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Snapshot

Landline
- Free is France’s leading alternative broadband operator with more than 5.1m subscribers
- Net adds market share hit a new record high: > 54%
- Strong operational & financial performance: landline EBITDA margin of 40.8%

Mobile
- 3.6m mobile subscribers on 30 June 2012
- 5.4% of French mobile market in less than 6 months
- Start-up losses kept under control

Strong financials
- Total revenues of €1,444m, up 39% in 1H 2012
- ADSL FCF up by 17% vs 1H 2011 to €229M
- Solid capital structure: low leverage and strong liquidity

Advantages of being an integrated (fixed + mobile) player
## Group KPIs

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Broadband subscribers</td>
<td>4,717,000</td>
<td>4,849,000</td>
<td>5,147,000</td>
</tr>
<tr>
<td>- <strong>free</strong></td>
<td>4,245,000</td>
<td>4,461,000</td>
<td>4,885,000</td>
</tr>
<tr>
<td>Of which migrations from Alice to Free</td>
<td>44,000</td>
<td>85,000</td>
<td>90,000</td>
</tr>
<tr>
<td>- <strong>alice</strong></td>
<td>472,000</td>
<td>388,000</td>
<td>262,000</td>
</tr>
<tr>
<td>Unbundling rate</td>
<td>90.8%</td>
<td>92.2%</td>
<td>93.6%</td>
</tr>
<tr>
<td>Group ARPU (end of period)</td>
<td>€35.50</td>
<td>€35.50</td>
<td>€35.50</td>
</tr>
<tr>
<td>Mobile Subscribers</td>
<td>-</td>
<td>-</td>
<td>3,600,000</td>
</tr>
</tbody>
</table>
Landline Activities
All-Time High Market Share

free share of net adds

- Freebox Revolution is still driving new subscriber additions (boosted by strong word-of-mouth)
- Ability to strike back against quadplay offers
- Positive buzz from mobile launch

Unprecedented advance in market share with 334,000 new subscribers in 1H 2012

* Net of migrations from Alice to Free
Growth Fueled by Innovation

**Freebox Revolution remains unique**
- Blu-ray™ player included
- 2 boxes designed by Philippe Starck
- Access to France’s largest WiFi community network with more than 4 millions WiFi hotspots

**Continuous improvements...**
- 3 fixed & 10 new mobile destinations included
- More than 1,500 new radio stations added
- 6 new Gameloft games
- New function: HDMI CEC
- New S-VOD service: CanalPlay Infinity
- New channels: beIN Sport…

*free* leads catch-up TV market

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<tbody>
<tr>
<td>12</td>
<td>18</td>
<td>48</td>
</tr>
<tr>
<td>19</td>
<td></td>
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</tbody>
</table>
Increasing Subscriber Bandwidth: Unbundling

Unbundling: Still a profitable growth driver

- 4,500 central offices (COs) equipped with DSLAMs at end-June
- 2012 will be a record year for unbundling (more COs equipped than in 2010 & 2011)

New growth potential via regulated offers

- Free has ordered 1,000 fibre links to unbundle small COs
- The first unbundled street cabinets will be built by the incumbent in the coming months

Providing more bandwidth & access to triple-play will drive market share growth
Increasing Subscriber Bandwidth: FTTH

**From horizontal rollout to subscriber migration**

- 226 nodes acquired – covering 3.3m households
- Strong focus on in-building wiring and household migration
- Subscribers conversion rate lower than initially anticipated / sharing point location increases interconnection complexity

**FTTH rollout is shared**

- A unique operator per area in charge of the network rollout from the point of interconnection to the household level
- Initial rollout started for the Group in Reims, Dijon, Le Havre and Brest
- Efficient capital allocation:
  - Capex pro rata to addressable market share (per 5% portion)
  - Cash outlay to be spread over the rollout period
Wireless Activities
Mobile: A Unique Commercial Success

Dec. 2011

- MVNOs: 31%
- SFR: 39%
- Orange: 16%

June 2012

- MVNOs: 30%
- SFR: 38%
- Orange: 15%
- "free": 12%

More than 5% market share gained in less than 6 months in a growing market: 1.8m new subscribers in 1H 2012

