1H 2008 Results & Strategy Presentation

August 28th, 2008

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Key Performance Indicators (KPIs)

	June 2007	December 2007	June 2008
ADSL Subscribers	2,626,000	2,904,000	3,134,000
Unbundling Ratio	78.4%	81.5%	83.4%
ARPU (end of the period)	€35.0	€36.3	€36.3
% Subscribers using Free as Sole Telecom Provider*	57%	64%	71%
Churn	< 1% / month	<< 1% / month	<< 1% / month

* Full Unbundling + IP Only (naked ADSL)

French ADSL Market Consolidation Benefits Free

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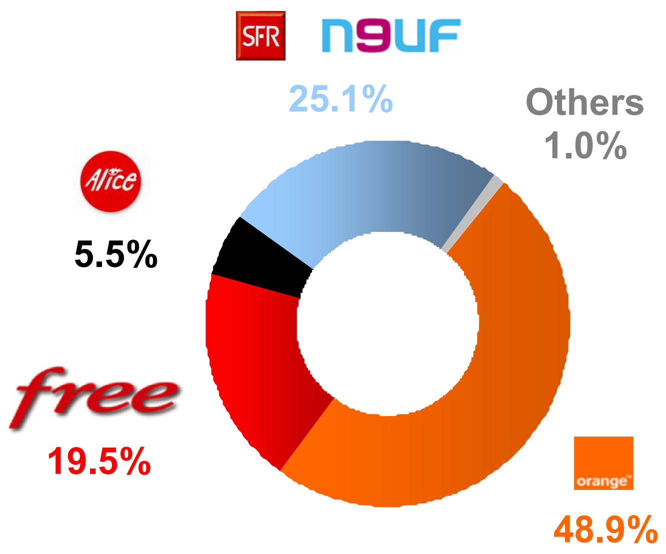
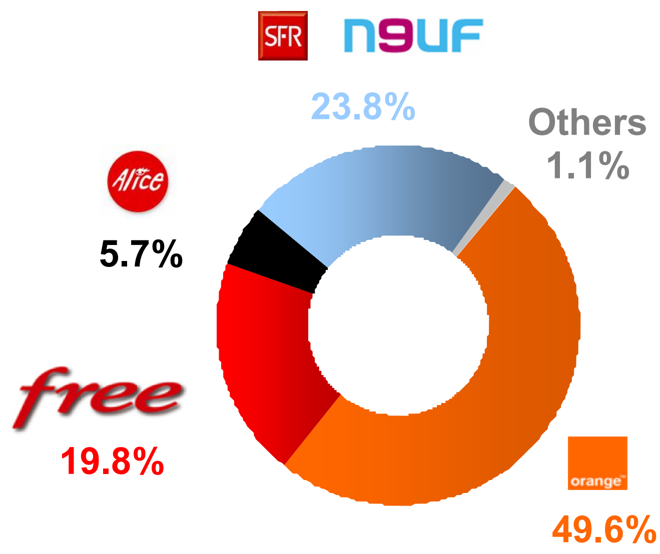
June 07 Market Shares

