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Business and Strategy Review

Maxime Lombardini (CEO)
A growing & profitable business

- Historical scope:
  - Sustainable growth under the Free brand (+9%): **191,000** net adds over 2010
  - Significant improvement in profitability on a market where competitors destroy value: record EBITDA margin (40.5%)
- New tariff plan set (ARPU secured)
- Alice financial recovery is achieved:
  - Positive EBITDA contribution of €83m

Keep investing in future growth

- Launch of the Freebox Revolution in December 2010: A step ahead of competition
- FTTH:
  - First significant subscribers migration done
  - Targeting ~100,000 subscribers by end 2011
- Wireless:
  - More than **5,000 sites** being rolled out
  - Commercial launch planned beginning 2012 – with at least 25% pop coverage
  - 2G / 3G roaming deal signed with Orange (best French network)
## Group KPIs

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Broadband Subs.</td>
<td>4,225,000</td>
<td>4,456,000</td>
<td>4,534,000</td>
</tr>
<tr>
<td>- free</td>
<td>3,389,000</td>
<td>3,778,000</td>
<td>3,969,000</td>
</tr>
<tr>
<td>-</td>
<td>836,000</td>
<td>678,000</td>
<td>565,000</td>
</tr>
<tr>
<td>Unbundling ratio</td>
<td>78.7%</td>
<td>85.4%</td>
<td>89.2%</td>
</tr>
<tr>
<td>ARPU (end of period)</td>
<td>€35.9</td>
<td>€36.5</td>
<td>€36.1</td>
</tr>
</tbody>
</table>

Targeting 24% / 25% Broadband market share
Revolution Started on December 14, 2010

- Premium design by Philippe Starck

- A box far ahead of competition
  - Unmetered calls to mobile
  - Atom processor and Blu-ray™ player integrated
  - Network Access Storage (NAS)
  - The largest video offer

A homogenous subscriber base enabling a smooth migration
The Upmost TV Experience

- Revolutionary and intuitive TV Experience

- The richest video offer
  - Over 400 channels available of which 185 included in the basic package
  - Access to the largest VOD & catch-up-TV plateforme
Only Box Integrating a Blu-ray™ Player

- The Freebox player can read all types of disk

- Improving subscriber experience
  - Truly high definition image (1080p)
  - 3D capabilities
  - Dolby Digital Plus sound
The Only Box that Turns into a Game Console

- Access to a game console whose performance is equivalent to those sold in store

- First HD-game offer on a Triple-play box
- Free has teamed up with Gameloft
Offering a Remote Access to Digital Content (NAS)

- A 250 GB integrated hard disk
- Fast and easy network sharing enabling:
  - Content sharing in the house
  - Multi-terminal viewing (TV, computers...)
- Part of the “cloud”: remote access to your content
Connected TV: A Computer On TV

- The entire web is now on your TV screen
  - An integrated web navigator
  - Direct access to email accounts

- Browsing is done directly with the interactive remote control
Setting the New Standard

- Internet up 28Mbps for ADSL and effective reception of 100Mbps for FTTH
- Unmetered calls to French mobiles
- Calls to landlines in 103 different countries
- The upmost video offer
  - Over 400 channels available of which 185 included in the package
  - Access to the largest VOD and catch-up TV platforms
- Turn your box into a game console

- A new pricing point combined with a value enhancing offer
- A future proof model that responds to Quad-play offers

Competitors’ boxes are left behind:
Need time to replicate
**Horizontal roll-out**
- Most of Paris covered horizontally at end 2010
- **100 cities and 3.6m plugs** deployed or in the process of being rolled out
- **209 Central Offices** acquired at end 2010 (vs. 109 in 2009)

**In-building wiring through sharing has started**
- **1,500,000** households have chosen their in-building operator
- Targeting **~100,000** FTTH subscribers by end 2011

**Legal & regulatory landscape is getting clearer**
- Systematic co-investment is agreed
- Technicalities and prices have to be agreed
Roaming Agreement Signed with Orange

- Deal overview
  - Access to 2G & 3G technologies
  - Nationwide coverage at commercial launch
  - Six years duration (starting at launch)

- Commitment to maximizing coverage
  - Coverage commitments:
    - 27% at launch
    - 75% in 2015
    - 90% by 2018
  - Ambition to expand quickly network’s footprint

Access to the best mobile network in France
Wireless: A Clear Path for Growth

- Significant advances in execution
  - More than 5,000 sites in the process of being rolled out
  - Threshold will be met (27% population coverage)
  - Key contracts are signed (NSN, TDF…)
  - More than 3,000 people involved

- A favorable environment
  - MTR should be close to incremental costs by 2012
  - Pro-consumer proposals are being discussed
    - Reducing lock-up periods
    - Split between handset financing & mobile plans

- Additional frequencies will be available
  - 800 Mhz and 2.6 Ghz
  - Refarming of 1800 Mhz