Source: Operators & Arcep
Tapping Competitor Churn

Free Mobile accounted for more than 50% of mobile porting in 1H 2012

Source: Arcop & http://www.accessoweb.com
Free Mobile: By Far the Best Deal…

Free’s unlimited offer still twice as cheap as competitors
- Incumbent MNOs are 2-3x times more expensive than Free on SIM-only offers

Competitors’ low-cost brands offer limited services
- Limited service in stores
- No access to call centers
- Restricted data usages

Unlimited usage and increase households' purchasing power

Source: http://www.lebonforfait.fr/ on August 29, 2012
Providing High-Quality Service

Teething problems have been quickly overcome
- Portability cap has been increased to 80k / days
- Backhauling links with Orange have been increased to absorb massive increase in subscriber base

A solid and agile information system
- 3.6m subscribers provisioned on our core network in less than 6 months
- Handover with the roaming partner fully managed

Leveraging our landline infrastructure
- EAP SIMs enable free WiFi hotspot access for all mobile subscribers on the unlimited plan – more than 4m hotspots across France
- Backhaul – access to a 65,000 km nationwide backbone

Existing asset base allowing the rollout to concentrate only on site and core network
Focus on Network Rollout

Network coverage going to plan

- 27% population coverage validated by ARCEP before commercial launch

Next steps

- Increasing indoor coverage in dense areas with access to 900Mhz in January 2013
- Focusing rollout in dense areas to maximize traffic coverage
- In favor of accessing 1800Mhz through refarming to maximize 2G voice coverage

Coverage commitments will be met

- 75% population coverage in Jan. 2015
- 90% population coverage in Jan. 2018

Sites equipped with 4G-ready base stations
Smooth Fit of Free Mobile’s 3G Network with the Landline Network

A highly valuable asset
- First rollout started 10 years ago
- A 65,000 km fiber network
- A state of the art full IP backbone

Site rollout is our top priority
- 8,000 - 10,000 sites to be rolled out to achieve 90% population coverage
- €80,000 – €100,000 per site

A high-performance national network

Leveraging on Iliad’s landline network will generate considerable synergies and rollout efficiencies
Top Subscriber Satisfaction Ratings

- A survey by France’s biggest consumer association (UFC Que Choisir) ranked Free’s broadband offer N°1 for client satisfaction (May 2012):
  - 92.3% subscriber satisfaction
  - 77.3% recommended Free to friends and family

- A TNS Sofres / Bearing Point survey awarded Free Mobile the “Podium de la Relation Client 2012” prize for the mobile sector

- TestnTrust, ranked Free N°1 for subscriber satisfaction (2Q 2012) in the ISP/telecommunications operator category

- A KPAM survey ranked Free the best hotline experience for French consumers in the ISP/telecommunications operator category (June 2012)
Always Improving Subscriber Relationships

**Free Centers concept**
- In a mature market stores = new subscribers, reassurance, trust and brand image
- SAC increases can be kept low if we adhere to the original concept:
  - One store per densely populated area
  - Simple offerings (small range of products)
  - Efficiency in terms of processes and size

**Ongoing deployment**
- 10 stores already opened including the Paris flagship designed by the acclaimed architect JM Wilmotte
- Around 15 new store openings planned before end-2012

**Subscriber services**
- 5 call centers in France
- Circa 1,500 employees have been recruited over the last 12 months
From a Pure ADSL Player to a Fully Integrated Operator

- Broadband market €10 bn
- Mobile market €24 bn
- Total addressable market €34 bn

- A strong and reliable brand
- A state-of-the-art nationwide IP Backbone
- The ultimate box

Source: Arcep & Iliad
Financial Performance
## Solid Financial KPIs

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,042</td>
<td>1,444</td>
<td>+38.7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>416</td>
<td>417</td>
<td>+0.2%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>40.0%</td>
<td>28.9%</td>
<td>-111bps</td>
</tr>
<tr>
<td>EBIT(^*)</td>
<td>260</td>
<td>179</td>
<td>-31.3%</td>
</tr>
<tr>
<td>Net income(^*)</td>
<td>145</td>
<td>80</td>
<td>-45.1%</td>
</tr>
<tr>
<td>ADSL FCF</td>
<td>196</td>
<td>229</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

(€ millions - *Excluding non-recurring incomes*)
1H 2012: Back to Double-Digit Growth

**Landline revenues**

- 1,042 in 1H 2011
- 1,130 in 1H 2012 (+8.5%)