13.5 M. Subscribers



June 08 Market Shares

15.8 M. Subscribers



Source: ARCEP and France Telecom

Leading Unbundling in France

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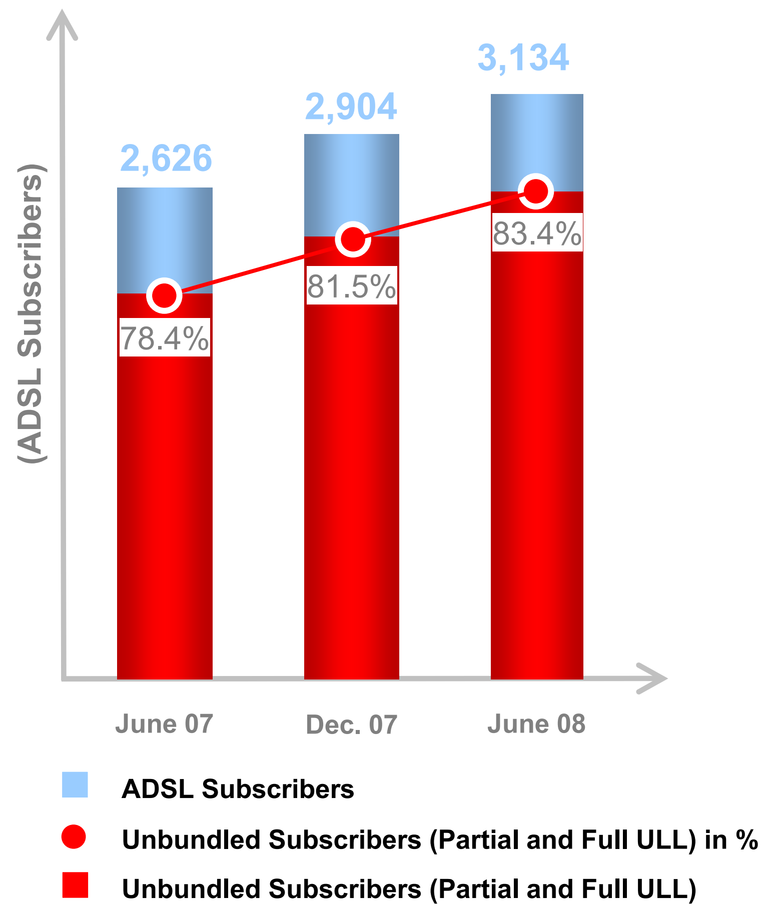
1st unbundler with 45.7% market share at end June 2008

