

 **1H 2010 Strategy & Results Presentation**

August 31<sup>st</sup>, 2010

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## ■ A strong & growing core business

- Continued organic growth:
  - **125,000** net adds on Free over 1H 2010
  - Double-digit growth on historical scope **(+11%)**
- Sharp rise in results:
  - Group EBITDA up by **+27%**
  - ADSL FCF up by **+33%**

## ■ Alice is a done deal

- Financial recovery achieved ahead of target
- Improved churn

## ■ Investing in growth

- Mobile: 3G licence acquired in January 2010
- FTTH: Launch subscribers' acquisition in dense areas
  - Extensive horizontal roll-out
  - Vertical roll-out: sharing with competitors has started
  - P2P network will make the difference
- Gaming: 2 licenses granted by ARJEL: Poker & Sports betting

	June 2009	Dec. 2009	June 2010
<b>Broadband Subs.</b>	<b>4,371,000</b>	<b>4,456,000</b>	<b>4,514,000</b>
- <i>free</i>	3,589,000	3,778,000	3,903,000
-	782,000	678,000	611,000
<b>Unbundling ratio</b>	<b>81.2%</b>	<b>85.4%</b>	<b>87.5%</b>
<b>ARPU (end of period)</b>	<b>€36.3</b>	<b>€36.5</b>	<b>€36.3</b>

## Free: A continuous market share gains



## ■ **Unbundling: still room for growth**

### ➤ Improving the unbundling footprint

- 300/400 new Central Offices equipped per year in 2010 & 2011 – 200 COs opened over 1H 2010
- Midterm unbundling ratio of **~90%**

### ➤ Improve subscriber-experience and attract new subscribers

## ■ **Focus on subscriber support and loyalty**

### ➤ **4,000 people** dedicated to subscriber support (95% in house)

### ➤ A free-of-charge on-site technical support (ATP)

- Available in 150 cities / more than 500 dedicated technical staff

### ➤ Call centres certified NF Service by AFNOR (France's standard-setting agency)

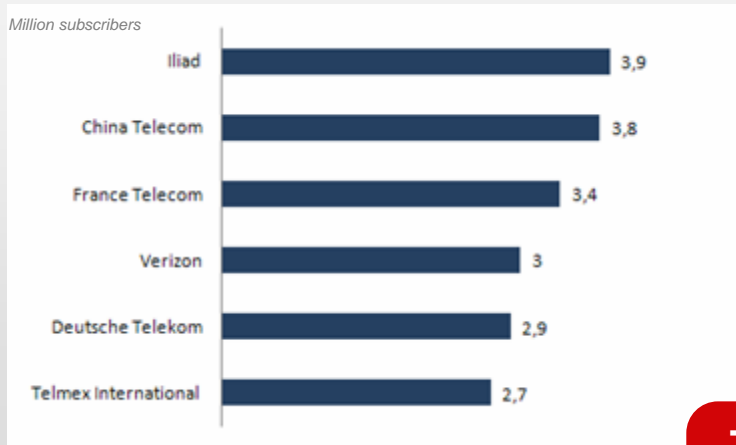
## ■ **Differentiating through innovation**