Commercial launch scheduled early 2012
Financial Performance

Thomas Reynaud (CFO)
### Step Change in Group Size

<table>
<thead>
<tr>
<th>(€ millions)</th>
<th>2006 - 2010</th>
<th>2011 - 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dec. 2006</strong></td>
<td><strong>Dec. 2010</strong></td>
<td><strong>x2 on total revenues by 2015</strong></td>
</tr>
<tr>
<td>Broadband Subs.</td>
<td>2,278,000</td>
<td>4,534,000</td>
</tr>
<tr>
<td>Revenues</td>
<td>950.3</td>
<td>2,038.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>331.6</td>
<td>798.1</td>
</tr>
<tr>
<td>Net profit</td>
<td>123.9</td>
<td>313.4</td>
</tr>
<tr>
<td>ADSL FCF</td>
<td>52.0</td>
<td>435.5</td>
</tr>
<tr>
<td>FTTH</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Mobile licence</td>
<td>-</td>
<td>✓</td>
</tr>
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</table>
## A Profitable Growth Model

<table>
<thead>
<tr>
<th></th>
<th>Dec. 2009</th>
<th>Dec. 2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,954.5</td>
<td>2,038.3</td>
<td>+4.3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>661.4</td>
<td>798.1</td>
<td>+20.7%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>33.8%</td>
<td>39.2%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>359.4</td>
<td>477.9</td>
<td>+33.0%</td>
</tr>
<tr>
<td>Net profit</td>
<td>175.9</td>
<td>313.1(1)</td>
<td>+78.0%</td>
</tr>
<tr>
<td>ADSL FCF</td>
<td>327.6</td>
<td>435.5</td>
<td>+32.9%</td>
</tr>
<tr>
<td>Dividend / share</td>
<td>€0.37</td>
<td>€0.40</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Incl. exceptional
Revenues up by 9% on Historical Scope

(€ millions)

Revenues up by 4.3% on Consolidated Scope:

- +9% growth on Historical Scope:
  - Increased subscriber base
  - Increased usage of Video products:
    - more than 10m VOD & S-VOD features purchased in 2010 (+18% vs 2009)
  - Drop of 24% of the Fixed Termination Rate

- Downsizing of Alice’s activities (-19%)
  - Termination of wholesale operations
  - Erosion of the subscriber base

(1) Excluding inter-segments
Double-digit EBITDA growth on Historical Scope

- Unbundling footprint increased: 700 new COs opened in 2010
- Scale effect on cost structure
- Decrease in regulated tariff
- Increased use of incumbent leased lines

Group EBITDA margin above 39%

- A strong and profitable flagship brand
- Alice: integration successfully done
  - Positive EBITDA contribution of €83m
  - Accretive on Group results and FCF
Accelerating Financial Returns

**Adjusted EBIT (excl. non-recurring items) up by 33%**

- Operational efficiency improved
- Positive contribution of Alice: end of integration

**Highest ever Group net profit at €313m**

**Non-recurring income of €40m after tax (€61m pre tax)**
## Proactive Capex Plans

### (€ millions)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>57</td>
<td>42</td>
<td>Incl. €50m invested in Freebox Revolution’s stocks</td>
</tr>
<tr>
<td>Boxes &amp; Cabling Fees</td>
<td>251</td>
<td>284</td>
<td>- Increased horizontal roll-out</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Kick-off of vertical lay-out</td>
</tr>
<tr>
<td>ADSL</td>
<td>308</td>
<td>326</td>
<td></td>
</tr>
<tr>
<td>FTTH</td>
<td>112*</td>
<td>194*</td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td>-</td>
<td>262</td>
<td>3G License acquisition for €243m</td>
</tr>
<tr>
<td>Total CAPEX</td>
<td>420</td>
<td>782</td>
<td>Investments in future growth: FTTH &amp; Mobile</td>
</tr>
</tbody>
</table>

* Not taking account FTTH operating leases of €50m in 2010 / €22m in 2009
Free Mobile: A Sound Financial Project

- **CAPEX / OPEX**
  - Total network CAPEX envelope of €1bn confirmed by first deployments
  - 2011 CAPEX need of circa €200m
  - Limited OPEX losses in 2011

- **A limited risk for a high reward**
  - Roaming agreement signed
  - Strong synergies derived from existing assets
  - EBITDA breakeven with a market share of significantly less than 10%
A €33m Positive Group FCF in spite of ambitious investments

Cash from Ops prior to Tax & WCR: €779
WCR: €(17)
ADSL CAPEX: €(326)
ADSL FCF: €436
FTTH CAPEX: €(194)
Mobile CAPEX: €(262)
Others (Interest, except. & tax): €53
FY 2010 FCF: €33

- ADSL FCF up by 33% at €436m
- A €33m positive FCF
A Total Financial Flexibility

- €337m of cash end December 2010
- Long-term credit facilities
  - €900m of undrawn facilities
  - Long-term tenors (2015 and beyond)

* Based on the Group reported figures (EBITDA and net debt) as of June 2008 and the amount of debt drawn to finance Alice’s Acquisition
Operational and Financial Outlook

Operational

- Targeting ~100,000 FTTH subs by end 2011
- Mobile: commercial launch in 2012
- Mid-term unbundling ratio > 90%
- Targeting a long-term Broadband market share of 24% / 25%

Financial

- A cumulative ADSL FCF > €1.1bn 2010-2012
- Ambition to double total revenues by 2015