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 **FY 2010 Strategy & Results Presentation**

March 9th, 2011

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 **Business and Strategy Review**

Maxime Lombardini (CEO)

■ A growing & profitable business

> Historical scope:

- Sustainable growth under the Free brand (+9%): **191,000** net adds over 2010
- Significant improvement in profitability on a market where competitors destroy value: record EBITDA margin (**40.5%**)

> New tariff plan set (ARPU secured)

> Alice financial recovery is achieved:

- Positive EBITDA contribution of **€3m**

■ Keep investing in future growth

> Launch of the Freebox Revolution in December 2010: A step ahead of competition

> FTTH:


- First significant subscribers migration done
- Targeting **~100,000** subscribers by end 2011

> Wireless:

- More than **5,000 sites** being rolled out
- Commercial launch planned beginning 2012 – with at least 25% pop coverage
- 2G / 3G roaming deal signed with Orange (best French network)

Group KPIs



	Dec. 2008	Dec. 2009	Dec. 2010
Broadband Subs.	4,225,000	4,456,000	4,534,000
- <i>free</i>	3,389,000	3,778,000	3,969,000
- 	836,000	678,000	565,000
Unbundling ratio	78.7%	85.4%	89.2%
ARPU (end of period)	€35.9	€36.5	€36.1

Targeting 24% / 25% Broadband market share

■ Premium design by Philippe Starck



■ A box far ahead of competition

- Unmetered calls to mobile
- Atom processor and Blu-ray™ player integrated
- Network Access Storage (NAS)
- The largest video offer



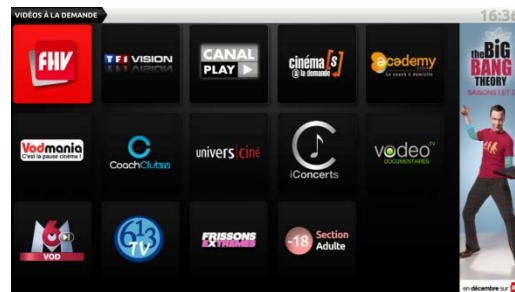
**A homogenous subscriber base
enabling a smooth migration**

■ Revolutionary and intuitive TV Experience



■ The richest video offer

- Over 400 channels available of which 185 included in the basic package
- Access to the largest VOD & catch-up-TV plateforme



- The Freebox player can read all types of disk



- Improving subscriber experience

- Truly high definition image (1080p)
- 3D capabilities
- Dolby Digital Plus sound



The Only Box that Turns into a Game Console

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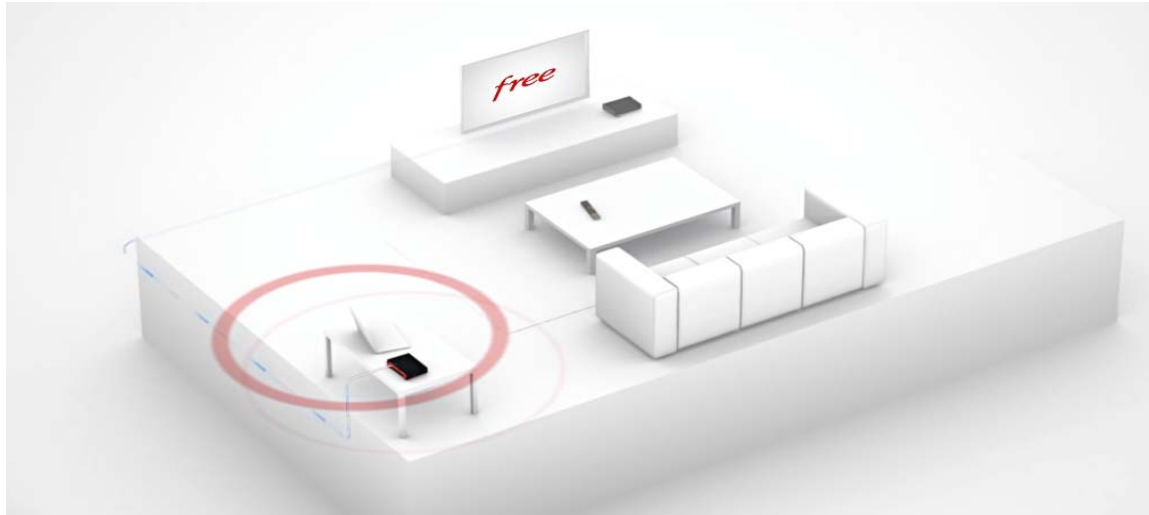
Gamepad included

