1H 2014 Strategy & Results Presentation

September 1, 2014
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1H 2014 Highlights

- Solid performance in a competitive broadband market – close to 100k new subscribers
- Robust ARPU at €35.80 despite the impact of VAT increases

Broadband

- 1 million new subscribers added during 1H 2014; a net add market share of more than 65%
- Market share of over 13% after only 30 months of mobile operations
- Ongoing 3G rollout; the 75% population coverage commitment will be met

Mobile

- A fast-growing Group: revenues over the €2bn mark - up by 10%
- EBITDA up by 7% to €624m
- ADSL FCF reaches a record high at €372m

Financials

Delivering profitable growth
### Strong Operational Performance

<table>
<thead>
<tr>
<th>Subscriber KPIs</th>
<th>June 2013</th>
<th>Dec. 2013</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total subscribers</td>
<td>12,313,000</td>
<td>13,680,000</td>
<td>14,830,000</td>
</tr>
<tr>
<td>- Broadband</td>
<td>5,518,000</td>
<td>5,640,000</td>
<td>5,735,000</td>
</tr>
<tr>
<td>- Mobile</td>
<td>6,795,000</td>
<td>8,040,000</td>
<td>9,095,000</td>
</tr>
</tbody>
</table>

### Other Broadband KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>June 2013</th>
<th>Dec. 2013</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unbundling rate</td>
<td>94.40%</td>
<td>94.80%</td>
<td>95.60%</td>
</tr>
<tr>
<td>Broadband ARPU (period-end)</td>
<td>€35.90</td>
<td>€36.00</td>
<td>€35.80</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>
Expanding Distribution to Strengthen our Local Presence

1st SIM card dispensers

- Some 400 self-service kiosks with SIM card dispensers already set up in stores across France as of June 2014 – available in the Maison de la Presse store network
- A ready-to-use SIM card delivered in a matter of minutes
- Other services available, e.g. changing SIM card or paying outstanding bills

New cities covered by Free Centers

- 40 stores opened as of June 2014, instilling subscriber trust and confidence and building our brand image
- 10 new stores will be opened by end 2014
- Efficient model both for subscriptions & customer care
Free Mobile’s entry into the market has been profitable for both subscribers & the French economy

€16.90
The average subscriber bill (excl. VAT) as of end-2013 vs €24.10 two years ago (down 30%)

€7bn
in savings made by French households in two years

44%
of mobile plans in France are no-commitment plans as of end-2013 vs. only 20% before Free Mobile’s entry, thanks to the success of Free Mobile’s SIM-only plans and mobile rental plans

2nd
most innovative French Group in the Forbes List of the World’s Most Innovative Companies (29th worldwide).

Source: UFC Que choisir study, published on May 2014
Broadband Activities
Market Share and High ARPU Maintained in a Tough Environment

1H 2014 net adds market share

- 95k new subscribers gained with no mass market promotions
- Free: 2nd recruiter over the first 6 months of 2014

Strong ARPU

- ARPU remained high at €35.80 in spite of:
  - The competitive environment
  - The tighter VAT regime – especially for triple-play offers

No need for significant promotions to maintain market share and high ARPU thanks to strong brand and offer positioning

Source: ARCEP and iliad
Innovation is the Key to Maintaining a Strong Position

Freebox Revolution – constantly adding more value for users

- New CPL 500 Mbps and WiFi 802.11 ac
- Unlimited calls to landlines in Tunisia included

An ever-broader offering

- Close to 100 HD channels
- 50 RVOD channels
- New games added on Freestore by Gameloft and GameTreeTV

Freebox OS & Compagnon: second screen experience and cloud

- TV, EPG and record solutions available on second screen
- Anytime, Anywhere and Any device access 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 (iOS, Android & WP)
Keep Improving On-Screen Experience
A Constantly-Enhanced Network

- Unbundling footprint covering more than 85% of French population & an unbundling rate at 95.60% as of end-June 2014
- 5,911 Central Offices unbundled and equipped with ADSL2+

- Pushing VDSL2 upgrade to provide better bandwidth for subscribers
  - Speeds of up to 100 Mbps\(^*\) download and up to 40 Mbps\(^*\) upload
  - Full network upgrade will be finished in 2H 2014
  - VDSL2 technology is expected to be extended to indirect distribution lines

- Significant investments in FTTH
  - Focus on in-building and household wiring in dense areas
  - Agreement with Orange covering 4m households outside dense areas:
    - Some 60 towns and cities targeted
    - First subscribers will be connected in 2H 2014