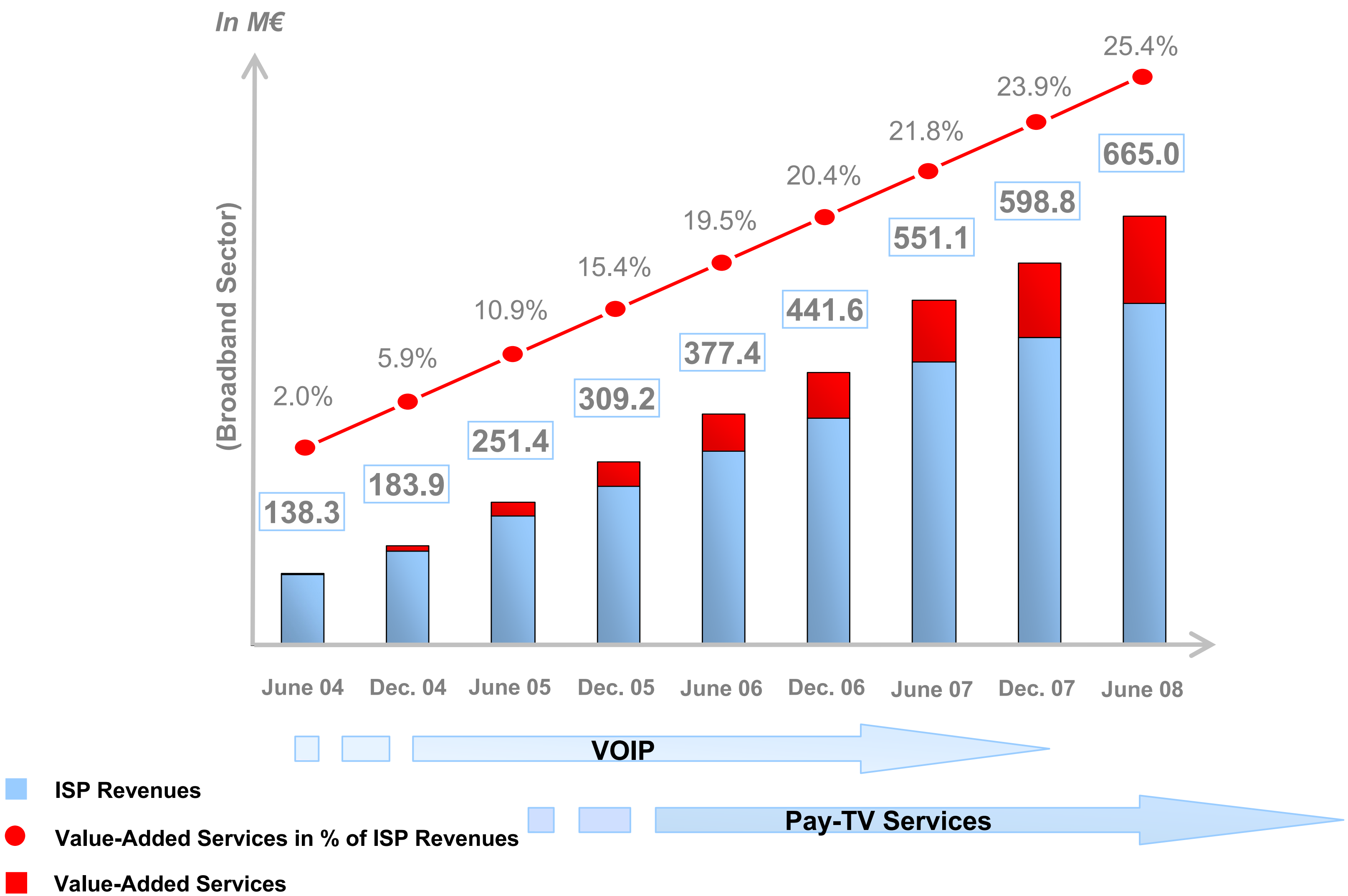
In thousand subs



- **1,850 Central Offices equipped with DSLAMs at end June 2008**
  - ➔ vs. 1,500 COs at end 2007
  - ➔ 100% with ADSL2+ DSLAMs
  - ➔ Objective to reach 2,200 COs at end 2008
- **Over 70% of subscribers using Free as unique Telecom Provider ***
- **60% of subscribers equipped with Freebox HD**

** Full Unbundling + IP Only (naked ADSL)*

Free: A Lot More Than an Access Provider!



Beyond Traditional TV

Leading HD Experience

Films / Series

Channels

Major Sporting Events

A Strong Partnership

CANAL+ à la demande

- Launch of the 1st Catch Up TV Service in France

CANALSAT

- €10 / month during the first year (vs. €20.90)

Leading the On-Demand Concept

- 2,883,000 VoD and S-VoD features purchased during 1H 2008
- Consumption x3 in 2 years
  - ➔ Strong take-up on new S-VoD offers
- A catalog of more than 10,000 VoD features

Still at the Cutting Edge

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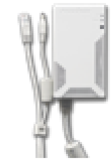
More bandwith

More speed for ADSL 2+ customers in non unbundled areas

Freebox HD: The Most Advanced Technologies

New Generation WiFi 802.11n



Freeplugs 200 Mbps (PLC)

New Services

TeleSites

Users are now able to broadcast their website on TV

CANAL+ à la demande

Canal + Group Catch Up TV service available for the first time on TV

New Contents

M6 HD

FREE HOME VIDEO Intégral

LCP 24h ASSEMBLEE NATIONALE

PUBLIC SÉNAT 24/7

ATM speeds

Always Improving Pre- and After-Sales Services

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New Website

- New subscription site launched at end of May

After-Sales

- **On-line Technical Support**
  - ➔ 100% in-house hotline teams
- **A free of charge on-site Technical Support**
  - ➔ Free engineer sent within 2 hours if problem not solved on-line
  - ➔ Service available nationwide (more than 70 cities)

FTTH: A Clearer Regulatory Framework

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- **FTTH law passed**
  - ➔ Create a right to fiber
  - ➔ Regulate vertical roll-out
    - Vertical deployment mutualized between Operators
    - Network sharing point will be on Public Domain
  - ➔ Ease buildings' access

- **Ducts**
  - ➔ France Telecom second ducts offer under review
  - ➔ Technicalities agreed / Compatible with P2P technology
  - ➔ Pricing and operational process to be improved

FTTH Focus

- **Free FTTH offer is becoming a reality**
  - ➔ Paris: FTTH offer available in some buildings in Paris
  - ➔ Outside Paris: Service opened in various areas of Montpellier

- **Investment program confirmed**
  - ➔ A total CapEx plan of €1 bn by 2012
  - ➔ 70% of Paris covered horizontally over 2H 2009
  - ➔ €1,500 per existing subscriber confirmed

FTTH project on track:

- ⇨ ***Free is leading FTTH deployment in Paris***
- ⇨ ***Vertical roll-out improved with the FTTH law***

Mobile

- **Iliad confirms its objective to become the 4th Mobile Operator**
  - ➔ Uncompetitive market with only 3 players
  - ➔ Strong assets that can be redeployed
  - ➔ Low break-even point
  - ➔ Unlimited offers jeopardize MVNO's positioning
- **ARCEP's Consultancy: 3 Different Scenarios**
  - ➔ Single block attribution 15 Mhz of the 2.1 Ghz frequencies to a new entrant
  - ➔ Partitioning the license into several blocks of frequencies
    - 3 blocks of 5 Mhz put to tender to all players
    - 3 blocks of 5 Mhz with part of them allotted to new entrants only
- **Next steps**
  - ➔ ARCEP is to announce its conclusions at end September 2008
  - ➔ Decision to reset a new tender has to be taken by Government
  - ➔ Attribution of the 4th License / blocks unlikely before mid-2009