- Access to a game console whose performance is equivalent to those sold in store

- First HD-game offer on a Triple-play box
- Free has teamed up with Gameloft



- **A 250 GB integrated hard disk**
- **Fast and easy network sharing enabling:**
 - Content sharing in the house
 - Multi-terminal viewing (TV, computers...)
- **Part of the “cloud”: remote access to your content**



- **The entire web is now on your TV screen**
 - An integrated web navigator
 - Direct access to email accounts
- **Browsing is done directly with the interactive remote control**



- Internet up 28Mbps for ADSL and effective reception of 100Mbps for FTTH
 - Unmetered calls to French mobiles
 - Calls to landlines in 103 different countries
 - The upmost video offer
 - Over 400 channels available of which 185 included in the package
 - Access to the largest VOD and catch-up TV platforms
 - Turn your box into a game console
-
- A new pricing point combined with a value enhancing offer
 - A future proof model that responds to Quad-play offers

**Competitors' boxes are left behind:
Need time to replicate**

Dense Areas

■ Horizontal roll-out

- Most of Paris covered horizontally at end 2010
- **100 cities** and **3.6m plugs** deployed or in the process of being rolled out
- **209** Central Offices acquired at end 2010 (vs. 109 in 2009)

■ In-building wiring through sharing has started

- **1,500,000** households have chosen their in-building operator
- Targeting **~100,000** FTTH subscribers by end 2011

Non Dense Areas

■ Legal & regulatory landscape is getting clearer

- Systematic co-investment is agreed
- Technicalities and prices have to be agreed

■ Deal overview

- Access to 2G & 3G technologies
- Nationwide coverage at commercial launch
- Six years duration (starting at launch)

■ Commitment to maximizing coverage

- Coverage commitments:
 - 27% at launch
 - 75% in 2015
 - 90% by 2018
- Ambition to expand quickly network's footprint

Access to the best mobile network in France

■ Significant advances in execution

- More than **5,000 sites** in the process of being rolled out
- Threshold will be met (27% population coverage)
- Key contracts are signed (NSN, TDF...)
- More than **3,000 people** involved

■ A favorable environment

- MTR should be close to incremental costs by 2012
- Pro-consumer proposals are being discussed
 - Reducing lock-up periods
 - Split between handset financing & mobile plans

■ Additional frequencies will be available

- 800 Mhz and 2.6 Ghz
- Refarming of 1800 Mhz

Commercial launch scheduled early 2012

 **Financial Performance**

Thomas Reynaud (CFO)

Step Change in Group Size



(€ millions)

2006 - 2010

	Dec. 2006	Dec. 2010	
Broadband Subs.	2,278,000	4,534,000	x2
Revenues	950.3	2,038.3	x2
EBITDA	331.6	798.1	x2
Net profit	123.9	313.4	x3
ADSL FCF	52.0	435.5	x7
FTTH	-	✓	
Mobile licence	-	✓	

2011 - 2015

x2 on total revenues by 2015

A Profitable Growth Model

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(€ millions)

	Dec. 2009	Dec. 2010	% change
Revenues	1,954.5	2,038.3	+4.3%
EBITDA	661.4	798.1	+20.7%
<i>EBITDA Margin</i>	33.8%	39.2%	
EBIT	359.4	477.9	+33.0%
Net profit	175.9	313.1⁽¹⁾	+78.0%
ADSL FCF	327.6	435.5	+32.9%
Dividend / share	€0.37	€0.40	-

