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FY 2008 Results & Strategy Presentation

March 19th, 2009

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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

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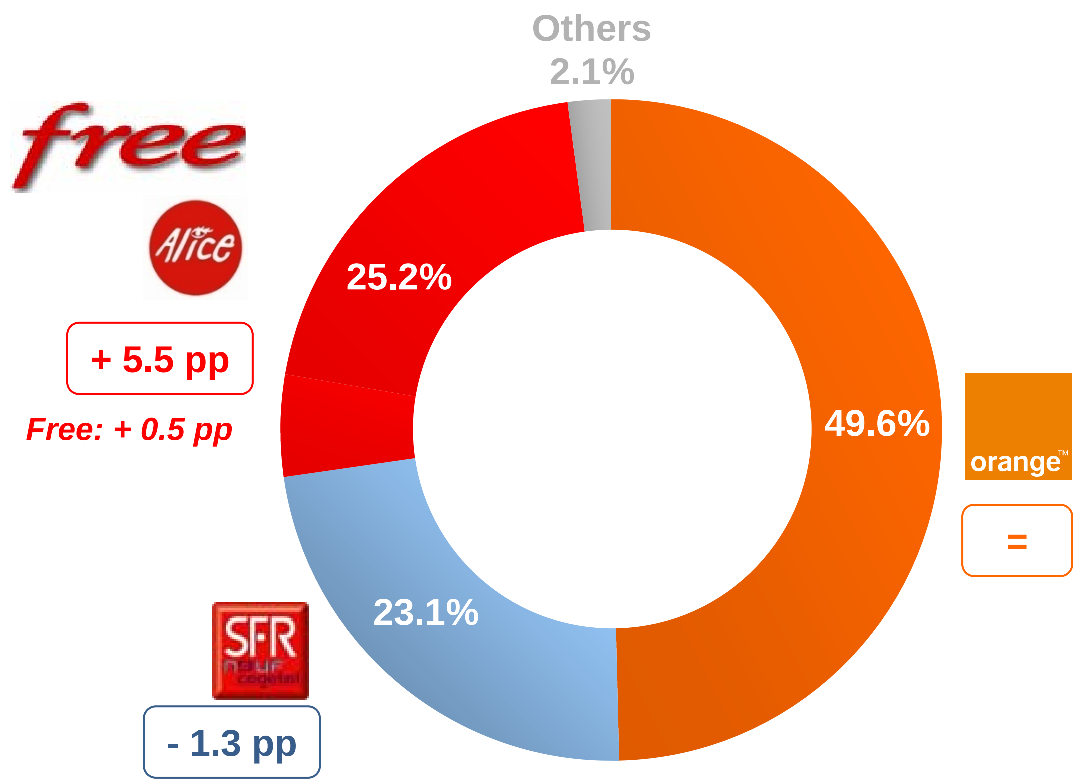
Dec. 31, 2008
Market Shares



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

Source: ARCEP & France Telecom for ADSL market data

Combined KPIs

	free Dec. 07	free Dec. 08	+ Alice Dec. 08	= iliad Dec. 08
ADSL Subs.	2,904,000	3,389,000	836,000	4,225,000
Market Share	19.7%	20.2%	5.0%	25.2%
ARPU (end of the period)	€36.3	€36.9	€32.0	€35.9
Unbundling ratio	81.5%	85.6%	50.7%	78.7%
Churn	<< 1% / month	<< 1% / month	ND	ND