Outcomes acceptable to Iliad:

- ⇨ ***Either 15 Mhz at a discounted price,***
- ⇨ ***Or 10 Mhz for 15 years (instead of 20 years) at a reduced price***

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Alice

Rationale for Alice Acquisition

- **Acquisition completed on August 26th**

- **Iliad will become the 1st Alternative Operator in France**
  - ➔ Ca. 850,000 active subscribers
  - ➔ Around 4 million subscribers at closing
  - ➔ A market share close to 25.5%

- **No premium paid for the last strategic asset available**
  - ➔ Price paid : €760 M (debt free / cash free)
    - €350 M: Tax asset
    - €410 M: Subscriber base
  - ➔ Submitted to significant downward adjustment clauses

- **Improving the economics of:**
  - ➔ FTTH investment plan
  - ➔ Content agreements
  - ➔ Mobile

Permanently enhancing Iliad strategic positioning

Combined KPIs

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	Alice estimates	Iliad June 08	Proforma estimates
Active ADSL Subs.	**ca. 850,000**	**3,134,000**	**3,984,000**
Market Share	**5.7%**	**19.8%**	**25.5%**
ARPU (end of the period)	**ca. €27.0**	**€36.3**	**€34.2**
Unbundling ratio	**45.8%**	**83.4%**	**75.3%**

Summary Views on Synergies / Tax Savings

Revenues

- **ARPU Enhancement**
  - ➔ Alice's ARPU at ca. €27.0 in 1H 2008
  - ➔ Rationalization of commercial offers
- **Increasing VAS take-up**

Profitability

- **Increasing the unbundling ratio of Alice subscriber base**
- **Streamlining of Alice network and related cost**
  - ➔ Marketing expenses cut
  - ➔ Network: 700 Central Offices redundant
  - ➔ Rationalization of IT and G&A

Tax-shield

- **Substantial tax losses carried-forward within Liberty Surf Group (estimated value of ca. €350 M)**
- **Immediate use of tax losses by Iliad reducing tax charges**

Targeting a yearly incremental EBITDA of €90 M as of 2H 2010

Gearing Balance Sheet for Alice

- **Alice acquisition: 100% financed by bank debt**

- **New Facilities of €1.2 bn**
  - ➔ 12 banks
  - ➔ Refinancing of existing Facilities

- **Leverage should be around 2x EBITDA at Closing**

- **Strong deleveraging: Targeting 1x EBITDA in 2010**
  - ➔ Tax shield
  - ➔ Synergies

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Financials

Strong Financial KPIs

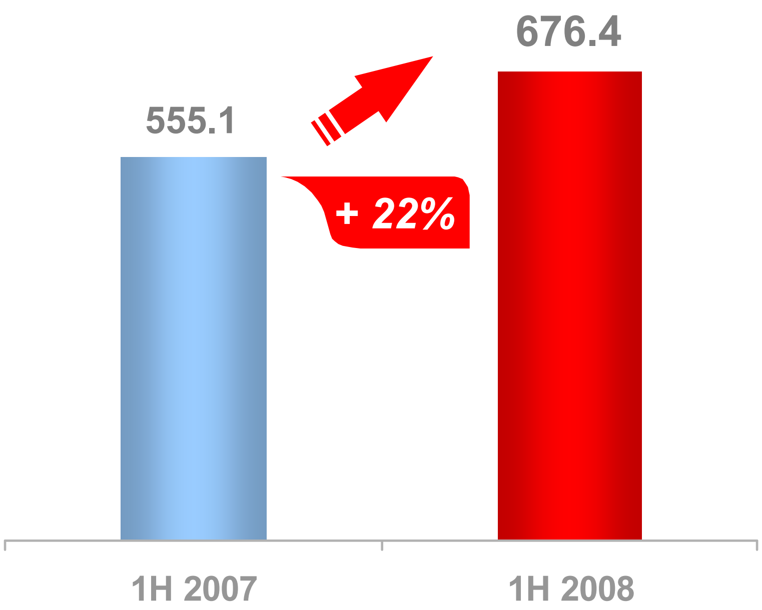
In € million

	1H 2007	1H 2008	VAR.
Revenues	574.1	692.2	+20.6%
EBITDA	**206.5**	**256.9**	**+24.4%**
EBITDA Margin	*36.0%*	*37.1%*	
EBIT	**101.4**	**128.0**	**+26.2%**
EBIT Margin	*17.7%*	*18.5%*	
Net Income	**65.0**	**82.9**	**+27.5%**
Profit from discontinued operations	*13.9*	*-*	
ADSL FCF	(52.7)	74.7	

