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A Profitable and Resilient Business Model

+ 1.3 million subscribers in 2008

Projects becoming reality

A strong cash generation to finance future developments
Iliad is Leading Market Consolidation

Dec. 31, 2008
Market Shares

Iliad is the 1st ADSL Alternative Operator in France
+ 1.3 million subscribers in 2008

Source: ARCEP & France Telecom for ADSL market data
<table>
<thead>
<tr>
<th></th>
<th>Dec. 07</th>
<th>Dec. 08</th>
<th>+</th>
<th>=</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADSL Subs.</td>
<td>2,904,000</td>
<td>3,389,000</td>
<td>836,000</td>
<td>4,225,000</td>
</tr>
<tr>
<td>Market Share</td>
<td>19.7%</td>
<td>20.2%</td>
<td>5.0%</td>
<td>25.2%</td>
</tr>
<tr>
<td>ARPU (end of the period)</td>
<td>€36.3</td>
<td>€36.9</td>
<td>€32.0</td>
<td>€35.9</td>
</tr>
<tr>
<td>Unbundling ratio</td>
<td>81.5%</td>
<td>85.6%</td>
<td>50.7%</td>
<td>78.7%</td>
</tr>
<tr>
<td>Churn</td>
<td>&lt;&lt; 1% / month</td>
<td>&lt;&lt; 1% / month</td>
<td>ND</td>
<td>ND</td>
</tr>
</tbody>
</table>

Source: ARCEP & France Telecom for ADSL market data
A clear marketing strategy

- Maintaining the brand to allow a smooth migration
- Differentiating the positioning of the offer:
  - 4 hours of call to mobile free of charge per month for the 1st year
  - The only free of charge hotline on the market
- Migration on Free’s network allowing an upgrade of the offer (bandwidth, VAS, boxes…)

Legal merger completed between Free and Alice as of end 2008

Migration is well on track

- Streamlining of fixed costs base
- Network and IT under rationalization
- Massive unbundling process over 2009

EBITDA breakeven during 2Q 2009
Profitable Growth Fuelled by Unbundling

Iliad 1st Unbundler with 51% market share in Dec. 2008

- 2,200 Central Offices equipped with DSLAMs at end 2008 (1,500 at end 2007)
- Dilutive impact of Alice on Iliad’s unbundling ratio
  - Unbundling ratio of 50.7% on Alice
  - Migration on Free network over 2009
- Objectives end of 2009:
  - 2,700 COs equipped at end 2009
  - Unbundling ratio of 82%
- Unbundling tariffs under ARCEP's scrutiny

<table>
<thead>
<tr>
<th>Year</th>
<th>Unbundled Subscribers</th>
<th>Unbundled Subscribers in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 2005</td>
<td>1,595</td>
<td>70.2%</td>
</tr>
<tr>
<td>Dec. 2006</td>
<td>2,278</td>
<td>75.9%</td>
</tr>
<tr>
<td>Dec. 2007</td>
<td>2,904</td>
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<td>Dec. 2008 Incl. Alice</td>
<td>4,225</td>
<td>78.7%</td>
</tr>
</tbody>
</table>
VAS Offering Continuously Improving

- Advanced TV makes TV viewers free
  - A loyal and homogenous subscribers’ base
  - From live to replay TV implementation
  - Leading VoD and S-VoD (over 15,000 features)
  - Always providing more HD formats
  - Improvement of film distribution windows

- Innovation and new services are fuelling ARPU increase
  - Leading User Generated Content
  - Launch of a multi-TV sets offer
  - Opening of the French gaming market
    - Partnership with Chiligaming

- Telephony
  - 27 new destinations included in the unlimited phone offering
  - Alice: ‘4 hours of call to mobile’

VAS account for more than 25% of Broadband Revenues
France is almost ready for a massive FTTH deployment

- Since mid-September ducts can be used by altnets
- In-house wiring process is currently being defined by ARCEP
- In dense areas multi-fiber appears to be the most efficient solution: neutral, open & cost efficient