### ➤ Today: Free proposes the most advanced IPTV platform: catch-up, HD...

### ➤ Tomorrow: A major innovation will be launched before the end of 2010

### ➤ In dense areas: Upgradability to the only P2P FTTH network

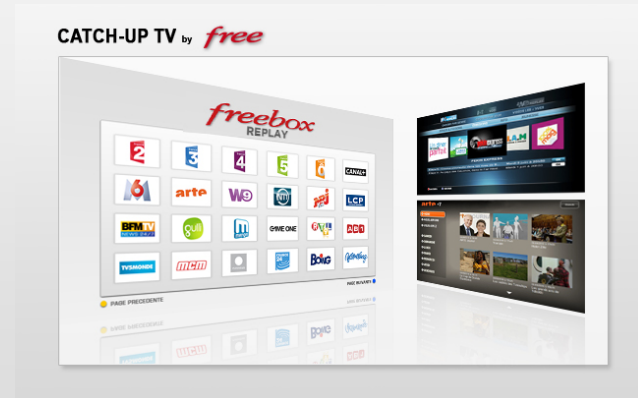
## The largest IPTV base in the world



Source: TeleGeography - July 7,2010

## TV Replay makes TV viewers Free

Catch-up of 33 channels offered



**The Most Innovative IPTV**

## The upmost TV offer FIFA World cup broadcasted in 3D

3D TELEVISION on *free*



## Largest French HD offer

25 HD channels available

HD CHANNELS on *free*



Dense  
Areas  
~5m subs

## ■ Horizontal roll-out is going full steam

- Full horizontal coverage of Paris within a year
- **160 Central Offices** acquired and being equipped
- **70 cities** and **3.6 million plugs** deployed or in the process of being rolled out

## ■ Vertical roll-out picking up by end 2010

- Multiple fibre through sharing agreement started:
  - Agreements for Free to be the in-building operator for 380k homes
  - Access to FT & SFR's existing vertical infrastructure ~700k homes
- Significant subscriber migration starting in 2011

Non Dense  
Areas

## ■ Framework being defined

- Infrastructure sharing and co-investment endorsed
- Roll-out will benefit from Government's financial support ("Grand Emprunt")

**4 million homes covered by end-2012**  
**Several tens of thousand FTTH subscribers connected by end 2010**

- **Targeting a long-term market share of ~24% / 25%**

- **From gaining subscribers to increasing value**

- ARPU secured by innovation and FTTH
- Improve subscriber support & satisfaction

- **A highway to innovation & growth**

- 2010: New ADSL deal
- 2011: FTTH commercial take-up – the only P2P network in France
- 2012: Launch of wireless activities: ability to respond to 4-Play offers

## ■ “Work in progress” (more than 1,500 people)

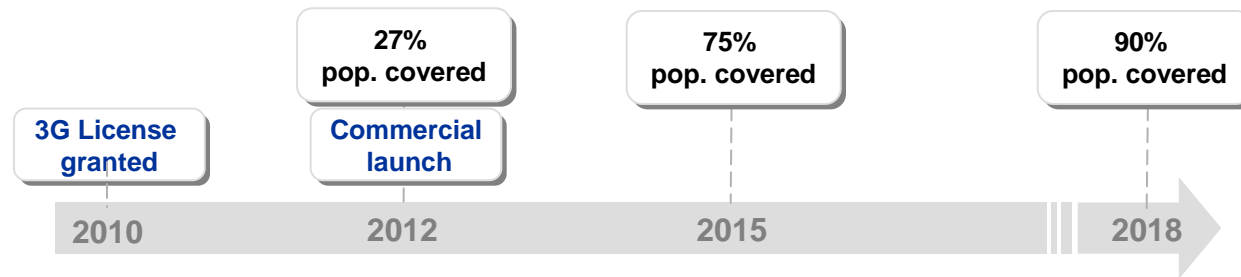
### ➤ An experienced and skilled team

- Focusing on network rollout
- Network & radio engineers and project managers

### ➤ Strong partnerships (more than 30 suppliers)

- Equipment suppliers (NSN)
- Deployment companies and sites providers (tower companies, landlords...)

## ■ Commitments will be fulfilled



### ➤ Maximize network coverage before commercial launch

## ■ Roaming agreement

- Compulsory on 2G – Requirements of a minimum coverage of 25% of the population
- Question mark on 3G – Try to strike a commercial deal (3G already granted to MVNOs)

➔ Full coverage of France at commercial launch

## ■ Uncompetitive market: A real opportunity for a newcomer



Three.co.uk

**£25/month**

33 hours (anytime, any network)  
5,000 texts  
1GB internet



**€28.90 - €37.90/month**

2 hours (anytime, any network)  
10-30 texts

## ■ Confirmed business plan

- Deployment costs confirmed by deals signed with suppliers
- Capex budget:
  - Total network Capex plan of **€1bn**
  - 2010-2011 Cumulative Capex need of **c. €200m**
- Drop of the MTR to 3c. in July 2010 and converging to less than 1c. (in line with Belgium & UK)
- **EBITDA > 0** reached with a **market share << 10%**

