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The Transaction with Bouygues: Key Takeaways

**Scope of the transaction**
- A portfolio of 2G / 3G / 4G frequencies
- Bouygues’ Telecom mobile telephony network – representing a total of 15,000 sites
- Transaction will only go through if the take-over of SFR by Bouygues/Bouygues Telecom is complete

**Rational of the transaction**
- A transaction considered in the light of a potential market configuration back to three players
- Speed-up our network independence
- Increase the commercial dynamics – to the benefit of the French consumer

A portfolio of 2G/3G/4G frequencies & a nationwide network for a sum that could go up to €1.8bn
2013: A Year of Strong Growth

**Broadband**
- Free: Top recruiter in the broadband market for the 2nd year in a row, with 276k new subscribers
- Solid ARPU performance in a competitive market
- Value creation achieved through operating efficiency

**Mobile**
- Another year of outstanding growth with 2.8 millions new subscribers
- Net adds market share over 80%
- Successful launch of 4G
- On track to reach 75% pop. 3G coverage by the beginning of 2015

**Strong financials**
- Robust growth: total revenues up 19% to more than €3.7bn
- Group EBITDA exceeding €1.2bn / positive €114m EBITDA contribution by the mobile business
- Healthy balance sheet & strong liquidity position

**A unique growth profile**
## Strong Operational Performance

### Subscriber KPIs

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total subscribers</td>
<td>4,849,000</td>
<td>10,569,000</td>
<td>13,680,000</td>
</tr>
<tr>
<td>- Broadband</td>
<td>4,849,000</td>
<td>5,364,000</td>
<td>5,640,000</td>
</tr>
<tr>
<td>- Mobile</td>
<td>-</td>
<td>5,205,000</td>
<td>8,040,000</td>
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### Other Broadband KPIs

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Unbundling rate</td>
<td>92.2%</td>
<td>94.1%</td>
<td>94.8%</td>
</tr>
<tr>
<td>Broadband ARPU (year end)</td>
<td>€35.50</td>
<td>€36.00</td>
<td>€36.00</td>
</tr>
<tr>
<td>Freebox Revolution ARPU</td>
<td>&gt; €38.00</td>
<td>&gt; €38.00</td>
<td>&gt; €38.00</td>
</tr>
</tbody>
</table>
Ever-Stronger Subscriber Relation

Customer care is a top priority

- More than 5,600 employees dedicated to Free subscribers
- 70% of subscriber relations teams located in France
- Service certified by AFNOR both on fixed and mobile activities

Top cities already covered by Free Centers

- 38 stores opened as of March 2014, instilling subscriber trust and confidence and building our brand image
- Around 15 store openings planned for 2014
- Efficient model both for subscriptions & customer care
Subscriber Satisfaction is a Clear Asset

No.1 for broadband customers satisfaction

- Best customer satisfaction rate (94.5%)
- Award won 4 times in a row

- Best customer satisfaction rate (93%)
- Ahead of the pack for all criteria
- Award won 5 times in a row

Global satisfaction rate (UFC-Que Choisir / Dec 13)

Recommendation rate (UFC-Que Choisir / Dec 13)
Broadband Activities
A Growing Market Share in a Competitive Environment

Iliad market share

Iliad 2013 net adds market share

24%

35%

A second year of clear market leadership for net adds

Source: ARCEP and Iliad
Freebox Revolution - adding more & more value for users

- VDSL ready
- Freebox OS & Freebox Compagnon

An ever-wider offering

- More than 20 new free premium channels added, including National Geographic, Nat Geo Wild, Voyage, etc.
- New games added on Freestore by Gameloft, E.A. and GameTreeTV
- InfoMusic, a Shazam-like function for TV sets

A new intuitive cloud service for a full ATAWAD experience

- Access from AnyTime, AnyWhere and Any Device for documents, movies, music and photos stored on the Freebox Revolution
- Content sharing made easy thanks to shared links
- Backup of all photos and videos stored on mobiles and tablets
- Possibility for subscribers to monitor their connections and their Freebox

An entry-price product (Alicebox Initial €9.99 – €19.98) is also available
An Ever-Better On-Screen Experience
Fixed Network – Capitalizing on Each Type of Technology

**ADSL**
- More than 400 new Central Offices opened in 2013
- Close to 5,100 Central Offices unbundled as of December 31, 2013: footprint of c. 27 millions lines / record high unbundling rate of 94.8%