Potential decisions to accelerate fiber roll-out

- Collocation of optical nodes in central offices
- Activated fiber to maintain a fair competition (symmetric obligation)
- Lower tariffs on ducts
Free confirms its targets
- 4 million homes covered by 2012
- 70% of Paris covered horizontally in 2H 09
- Deployment through ducts launched outside Paris
  - Paris’ suburbs
  - Major cities in France will be covered until 2012

Fiber: Maximizing Iliad’s model
- No more dependency on Incumbent’s network
- Opex savings: margin and FCF booster

First users’ feedbacks
- Increased bandwidth and lower latency
- Perfectly suited for HD content
- Increased stickiness
The Four Pillars of Growth

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

CORE ASSETS
- A strong brand: Free
- A loyal customer base
- A state of the art network
Iliad: A Confirmed Will to Bid for Mobile

An uncompetitive market
- Only market in Europe with 3 player
- Consumers are upset by prices, lack of flexibility and transparency
- Lowest penetration rate in Western Europe 91% vs. 125% on average
- 2 hours plans sold at €25-€33

A pro-competitive license
- 1 block of 5 Mhz in 2.1 Ghz + 5 Mhz on the 900 Mhz spectrum for €M210
- Roaming agreement as soon as 25% population coverage is reached
- Access to site sharing agreement

A clear timing
- Process opening in April 09
- Application to be submitted before end June 09
- Award of the license in Q4 09
- A timing in line with our DSL FCF explosion

“Not the usual 4th entrant”
- Strong assets that can be redeployed
- Drop in Mobile Termination Rates (MTRs)
  - 6.5c. in 2008
  - 4.5c. in 2009
  - 3c. in 2010
- Low break-even point
**Iliad: A Confirmed Will to Bid for Mobile**

- **Free mobile: key points concerning network**
  - Quick network deployment: leveraging on site sharing agreements
  - Commercial offer launched as soon as roaming agreement is struck
  - Most advanced technologies used: full IP, evolutionary equipments (3G, LTE)…
  - 5 (2.1Ghz) + 5 (900 Mhz) = more than 10 million subs with a national coverage

- **Free mobile: key facts about the offer**
  - A simple and good-value for money offer
  - Use of all distribution channels: online, retail shops, naked sims
  - Strong cross-selling with Free and Alice Triple-play offers
  - Access to a loyal subscribers’ base: 10-12 million users

- **A clear visibility**
  - Maximum network CAPEX of €bn1 to cover 90% of French population
  - Drop of 3G equipments’ costs
  - 3G is a proven technology
## Strong Financial KPIs

**In € million**

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>1,212.4</td>
<td>1,434.1</td>
<td>+18.3%</td>
<td>1,565.0</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>443.6</td>
<td>539.1</td>
<td>+21.5%</td>
<td>524.7</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>36.6%</td>
<td>37.6%</td>
<td></td>
<td>33.5%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>211.8</td>
<td>266.3</td>
<td>+25.7%</td>
<td>172.3</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>17.6%</td>
<td>18.5%</td>
<td></td>
<td>11.0%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>150.2</td>
<td>216.7</td>
<td>+44.3%</td>
<td>100.4</td>
</tr>
<tr>
<td><strong>ADSL FCF</strong></td>
<td>23.0</td>
<td>209.7</td>
<td>x9</td>
<td>157.3</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>0.31€</td>
<td>0.34€</td>
<td>+9.7%</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Including the 4 months and 5 days of Alice operations.
Consolidated Revenues

**Revenues (1)**

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<th>FY 2008</th>
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</thead>
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<tr>
<td>1,212</td>
<td>1,565</td>
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**VAS Revenues on Iliad (excl. Alice)**

- VAS revenues at 25% of BB revenues
- Vs. 22% at end 07
- Broadband ARPU of €36.9 at end 2008

<table>
<thead>
<tr>
<th>FY 2007</th>
<th>FY 2008</th>
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<tr>
<td>263</td>
<td>353</td>
</tr>
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</table>

(1) Excluding inter-segments
EBITDA Margin: A Record High on Historic Perimeter

**Historic Perimeter**

<table>
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<th>In € million</th>
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<td><strong>37.6%</strong></td>
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- **2008 EBITDA’s drivers:**
  - Unbundling ratio: from 81.5% to 85.6%
  - Increased usage of VAS
  - Economy of scale
  - Implementation of the COSIP Tax