Broadband Revenues

In € million

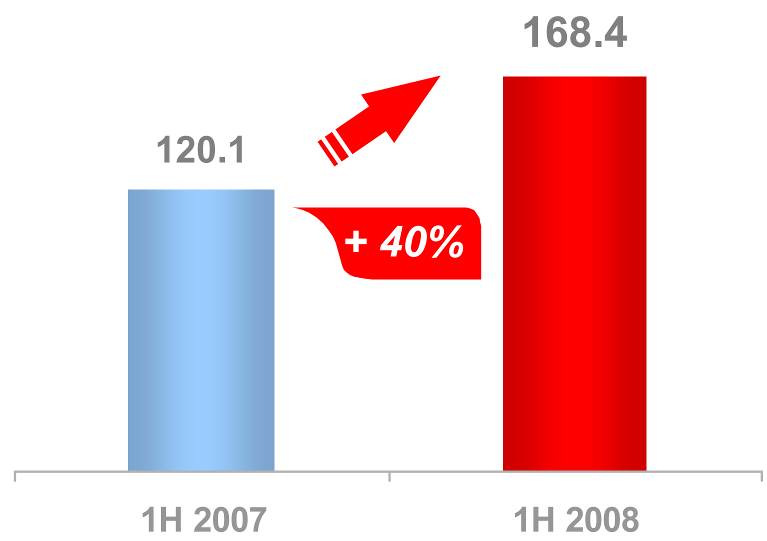
Revenues[1]



Value Added Services Revenues

- **Broadband ARPU of €36.3 at end 1H 2008**
- **VAS revenues at 25% of BB revenues**