(1) Incl. exceptional

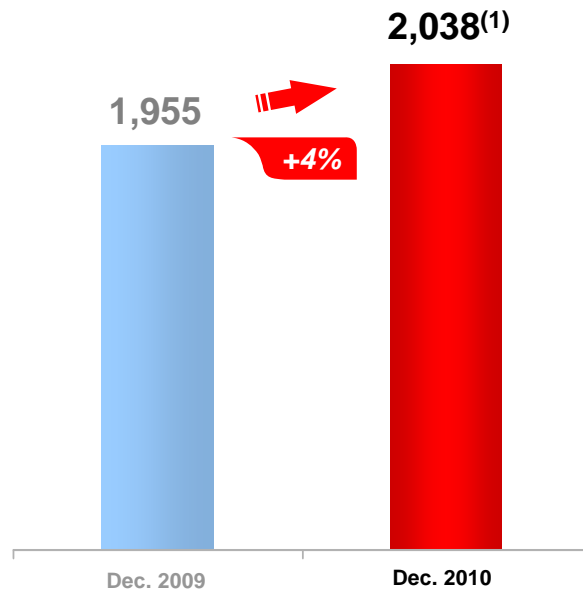
Revenues up by 9% on Historical Scope

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(€ millions)

Consolidated Scope

free



■ Revenues up by 4.3% on Consolidated Scope:

- **+9% growth on Historical Scope:**
 - + Increased subscriber base
 - + Increased usage of Video products: more than 10m VOD & S-VOD features purchased in 2010 (+18% vs 2009)
 - Drop of 24% of the Fixed Termination Rate

- **Downsizing of Alice's activities (-19%)**
 - Termination of wholesale operations
 - Erosion of the subscriber base

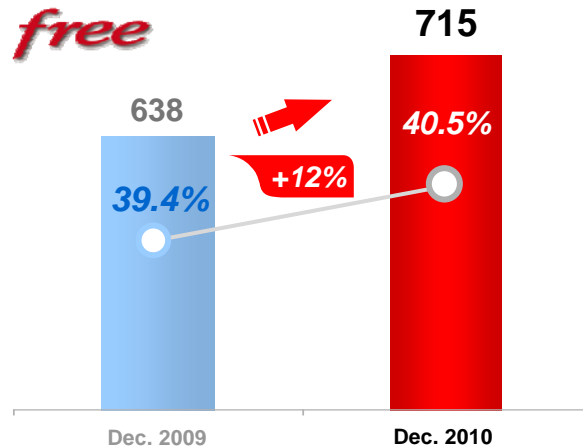
(1) Excluding inter-segments

Group EBITDA Margin Hitting Record High

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(€ millions)

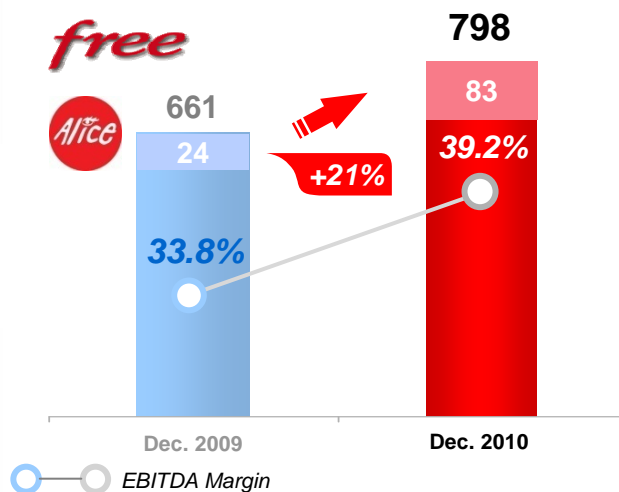
Historical Scope



■ Double-digit EBITDA growth on Historical Scope

- + Unbundling footprint increased: 700 news COs opened in 2010
- + Scale effect on cost structure
- + Decrease in regulated tariff
- Increased use of incumbent leased lines

Consolidated Scope



■ Group EBITDA margin above 39%

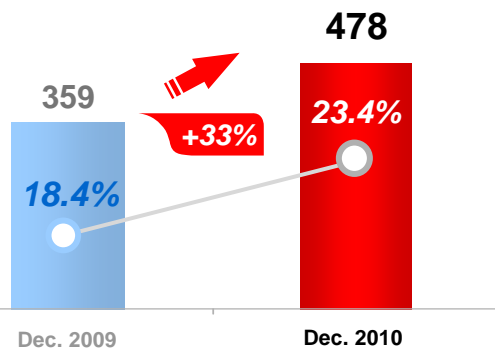
- + A strong and profitable flagship brand
- + Alice: integration successfully done
 - Positive EBITDA contribution of €3m
 - Accretive on Group results and FCF

Accelerating Financial Returns

(€ millions)