  ➔ An EBITDA Margin of 38% on 2H 2008

**Consolidated Perimeter**

<table>
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<th>In € million</th>
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<td><strong>33.5%</strong></td>
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- **Operational losses on Alice since Closing:**
  - A low unbundling ratio: 50.7% at end 08
  - High fixed costs base (subcontractors, G&A…)

  ➔ A negative EBITDA contribution of €M-14.4 since closing

- **Objectives:**
  - Increasing the unbundling ratio up to 75% - 80%
  - Streamlining of Alice fixed costs base
EBIT up by 25% on Historic Perimeter:
- Increasing EBITDA margin
- Slowdown of amortization

Amortization policy: from 3 to 4 years

€M94 Dilutive impact of Alice:
- Negative EBITDA: €M-14.4
- Amortization: €M-48.9
- Provision for restructuring costs: €M-30.7
Alice: A Quick Turn Around

**SYNERGIES**
- Revenues Enhancing
- Network Migration
- Streamlining of the fixed costs base

**FINANCIALS**
- EBITDA
- FCF
- Tax Shield

**Acquisition of Alice**
- 2008

- Increase Alice ARPU: Rationalization of commercial offers / Increase VAS
  - Increase Alice Unbundling ratio to ca. 75% / 80%
  - Marketing expenses cut / Reduction of G&A / Network shutdown...

**End of migration**
- 2010

- EBITDA > 0
- Incremental EBITDA of €M90 / year

- FCF > 0

- A Tax Asset of €M390

- 2011
FY 2008 CAPEX Breakdown on Historic Perimeter

In € million

- DSL Network CAPEX
  - FY 07: 42.0
  - FY 08: 40

- DSL Growth CAPEX
  - FY 07: 182
  - FY 08: 166

- FTTH CAPEX
  - FY 07: 11
  - FY 08: 12

- Total CAPEX
  - FY 07: 346
  - FY 08: 356

FTTH CAPEX: 80

FT Room: 41
Fiber IRU + Trans. Eq.: 15
Freebox + DSLAMs: 65
FTTH Leasing: 15
FTTH CAPEX: 80
2008: Massive Cash Generation on Historic Perimeter

In € million

- Positive ADSL FCF of €M210 in 2008 (vs. €M23 in 2007)
- ADSL FCF (excl. Alice) above €M300 in 2009
- A cumulative ADSL FCF > €bn1 2009-2011

Positive Cash Flow from Operations before WCR and Tax & WCR

- Cash from Operations: €540
- WCR: €11
- ADSL CapEx: (€64)
- ADSL FCF (excl. Alice): €276
- FTTH CapEx: €210
- FTTH FCF: (€65)
- Others: (€17)
- Dividend: €129
- FCF: (€17)

Well above the guidance
A Sound Financial Position

Cash & Equivalents

+ € 356 million undrawn credit facilities

Net Financial Debt

Leverage = 1.7x EBITDA

- A predictable business model
  ➔ Subscription model
  ➔ €356 undrawn facilities

Strong deleveraging:
Targeting a leverage of 1x a year in advance (end 09)
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 €M300 on ADSL activity in 2009
- A cumulative ADSL FCF > €bn1 2009-2011
- Leverage of 1x EBITDA by end 2009
- A strong increase of the Net Income in 2009

Strong financial leeway for future opportunities
Appendice 1: Free’s Offer: €29.99
The ‘Best-Value for money’

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

**PHONE**
- Free phone calls to 97 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
Yesterday Wholesale, Today Unbundling and Tomorrow FTTH

**FT Wholesale**
- FT rental Fee: €10.5 - €18.5
- IP Transit: €5.0 - €7.0
- Gross margin of ca. 5%-10%

**Unbundling**
- FT rental Fee: €9.3
- Other costs: €4.0
- Gross margin of ca. 50%

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

- Freebox DSLAM
- Freebox set-top box
Historic Perimeter: Significant Net Income Growth

Net income up by 44% on historic perimeter:

- Strong operating performance
- Costs control

Dilutive impact of Alice:

- Negative EBIT: €M-94
- Interests link to Alice’s acquisition