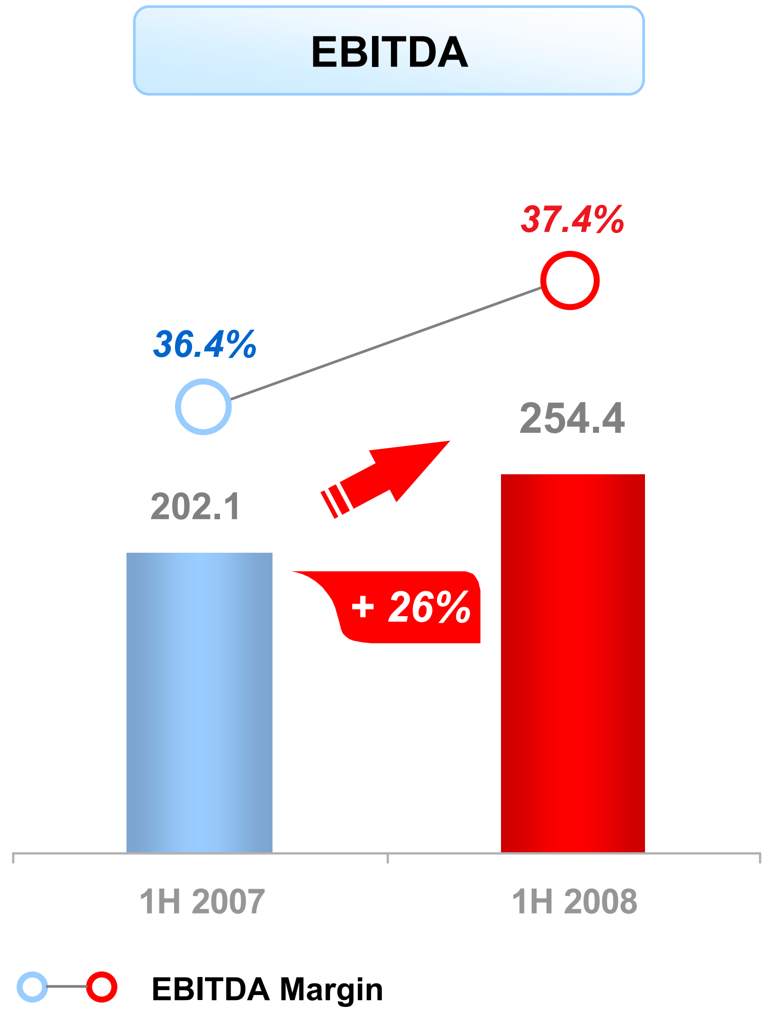
➔ **vs. 22% at end June 07**



(1) Excluding intersegment

Broadband: Record EBITDA Margin

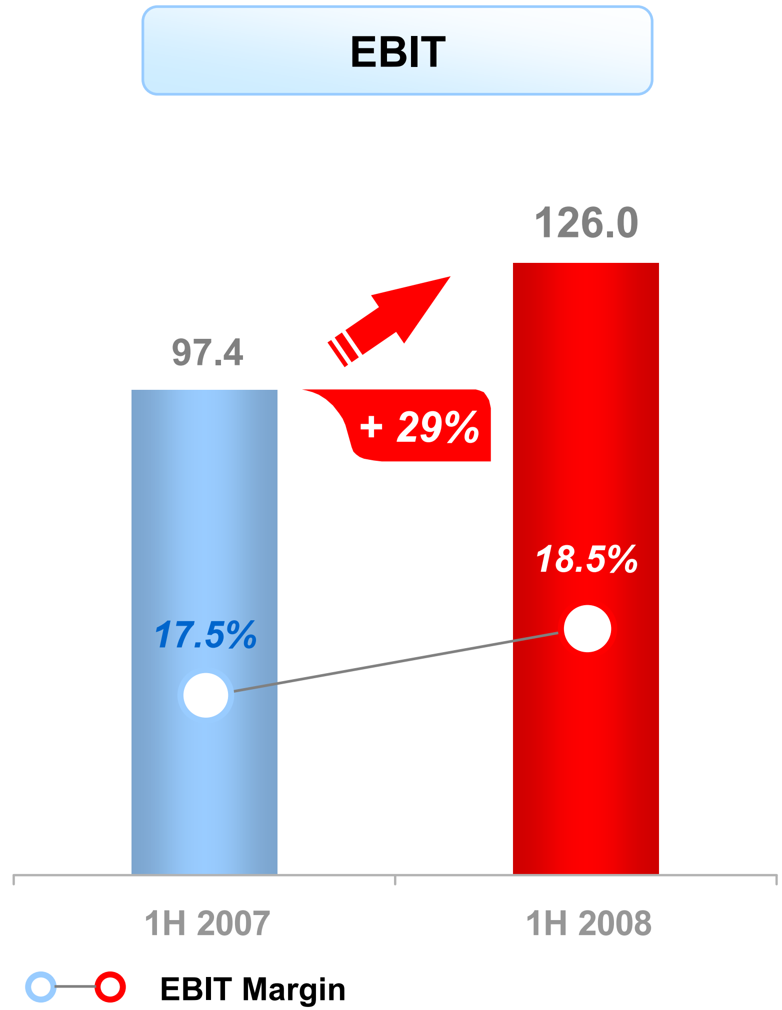
In € million



- **1H 2008 EBITDA's drivers:**
  - + Unbundling ratio: from 81.5% to 83.4%
  - + Take-up of VAS
  - + Telephony: Lower interconnection charges – thanks to a denser network
  - + Economy of scale
  - - Implementation of the COSIP Tax