\(^*\) Available for subscribers who have a Freebox Revolution & an eligible telephone line
Mobile Activities
Fast-Growing Mobile Market Share

**Market share – June 2014**
- More than 9.0m subscribers at end-June 2014
- A market share of over 13%

**1H 2014 net adds market share**
- Top recruiter in 1H 2014 with a 65% net add market share
- Innovative & competitive commercial offers
  - Launch of first self-service kiosks for subscriptions with SIM card dispensers
  - New roaming destinations included in Free Mobile Plan
  - Successful 4G launch at the end of 2013

**Market share already over 13% after only 30 months of operations**

Source: Operators & ARCEP
Constantly Adding Value for Subscribers

**Free Mobile plans offer the best deals**

- €2 plan (€0/month for Freebox subscribers) – still unmatched by competitors
- One of the fastest 4G operators with the highest fair use volume limit (20GB) for the lowest price
- The Group’s unique handset rental offer has been highly successful

**Best international roaming deals**

- Unlimited plan (€19.99/month) works for 35 days/year at no extra charge (SMS/MMS, calls & 3G Internet with 3GB) in 11 destinations: Austria, Czech Rep., French West Indies & Guiana, Germany, Greece, Italy, Israel, Netherlands, Poland, Portugal and Romania.
- 374 price reductions for incoming and outgoing communications (calls, SMS, MMS & data)
- Unlimited SMS messages from Europe and the French overseas departments to French mobiles
3G: the coverage commitment of 75% of the French population will be met by end-2014

- The network rollout is accelerating, with an even higher target for 2H 2014:

  ![Chart showing wireless site openings]

  - 3,122 sites up and running covering 67% of the French population as of end-June 2014
  - A total of more than 4,000 sites opened or under deployment as of today
  - Significant improvement in accessing other operators’ passive infrastructure will accelerate densification and ease the rollout beyond the 75% population threshold

Strong ramp up of 4G coverage in 2014

- 1,411 sites up and running by end-June, vs. 700 sites at launch in December 2013
- Fiber links (backhaul) to provide better bandwidth for subscribers
- ~25% population coverage by end-June, targeting around 50% in 2014

Network extension: meeting commitments & improving traffic coverage
Financial Performance
Key Financial Indicators

**Revenues**
- 1H 2012: €1.4bn
- 1H 2014: €2.0bn

**EBITDA**
- 1H 2012: €417m
- 1H 2014: €624m

**Leverage**
- 1.35x
- 0.75x
### Solid Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>1H 2013</th>
<th>1H 2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,829</td>
<td>2,020</td>
<td>+10%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>586</td>
<td>624</td>
<td>+7%</td>
</tr>
<tr>
<td>EBIT*</td>
<td>275</td>
<td>280</td>
<td>+2%</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>142</td>
<td>140</td>
<td>-1%</td>
</tr>
<tr>
<td>ADSL FCF</td>
<td>291</td>
<td>372</td>
<td>+28%</td>
</tr>
</tbody>
</table>

* Excl. Other operating income and expense
Revenues Topping the €2bn Mark in 1H 2014

**Broadband revenues**
- 1H 2013: 1,235
- 1H 2014: 1,279
  - +4%

**Mobile revenues**
- 1H 2013: 601
- 1H 2014: 746
  - +24%

**Group revenues**
- 1H 2013: 1,829
- 1H 2014: 2,020
  - +10%

**Growth maintained in the Broadband business**
- + 95,000 new subscribers attracted by the Group’s offers with almost no promotions
- + High ARPU maintained (€35.80) in a highly competitive environment
- - Tighter VAT regime

**A sharp 24% rise in Mobile revenues**
- + 1 million new subscribers
- + Handset sales increase – thanks to the new financing plans
- - End of asymmetrical pricing

**10% growth in Group revenues**
- + Mobile: c.37% of Group revenues

**A clear focus on growth**
Delivering Profitable Growth

**Group EBITDA**
- 2013: 586
- 2014: 624
- Increase: +7%

**Group EBIT**
- 2013: 275
- 2014: 280
- Increase: +2%

**Group Profit**
- 2013: 142
- 2014: 140

**Robust Group EBITDA at €624m**
- Fast-growing Mobile business
- Continued network rollout & economies of scale for fixed costs for both the Broadband & Mobile businesses
- Impact of new VAT regime & the end of MTR asymmetry
- Dilutive impact of handsets rental plans & enhanced commercial offerings