## ■ New Frequencies: Disciplined investment strategy

- New batch of frequencies will soon be available:
  - Digital dividend (800Mhz) and 2.6Ghz awarded in 2011 (process under consultation)
  - Refarming of the 1.8Ghz at a second stage
- Allocation process should be based on several criteria: coverage, increase in competition and price

# Strong Financial KPIs

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(€ millions)

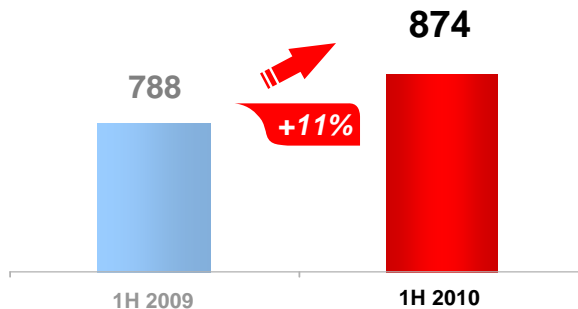
	June 2009 Incl. Alice	June 2010 Incl. Alice	% change
<b>Revenues</b>	<b>969.9</b>	<b>1,015.0</b>	+4.6%
<b>EBITDA</b>	<b>307.8</b>	<b>391.6</b>	<b>+27.2%</b>
<i>EBITDA Margin</i>	31.7%	38.6%	
<b>EBIT</b>	<b>157.0</b>	<b>234.8</b>	+49.6%
<b>Net profit</b>	<b>72.0</b>	<b>171.4<sup>(1)</sup></b>	x2.4
<b>ADSL FCF</b>	<b>164.1</b>	<b>218.2</b>	<b>+33.0%</b>

(1) Incl. exceptional

(€ millions)

## Historical Scope

*free*

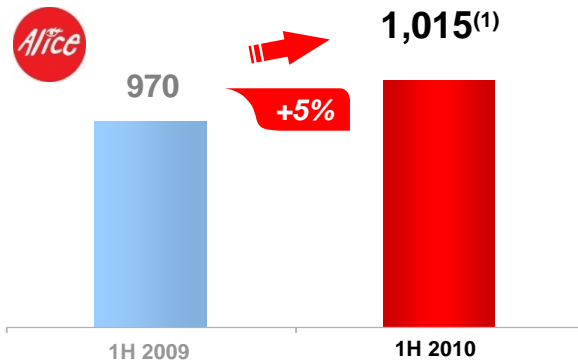


### ■ Revenues up by 11%:

- + Increased subscriber base
- + Increased usage of Video products
- Drop of 22% of the Fixed Termination Rate
- Opening of new free destinations (Morocco...)

## Consolidated Scope

*free*



### ■ Group revenues increased by 5%:

- > +11% for Free
- > -23% for Alice
  - Termination of Wholesale operations
  - Erosion of the subscriber base

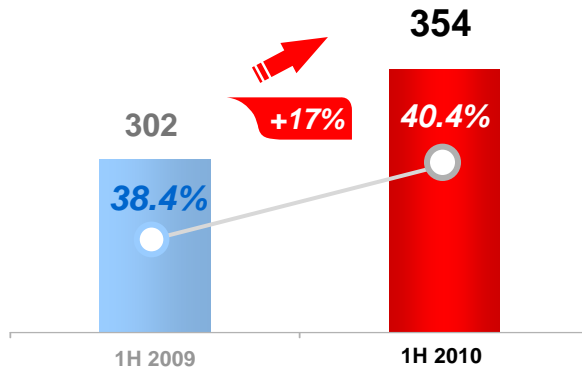
➔ **ARPU stabilized close to historic high at €36.3**

(1) Excluding inter-segments

(€ millions)