Broadband: EBIT up by 29%

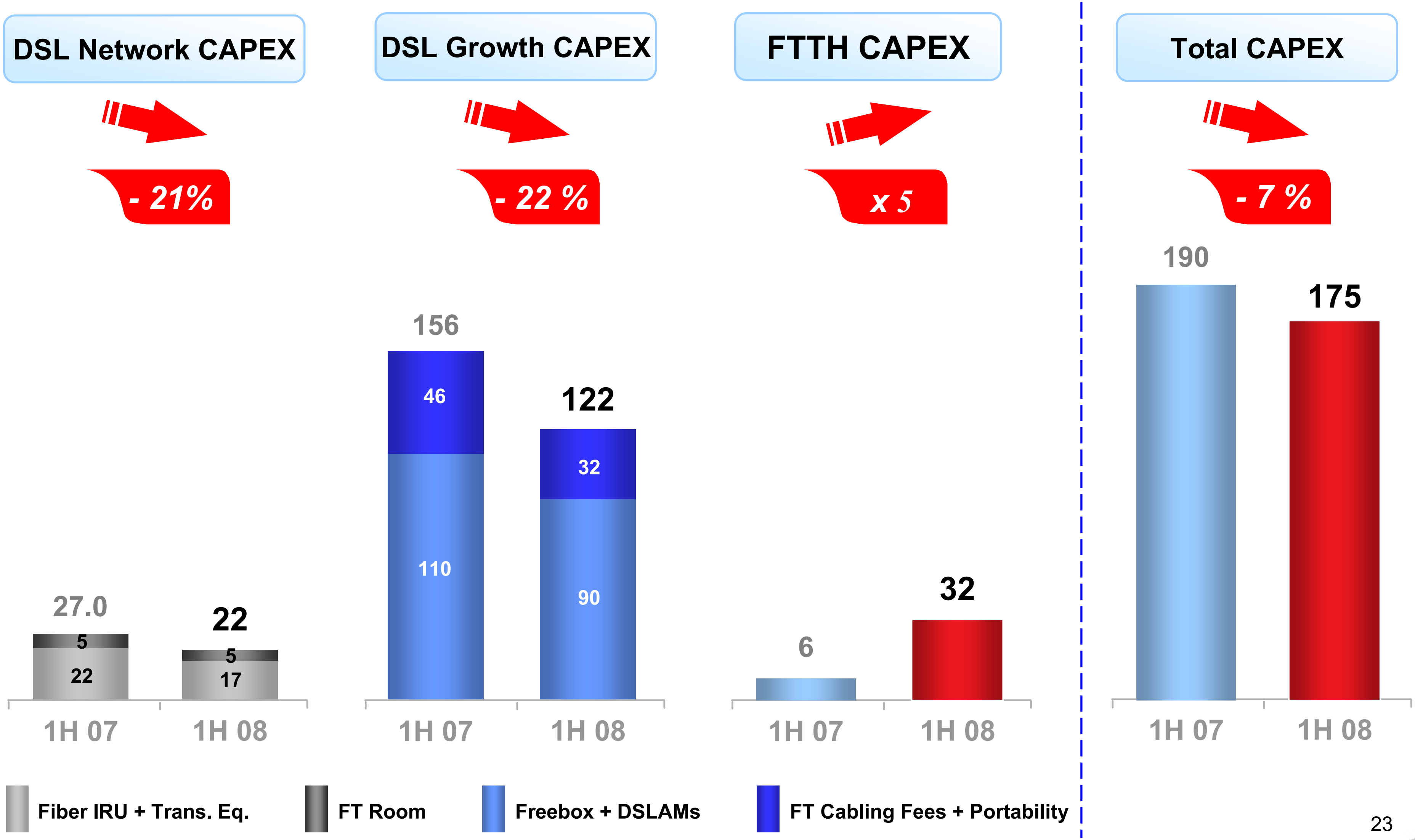
In € million



- **Stabilization of amortization at c. 18% of Revenues**
- **Freebox cost per sub. at €180 (incl. CPL device)**