**Wireless revenues**

- 320 in 1H 2012

**Group revenues**

- 1,042 in 1H 2011
- 1,444 in 1H 2012 (+38.7%)

**Sharp increase in landline business: +8.5%**

- Leap in the broadband subscriber base: +298,000 new adds in 2H 2012
- Continued success of the Freebox Revolution offer
- Acceleration of Alice retention program: 90,000 subscribers
- ARPU leveling-off at €35.5

**Mobile revenues of €320m**

- Outstanding commercial success: 3.6 million subscribers
- Solid services revenues: even distribution between the offerings giving an ARPU of >> €10

**Surge in Group revenues by 40%**

- Revenues synergies between fixed and mobile
**Landline EBITDA**

1H 2011: 416
1H 2012: 462
Increase: 10.9%

**Wireless EBITDA**

1H 2011: 416
1H 2012: 417
Increase: 0.2%

**Group EBITDA**

1H 2011: 416
1H 2012: 471
Increase: 12.9%

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**Landline EBITDA margin hits record high: 40.8%**

- Operational efficiency from scale and expansion of the unbundling footprint
- Improvement in Freebox Revolution gross margin

**Dilutive impact of mobile start-up losses: -€44m in 1H 2012**

**Mobile start-up losses absorbed by surge in landline profitability**

- Virtuous profitable growth model of landline activities
- Strong synergies arise from being integrated operator (backbone costs, interco. costs, etc)
**Group EBIT and Net Income**

### Group EBIT

<table>
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<tr>
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<th>1H 2012</th>
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<td>EBIT</td>
<td>260</td>
<td>179</td>
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</table>

**Group EBIT diluted by wireless activity**

- Stable Group EBITDA
- Increase in depreciation charges on landline activities relating to the success of the Freebox Revolution
- Group depreciation charges representing 16% of revenues in 1H 2012 vs 15% in 1H 2011

### Group net income

<table>
<thead>
<tr>
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<th>1H 2011</th>
<th>1H 2012</th>
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<tr>
<td>Net income</td>
<td>145</td>
<td>80</td>
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</table>

**Net income reached €80m in 1H 2012**

- Dilutive impact on Group income of mobile launch
- Increase in other financial expenses (non cash) relating to translation adjustments and discounting costs
Record Operating FCF: €0.5bn

- ADSL FCF up by +17% at €229m
- Tax expenses of €116m (incl. 2011 corporate tax balance)
Maintaining a Solid Financial Profile

**Solid business profile**
- Leading alternative broadband player with more than 5.1 million subscribers
- Landline organic growth is highly value-accrative
- Successful mobile launch with limited EBITDA drag

**Financial Flexibility**
- A conservative leverage level: 1.35x
- Robust liquidity position: > €1.5bn
  - Undrawn bank credit facilities
  - €500m ECP program set up in February 2012
  - €200m EIB financing signed in August 2012

* 1H 2008 including Alice acquisition
Operational and Financial Outlook

**Landline**
- 25% share of the landline broadband market in the long term
- Step up in pace of FTTH subscriber connections
- Pursue horizontal FTTH rollouts

**Mobile**
- Continue and intensify rollout in priority areas
- Reach 75% population coverage by end-2014
- Achieve a 15% market share in the medium term with a long-term goal of 25%

**Landline**
- Revenue growth of over 5% in 2012
- FCF from ADSL operations in excess of €1.1bn between 2010 and 2012

**Group**
- Robust revenue growth in 2012
- Group revenues in excess of €4bn by 2015
1H 2012 Strategy & Results Presentation

August 31, 2012
Mobile: Setting the New Standards

2 offers serving 100% of subscriber needs

- **Flat Rate**
  - 2€/month
  - No commitment
  - 60 minutes of calls/month
  - 60 SMS/month

- **Free’s Unlimited Flat Rate**
  - 19.99€/month
  - No commitment
  - Unlimited calls
  - Mainland France & overseas departments - 40 destinations including Europe, US...
  - Unlimited SMS
  - Unlimited MMS
  - Unlimited Internet (fair use of 3G)

- **€0/month**
  - for Freebox subscribers

- **€15.99/month**
  - for Freebox subscribers

Clear positioning and strong values

- Sim-only
- Simplicity – only 2 offers
- Transparency – no hidden prices
- Freedom – no commitment period