Group EBIT

free

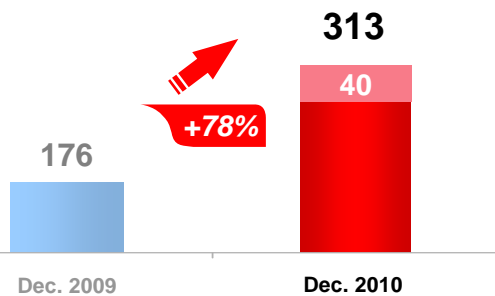


■ Adjusted EBIT (excl. non-recurring items) up by 33%

- + Operational efficiency improved
- + Positive contribution of Alice: end of integration

Group Net Profit

free



■ Highest ever Group net profit at €313m

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

Proactive Capex Plans



(€ millions)

	Dec. 2009	Dec. 2010	
Network	57	42	
Boxes & Cabling Fees	251	284	Incl. €50m invested in Freebox Revolution's stocks
ADSL	308	326	
FTTH	112*	194*	- Increased horizontal roll-out - Kick-off of vertical lay-out
Wireless	-	262	3G License acquisition for €243m
Total CAPEX	420	782	Investments in future growth: FTTH & Mobile

* Not taking account FTTH operating leases of €50m in 2010 / €22m in 2009

■ CAPEX / OPEX

- Total network CAPEX envelope of €1bn confirmed by first deployments
- 2011 CAPEX need of circa €200m
- Limited OPEX losses in 2011