## Historical Scope

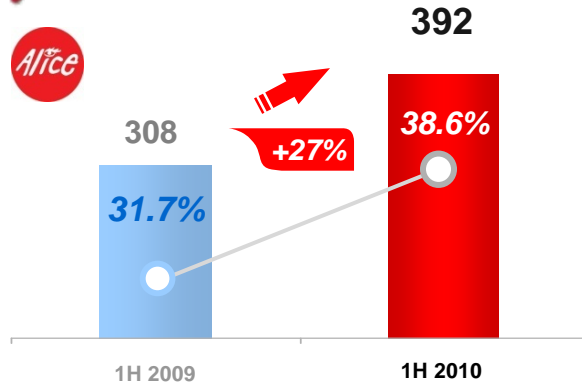
*free*



- **EBITDA margin hitting historic high: 40.4%**
  - + Unbundling footprint increased
  - + Scale effect on cost structure
  - + Decrease in regulated tariff
  - Decrease of fixed termination rate (-22% yoy)

## Consolidated Scope

*free*



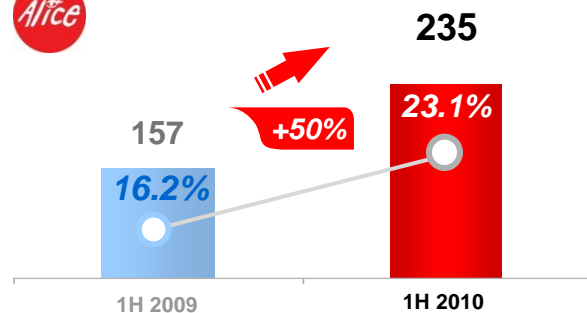
- **Group EBITDA up by 27%:**
    - + Excellent results on Historic Perimeter
    - + Alice: Positive contribution of €38m:
      - Network and cost synergies delivered
      - Eligible subscribers unbundled
- **EBITDA guidance of €90m / year reached as early as May (€7.5m)**

# Very Strong Rise in EBIT & Net Profit

(€ millions)

## Group EBIT

free

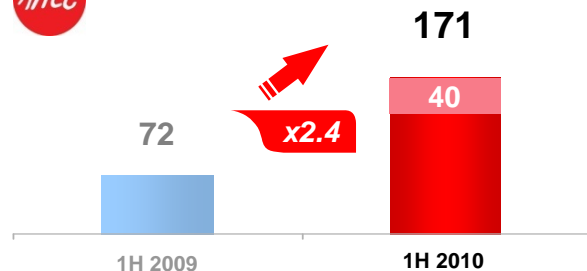


■ A spectacular increase in Group's adjusted EBIT (excl. non-recurring items)

- + Increase in EBITDA margin
- + Alice restructuring costs are over

## Group Net Profit

free



■ Sharp rise in net profit

■ Non-recurring income of €40m after tax (€61m pre tax)