1H 2008 CAPEX Breakdown

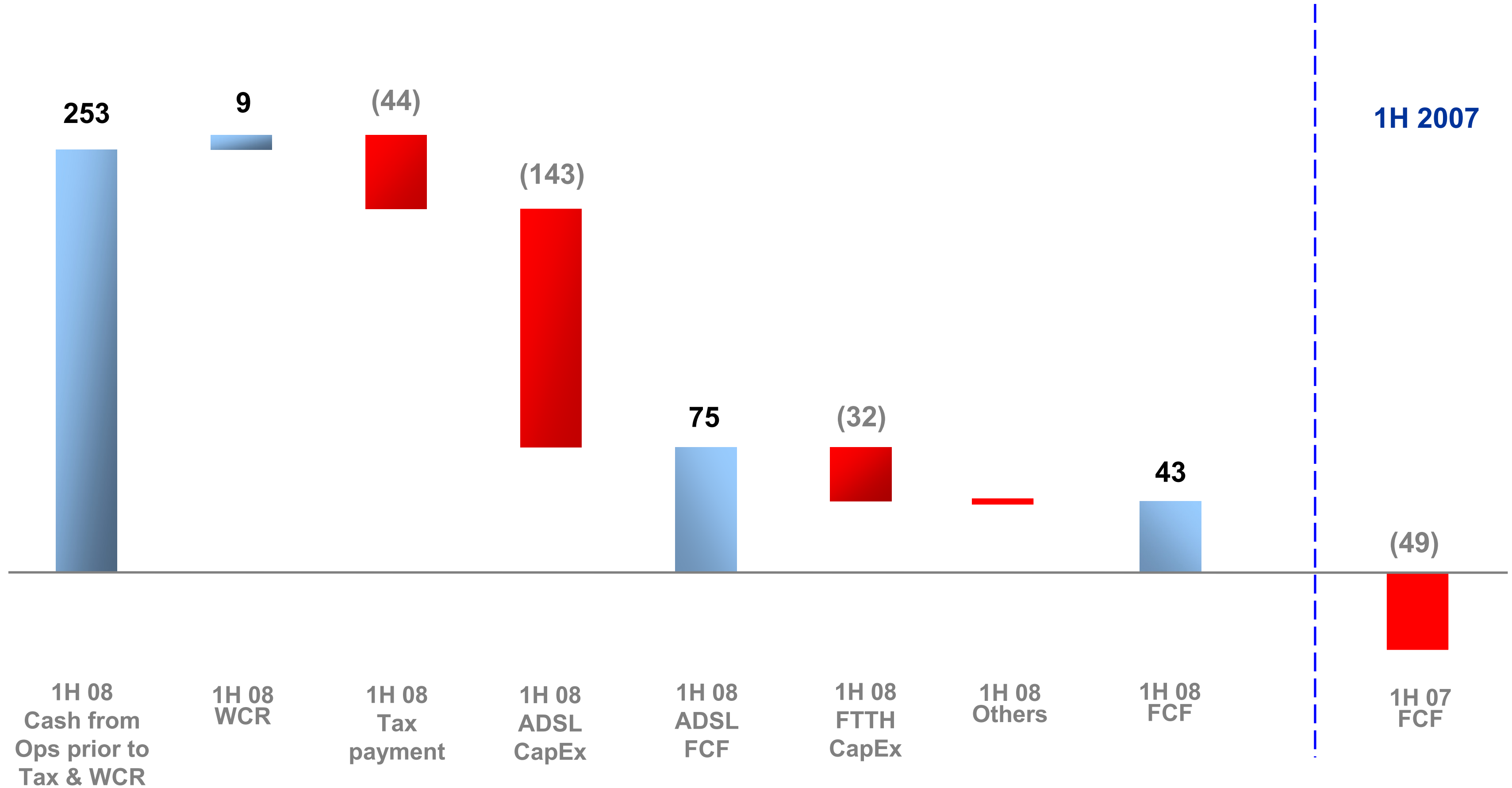
In € million



ADSL Business: Strong Free Cash Flow Generation in 1H 2008

In € million

- **Positive ADSL FCF of €75 M in 1H 2008**
- **Positive Group FCF of €43 M (vs. €- 49 M in 1H 2007)**



2008 Outlook without Alice

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3.25 million subscribers by end 2008 (excluding Alice)
& 5 million by end 2011 (including Alice)

84% unbundled subscribers by end 2008

> €20 average gross margin per ULL subscriber

FCF significantly higher than €100 M on ADSL activity in 2008

FTTH: 70% Paris covered horizontally over 2H 2009

Strengthen Iliad's Unique Position in French Telecom Market

Appendice 1 : Free's Offer:
The 'Best-Value for money' Offer

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INTERNET

- Access up to 28 Mbps
- DSL Safe
- IPV6

PHONE

- Free phone calls to 70 destinations
- SIP Protocol
- Ring Back Tone
- Fax
- Voice message sent by mail
- Filtering incoming calls

freebox HD

TV / VIDEO

- 250 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

Appendice 2: More than 20 exclusives services in the package

1 70 destinations	2 Magnétoscope numérique inclus	3 Wifi Mimo	4 Freeplugs	5 +250 Chaînes TV	6 VOD + grand nombre de Plateformes VOD
7 FHV	8 TV Perso	9 WWW Télésites	10 Free Angel	11 10 Go Espace Disque	12 Service Bas débit TV
13 Multiposte	14 Radio	15 Service Fax	16 Messages vocaux par mail	17 Mini-Switch	18 Ringback Tone
19 Filtrage appels entrants	20 FTP FTP Local	21 Dsl-Safe	22 SIP	23 IPv6 IPv6	24 Réglages du temps de latence

A service is considered exclusive when it is not proposed, or charged for by a competitor