</table>
Iliad Consolidated Revenues

In € million

Revenues(1)

- A robust organic growth (+14%) on Historic perimeter

<table>
<thead>
<tr>
<th></th>
<th>1H 2008</th>
<th>1H 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iliad</td>
<td>692</td>
<td>970</td>
</tr>
<tr>
<td>Alice</td>
<td>788</td>
<td></td>
</tr>
</tbody>
</table>

+ 40%

VAS Revenues on Iliad

- Broadband ARPU of €36.3 in 2Q 2009

<table>
<thead>
<tr>
<th></th>
<th>1H 2008</th>
<th>1H 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H 2008</td>
<td>169</td>
<td>232</td>
</tr>
</tbody>
</table>

+ 37%

(1) Excluding inter-segments
EBITDA: Continued Margin Improvement on Historic Perimeter

**Historic Perimeter**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total (€ million)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H 2007</td>
<td>206</td>
<td>35.6%</td>
</tr>
<tr>
<td>1H 2008</td>
<td>257</td>
<td>37.1%</td>
</tr>
<tr>
<td>1H 2009</td>
<td>302</td>
<td>38.4%</td>
</tr>
</tbody>
</table>

**Consolidated Perimeter**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total (€ million)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H 2008</td>
<td>257</td>
<td>37.1%</td>
</tr>
<tr>
<td>2H 2008</td>
<td>268</td>
<td>30.7%</td>
</tr>
<tr>
<td>1H 2009</td>
<td>308</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

- **1H 2009 EBITDA’s drivers:**
  - ++ Unbundling ratio increase to 87%
  - + Tight costs control
  - + Increased usage of VAS
  - + Decrease of non-unbundled tariffs
  - - Implementation of the French public TV Tax
  - ➔ A 38.4% record EBITDA margin

- **A strong improvement of Alice on the EBITDA line**
  - + Streamlining of the fixed costs base (subcontractors, G&A…)
  - + EBITDA break-even reached during 2Q 2009
  - ➔ A positive EBITDA contribution of €5.5m in 1H 2009

- **Objectives:**
  - + Increasing the unbundling ratio up to 75% - 80%
  - + Increase EBITDA contribution on 2H 2009
Record EBIT Margin on Historic Perimeter

Historic Perimeter
In € million

- EBIT up by +57% on historic perimeter:
  - Increasing EBITDA margin
  - Amortization policy reviewed
  - Price of Freebox maintained at €180
  ➞ A 25.5% record EBIT margin

Consolidated Perimeter
In € million

- €72m Dilutive impact of Alice:
  - Amortization: €-49m
  - Provision for restructuring costs: €-23m
1H 2009 CAPEX Breakdown

In € million

<table>
<thead>
<tr>
<th>Category</th>
<th>1H 08</th>
<th>1H 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSL Network CAPEX</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>FT Room</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Fiber IRU + Trans. Eq.</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>DSL Growth CAPEX</td>
<td>122</td>
<td>133</td>
</tr>
<tr>
<td>FT Cabling Fees + Portability</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Freebox + DSLAMs</td>
<td>90</td>
<td>97</td>
</tr>
<tr>
<td>FTTH CAPEX</td>
<td>175</td>
<td>222</td>
</tr>
<tr>
<td>FTTH Leasing</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>FTTH Leasing</td>
<td>55</td>
<td>61</td>
</tr>
<tr>
<td>FTTH CAPEX</td>
<td>32</td>
<td>6</td>
</tr>
<tr>
<td>Total CAPEX</td>
<td>175</td>
<td>222</td>
</tr>
<tr>
<td>Alice</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- FT Room
- Fiber IRU + Trans. Eq.
- FT Cabling Fees + Portability
- Freebox + DSLAMs
- FTTH Leasing
- FTTH CAPEX
1H 2009: A Significant FCF Increase, Reinforcing the Financial Structure

In € million

- Cash from Ops prior to Tax & WCR: €312
- WCR: €11
- Tax payment: €(145)
- ADSL Capex: €178
- Alice Contribution: €(14)
- Group ADSL FCF: €164
- FTTH Capex: €(55)
- Operational FCF: €109
- Others: €77
- 1H 2009 FCF: €186

A strong cash generation on the historic perimeter: €178m in 1H 09 vs €75m in 1H 08
An exceptional cash-in of €144m
A Rapid Deleveraging

Leverage Ratio (net debt / EBIDTA)

- One of the lowest Leverage in the Telecom industry
- €250m undrawn revolving facility
- €580m of cash available at end June 2009
- Headroom to gear balance sheet

A solid financial profile:

- Estimated leverage of Iliad after the acquisition of Alice in August 26, 2008

*Estimated leverage of Iliad after the acquisition of Alice in August 26, 2008*
Confirmed 2009 Outlook

Operational
- 5 million subscribers by end 2011
- 82% unbundled subscribers (incl. Alice) by end 2009
- FTTH: 70% Paris covered horizontally over 2H 2009

Financials
- FCF (excl. Alice) above €300m on ADSL activity in 2009
- A cumulative ADSL FCF > €1bn 2009-2011
- Leverage of c.1x EBITDA by end 2009
- A strong increase of the Net Income in 2009

A sound financial position enabling future growth
1H 2009 Results & Strategy Presentation

August 27th, 2009
Appendices
Free’s Offer: €29.99 The ‘Best-Value for money’

**INTERNET**
- Access up to 28 Mbps
- DSL Safe
- IPV6
- Free Wifi

**PHONE**
- Free phone calls to 100 destinations
- SIP Protocol
- Ring Back Tone
- Fax
- Voice message sent by mail
- Filtering incoming calls

**TV / VIDEO**
- 300 TV channels
- DTT
- PVR (40 Gbits Hard drive)
- VoD features
- S-VoD offer
- TV Perso
- HD Contents

**CONNECTIVITY**
- WiFi MiMo 802.11n
- HDMI connection
- Freeplugs
- UPnP

**ATM speeds**
**Yesterday Wholesale, Today Unbundling and Tomorrow FTTH**

- **FT Wholesale**
  - FT rental Fee: €9.5 - €16.5
  - IP Transit: €5.0 - €7.0
  - Gross margin of ca. 10%-15%

- **Unbundling**
  - FT rental Fee: €9.0
  - Other costs: €4.0
  - Gross margin of ca. 50%

- **FTTH**
  - Gross margin of ca. 85%

**Freebox set-top box**

- Freebox DSLAM
- Freebox set-top box