**VDSL2**
- Speeds of up to 100 Mbps* download and up to 40 Mbps* upload
- Available to the largest installed base of VDSL2 compatible boxes
- Network upgraded due to be finalized in the coming weeks

**Dense areas**
- Focus on in-building and household wiring – Migration levels still low but growing
- Dense areas have been reduced by 500,000 lines (agreement with Orange and in accordance with ARCEP’s decision)

**Outside dense areas: co-financing agreement**
- Agreement with Orange covering more than 4m households – some 60 urban areas and cities targeted
- First subscribers should be connected in 2014

Investing in NGN networks to enhance bandwidth experience

* Available for subscribers who have a Freebox Revolution & an eligible telephone line
Mobile Activities
Iliad’s market share has grown from 8% to 12% in a year
Growth fuelled by strong porting volumes
and a surge in demand in the SIM only market

* Total subscribers excl. M2oM
Source: Operators & ARCEP
Constantly Adding Value for Subscribers

Free Mobile plans offer the best 4G deals
- €2 plan (€0 for Freebox subscribers) - Unmatched by competitors
- Unlimited package with 20GB fair use for 4G : €19.99 plan / €15.99 for Freebox subscribers

Setting the tone for international calls
- Unlimited plan (€19.99) can be used in Portugal, the French West indies & Guiana, Italy, Germany and the Netherlands for 35 days/year at no extra charge (SMS/MMS, calls & 3G Internet with 3GB of fair use allowance)
- Number of landline destinations included in the Free Mobile Plan increased to 100

Developing one-stop shopping services
- Revamped online subscription process offering a one-stop shopping experience: SIM + handset
- An innovative offer to open up access to high-end smartphones: a transparent, easy & affordable rental model

Freebox Revolution acts as a personal 3G base station
- EAP SIMs allowing free hotspot access for all mobile subscribers – Largest WiFi network
- A better subscriber experience – Indoor coverage improved – Lower roaming costs
- More than 200k Femtocells users: Positive initial feedback
4G: Higher is Better!

20MHz offers the best bandwidth experience

Highest satisfaction rate for 4G services: 91%

The larger the band, the higher the bandwidth

Edcom Facebook study on 4G
2014 – A Key Year for Network Rollouts

3G

- More than 60% of the French population covered at end 2013
- Indoor coverage improved, with access to 900MHz frequency in densely-populated areas in 2013
- More than 1,500 new sites will be added in 2014:
  - c. 1,000 sites already ordered from TDF
  - More than 1,500 sites ordered from third-parties
- A commercial agreement valid until January 2018 with no exit clause

4G

- 1,115 sites up and running as of March 2014 vs. more than 700 sites at launch in December 2013
- Sites equipped with 4G compatible equipment: BTS, 3G/4G antennas...
- Strong ramp up of 4G coverage in 2014: targeting around 50% population coverage by end-2014

The 75% population 3G coverage commitment will be met
Financial Performance
The Transaction with Bouygues: Operational and Financial Terms

Operational terms

- Agreement for exclusive negotiations signed with Bouygues and Bouygues Telecom on March 8, 2014
- Network’s migration starting during Q2 2015 – Process that will last up to 18 months

Financial terms

- No capital increase needed to fund that deal
- Deal financed by the Group’s own and bank resources
- Payment due when all necessary authorizations have been obtained - during the second half of 2015

A solid balance sheet & strong resources to finance the deal
2010 – 2013: Step Change in Business Size

Subscribers: x3
13.7m → 4.5m

Revenues: x1.8
€3,748m → €2,038m

EBITDA: x1.5
€1,204m → €798m
## Robust Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(€ millions)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>3,153</td>
<td>3,748</td>
<td>+19%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>921</td>
<td>1,204</td>
<td>+31%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>29.2%</td>
<td>32.1%</td>
<td>+290bps</td>
</tr>
<tr>
<td>EBIT*</td>
<td>412</td>
<td>541</td>
<td>+31%</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>187</td>
<td>265</td>
<td>+42%</td>
</tr>
<tr>
<td>ADSL FCF</td>
<td>509</td>
<td>636</td>
<td>+25%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>€0.37</td>
<td>€0.37</td>
<td>-</td>
</tr>
</tbody>
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* Excl. Other operating income and expense
Sustained Revenue Growth

**Broadband revenues**

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,122</td>
<td>2,321</td>
<td>2,498</td>
</tr>
</tbody>
</table>

Sustainable growth:
+ 276,000 new subscribers
+ Achieving €36 ARPU in a competitive environment