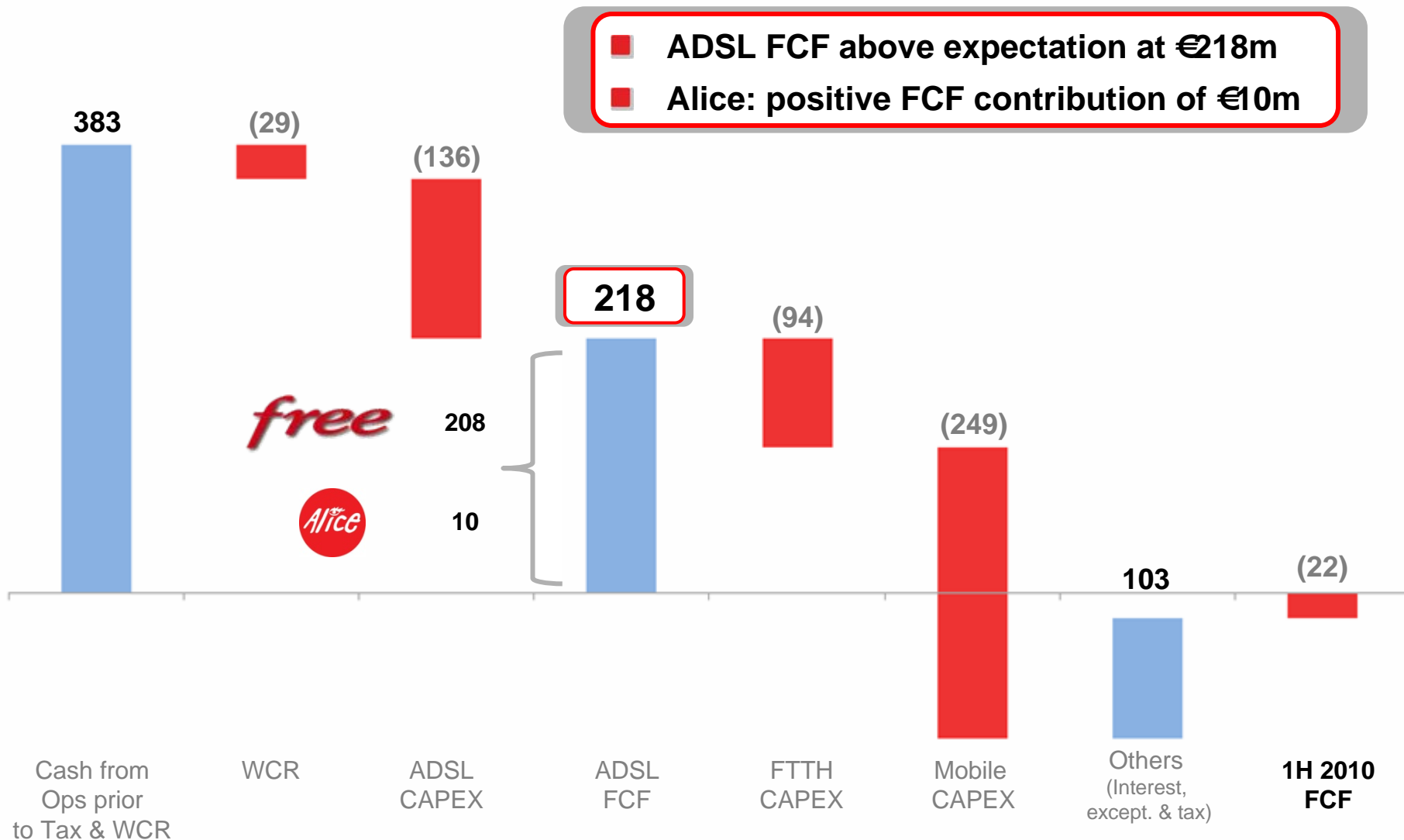
# CAPEX: Investing in Future Growth

(€ millions)

	1H 2009	1H 2010	
Network	28	22	
Boxes & Cabling Fees	133	114	
<b>ADSL</b>	<b>161</b>	<b>136</b>	
<b>FTTH</b>	<b>55</b>	<b>94</b>	Increased horizontal roll-out
<b>Wireless</b>	<b>-</b>	<b>249</b>	3G License acquisition for €243m
<b>Total CAPEX</b>	<b>216</b>	<b>478</b>	Investments in future growth: FTTH & Mobile

# ADSL FCF up by +33%

(€ millions)



# Strengthened Financial Position in Spite of Massive Investments

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(€ millions)

	Dec. 2008	June 2009	Dec. 2009	June 2010
Total Assets	2,257	2,395	2,455	2,457
Equity	598	652	764	921
Net debt	882	712	665	717
Leverage	1.68x	1.24x	1.01x	0.96x
Gearing	1.47x	1.09x	0.87x	0.78x

Reinforced  
Balance  
Sheet

Strong  
Financial  
Power

- Strong ADSL FCF generation
- €405m of cash end June 2010
- €900m of undrawn credit facilities
  - > €1.4bn bank facility
  - > €150m long term facility signed with EIB
  - > Leasing facilities

## Operational

- Major innovation before end 2010
- Ramp-up of FTTH subs in 2011
- ~5 million broadband subscribers by end 2011
- Mobile: commercial launch in 2012
- Mid-term unbundling ratio of ~90%

## Financial

- A double-digit EBITDA growth in 2010
- 2010: Another year of strong increase in net profit
- A cumulative ADSL FCF > €1.1bn 2010-2012

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