=> Good landline margin maintained

**A slight year-on-year increase in Group EBIT**
- Driven by EBITDA growth
- Higher D&A due to mobile assets (network, 4G license)

**Group profit stable at c.€140m**
- In line with Group EBIT
- Still dilutive contribution by the Mobile business
- Negative impact of corporate tax rate increase
ADSL FCF Reaches a Record High

ADSL FCF up by 28%:

- Strong growth for ADSL operations, with more than 5.7m subscribers and an ARPU of ~€36 as of today
- Margin expansion driven by operational efficiency:
  - Network rollout is the foundation of profitable growth – unbundling footprint covering ~85% of the French population
  - Lean costs base & economies of scale
- Slowdown of ADSL growth capex (cabling fees, boxes, etc.)

1H 2011 – 1H 2014

CAGR: 24%
Improving Group FCF

Solid operating FCF of €625m
Positive Group FCF of ~€100m

(€ millions)
Strong Balance Sheet Backing Investment

A very solid positioning
- Recurring subscriptions-based revenues
- A solid track record of delivering profitable growth
- An entrepreneurship-owned company

A unique ability to grow and to keep a strong balance sheet
- Total net debt of less than €1bn
- Successful deleveraging achieved in spite of strong growth and ambitious capital outlay
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
- Generate over €700m in Free Cash Flow ADSL operations in 2014

**Mobile**
- Deploy more than 1,000 sites in the second half of 2014
- Reach obligatory 3G coverage rate of 75% of the French population by end-2014
- Reach a 4G coverage rate around 50% of the French population in 2014
- Achieve a 25% share of the mobile market in the long term

**Group**
- Raise revenues to more than €4bn by 2015
- Achieve consolidated EBITDA margin of over 40% by the end of the decade
T-Mobile US Offer
The US Market: a Unique Opportunity

- The world’s largest market, with wireless service revenues of $187bn in 2013
- A clear regulatory framework
- A strong demand from consumers for straightforward, high-quality plans
- A near duopoly with high prices:

### Wireless Market Shares¹ (Q4 2013)

- 70%: Verizon
- 37%: AT&T
- 33%: Sprint
- 16%: T-Mobile
- 10%: Other

### 2013 Average ARPU ($/Month)

- USA: $50
- Japan: $43
- South Korea: $35
- France: $30
- United Kingdom: $27
- Israel: $24

An opportunity for a “Maverick” player to disrupt the market

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¹ Market Share by revenue - Sources: Companies, BAML Global Wireless Matrix Q1 2014
Iliad: a Unique Model that Translates into a Structural Cost Advantage

- Invention of the first Triple-Play offer in the world (2002)
- One of the world’s Top 5 IPTV service providers
- Several wireless innovations: Femto Cells, SIM card dispenser, EAP SIM, etc.

- Only 2 straightforward wireless plans
- SIM-only model with online distribution
- Lean organization with simple processes

Innovate

Keep it simple

Inhouse

Control

- All core competencies retained inhouse
- Own software development and maintenance
- Own stores and inhouse call-centers

- Owned and operated backhaul
- Tight control of all costs
- Central team that controls operations

Iliad’s unique business model drives highly efficient operations

Source: Company
Estimated Cost Savings: $2.0bn per annum

- T-Mobile US has a potential annual cost saving opportunity of ~$2.8bn compared to US best in class
- Iliad’s lean management practices can close this gap
- In addition, deploying Iliad’s business model could deliver further cost savings
- Estimated annual cost savings of $2.0bn representing 7% of current estimated cost base of T-Mobile US

Thus the $10bn cost savings NPV in the offer is on the safe side

Source: Company / a leading consulting firm
An Offer in Line with Iliad’s Strict Financial Discipline

- An offer worth $36.2 per T-Mobile US shares: cash component of $33.0 for 56.6% of T-Mobile US shares (total of $15bn) and $10bn in synergies.

- Iliad has always managed to successfully combine growth with strict financial discipline:
  - Strong focus on profitable growth
  - Ability to rapidly deleverage the group in the event of an external growth transaction (e.g. when Alice was acquired in 2008, leverage was reduced from 3.5x to less than 1.0x within 18 months).

- In contemplating a possible transaction with T-Mobile US, Iliad will ensure this strict financial discipline by:
  - Maintaining a consolidated EBITDA leverage ~4.5x
  - Ensuring a maximum capital increase of Iliad around €2bn

- Iliad will focus on creating value for all of its shareholders, whose interests are fully aligned with those of management (which owns c.60% of the Group).