**Mobile revenues**

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>844</td>
<td>1,261</td>
</tr>
</tbody>
</table>

2 years after its launch, the Mobile business contributed 34% of the Group’s total revenues:
+ 2.8 million subscribers
+ Handset sales representing 11% of Mobile revenues
- End of asymmetrical pricing as from July 2013

**Group revenues**

<table>
<thead>
<tr>
<th>FY 2011</th>
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<th>FY 2013</th>
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<tbody>
<tr>
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<td>3,153</td>
<td>3,748</td>
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Group revenues have practically doubled in 2 years:
+ Strong growth in the subscriber base: 13.7m vs 4.8m in 2011
+ Significant revenue synergies between landline and mobile
Group EBITDA up to €1.2bn

**EBITDA margin widens to record high**
- Scale effect on fixed costs base
- Positive effect of cost cutting plan

=> Next margin driver: FTTH migration

**First year of positive EBITDA contribution: €114m**
- Benefiting from critical mass: 12% market share
- Network & traffic coverage improvements (900MHz)
- End of asymmetrical pricing
- Dilutive impact of new commercial offers: 4G, roaming...

**Group EBITDA up by 50% in 2 years**
- Revenue synergies: cross-selling
- Cost synergies: intercos, scale effect

(E millions)
**EBIT & Net Profit Bouncing Back**

**Group EBIT**

- **Group EBIT up by 31% to €541m**
  - EBITDA up by €283m in a year
  - Higher D&A due to the depreciation of the Freebox Revolution and mobile assets (network, 4G license)
  - €15 million one-off write-down of certain network equipment

**Group Profit**

- **Profit up by 42% to €265m**
  - Higher profitability for both Broadband & Mobile
  - Still dilutive contribution by the Mobile

*(€ millions)*
Ambitious Capital Expenditure Program Financed by ADSL FCF

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>307</td>
<td>509</td>
<td>636</td>
</tr>
<tr>
<td>+66%</td>
<td>+25%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group cash from ops before tax &amp; WCR</th>
<th>Group WCR</th>
<th>Operating FCF</th>
<th>Total CAPEX</th>
<th>Taxes</th>
<th>Other (interest, non-rec.)</th>
<th>FCF</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,226</td>
<td>(23)</td>
<td>1,203</td>
<td>(906)</td>
<td>(162)</td>
<td>(52)</td>
<td>84</td>
<td>(21)</td>
</tr>
</tbody>
</table>

(€ millions)
Step Change in Business Size with a Stronger Financial Profile

Strong financial profile
- One of the least leveraged companies in the Telecom sector (0.85x at December 31, 2013)
- Recurring subscriptions-based revenues
- Successful €1.4bn refinancing: Extending debt maturity & better conditions

Conservative financing policy
- Low dividend payout ratio
- Conservative long-term objective in terms of leverage
- Family-owned company with management holding ownership stakes
Operational and Financial Objectives

**Broadband**
- Achieve a 25% share of the landline broadband market in the long term
- Pursue horizontal FTTH rollouts and co-financing arrangements
- Free Cash Flow from ADSL operations in excess of €700m in 2014

**Mobile**
- Intensified rollout, with the aim of adding more than 1,500 sites in 2014
- Reach obligatory 3G coverage rate of 75% of the French population by end-2014
- Reach a 4G coverage rate around 50% of French population in 2014
- Achieve a 25% share of the mobile market in the long run (target revised upward given the 12% market share reached at end 2013)

**Group**
- Generate revenues of over €4 billion by 2015 (target set in 2010)
- Ambition to achieve a consolidated EBITDA margin of more than 40% by the end of the decade

**A promising growth path**
Appendix
Smooth Fit of Free Mobile’s 3G Network with the Landline Network

A highly valuable asset
- First rollout started 10 years ago
- A 76,000 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 Iliad’s broadband network will generate considerable synergies and rollout efficiencies
A Profitable and Resilient Business Model

FT Wholesale
- FT rental fee: €4.09 - €12.21
- IP Transit: c. €4.00
- Gross margin of c. 30%
- 6% of subscribers

Unbundling
- FT rental fee: €8.90
- Other costs: €1.99
- Gross margin of c. 55%
- 94% of subscribers

FTTH: densely-populated areas
- Gross margin of c. 80%

FTTH: non-densely populated areas
- Gross margin of c. 65%

Freebox DSLAM
Freebox set-top box