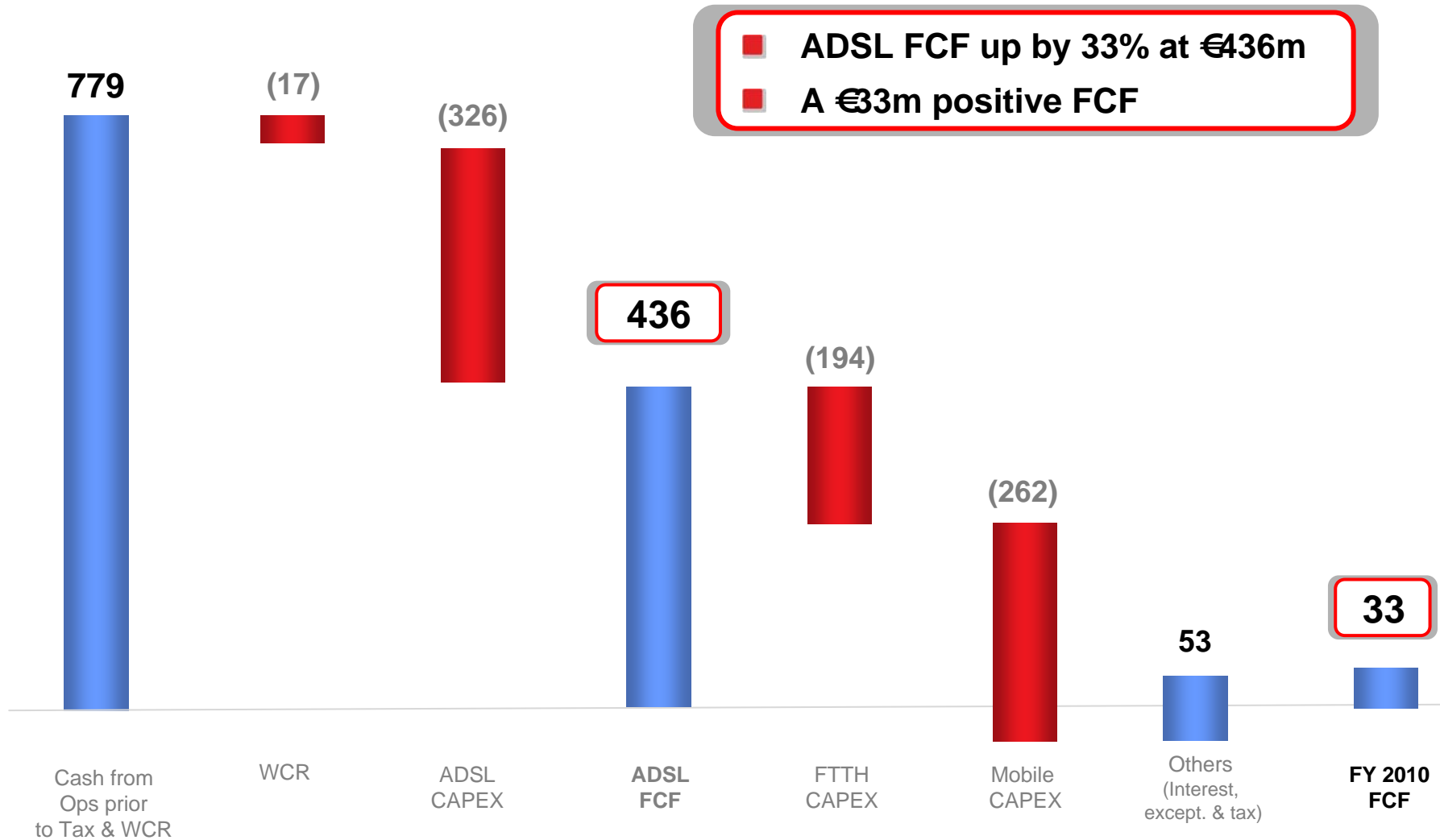
■ A limited risk for a high reward

- Roaming agreement signed
- Strong synergies derived from existing assets
- EBITDA breakeven with a market share of significantly less than 10%

A €33m Positive Group FCF in spite of ambitious investments



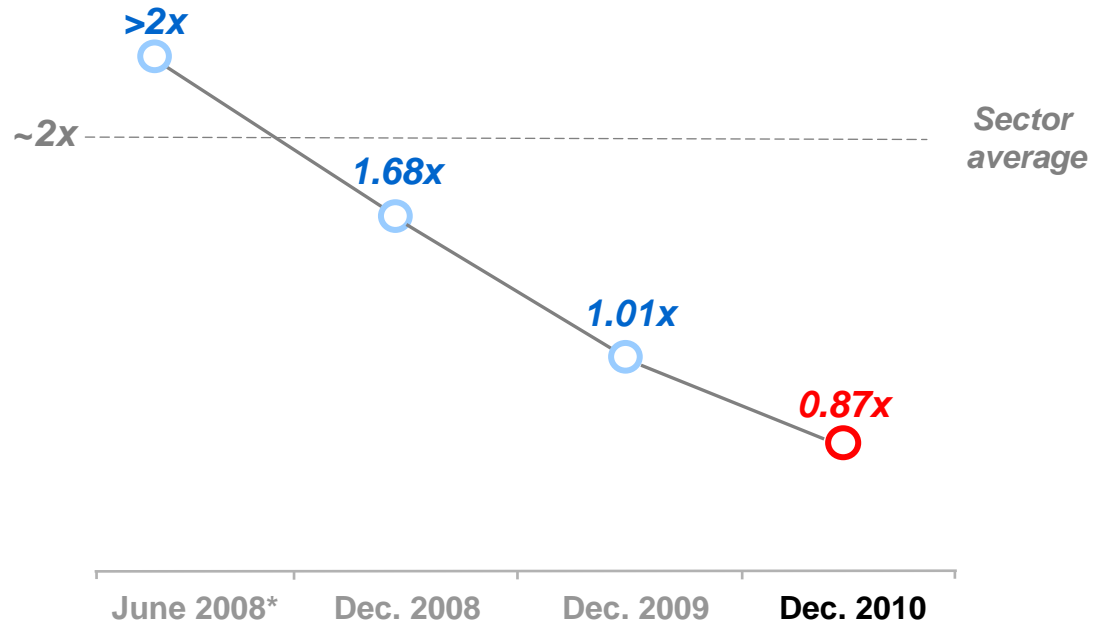
(€ millions)



A Total Financial Flexibility

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(€ millions)



A quick deleveraging

Long-term liquidities

- €337m of cash end December 2010
- Long-term credit facilities
 - > €900m of undrawn facilities
 - > Long-term tenors (2015 and beyond)

* Based on the Group reported figures (EBITDA and net debt) as of June 2008 and the amount of debt drawn to finance Alice's Acquisition

Operational

- Targeting ~100,000 FTTH subs by end 2011
- Mobile: commercial launch in 2012
- Mid-term unbundling ratio > 90%
- Targeting a long-term Broadband market share of 24% / 25%

Financial

- A cumulative ADSL FCF > €1.1bn 2010-2012
- Ambition to double total revenues by 2015

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