Source: ARCEP & France Telecom for ADSL market data

Summary Views on Alice

- **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

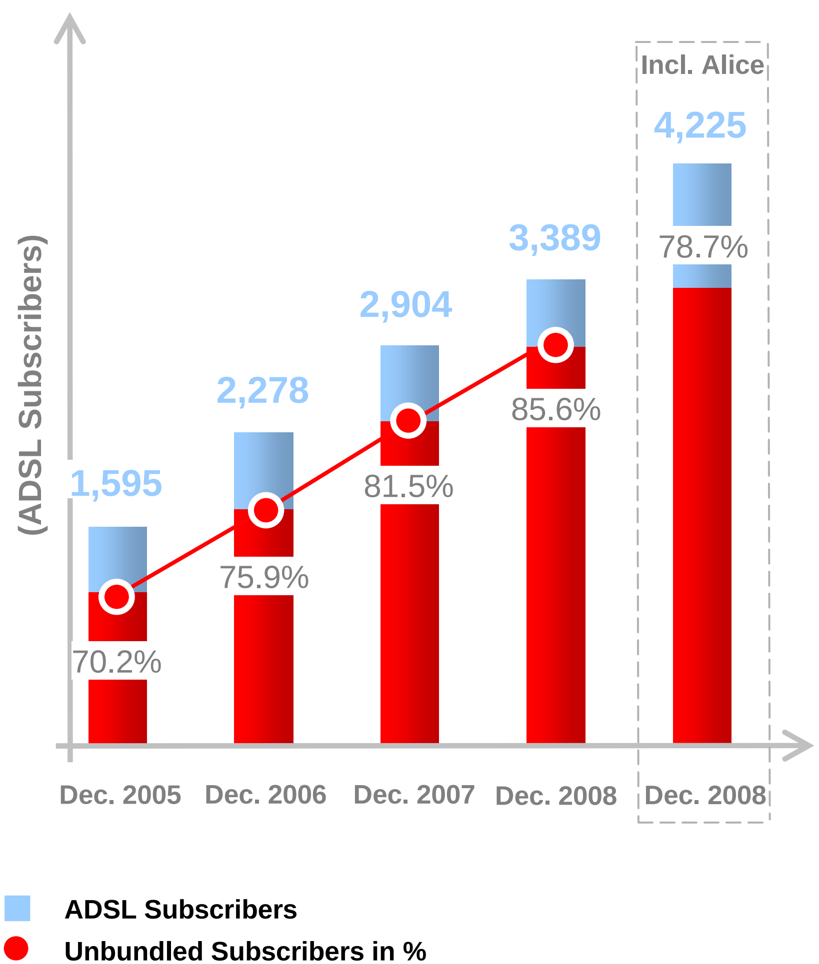
EBITDA breakeven during 2Q 2009

Profitable Growth Fuelled by Unbundling

1 Unbundling

In thousand subs

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**

VAS Offering Continuously Improving

Value Added Serv. 2

- **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

CANAL+ A LA DEMANDE
C'est quand vous voulez

- **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

FTTH

- **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

FTTH

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

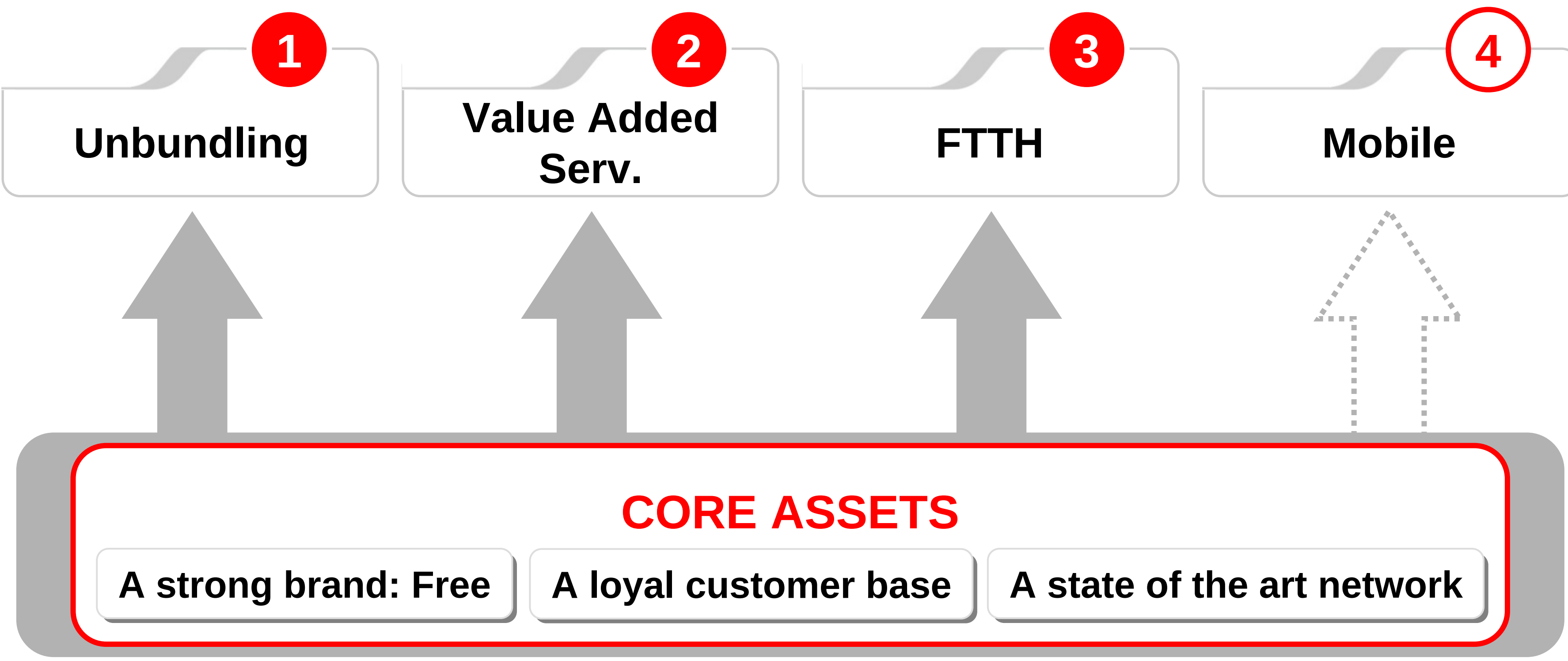
Fiber: Maximizing Iliad's model

- ➔ 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



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 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

4th mobile operator

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

"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

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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

Financials

Strong Financial KPIs

In € million

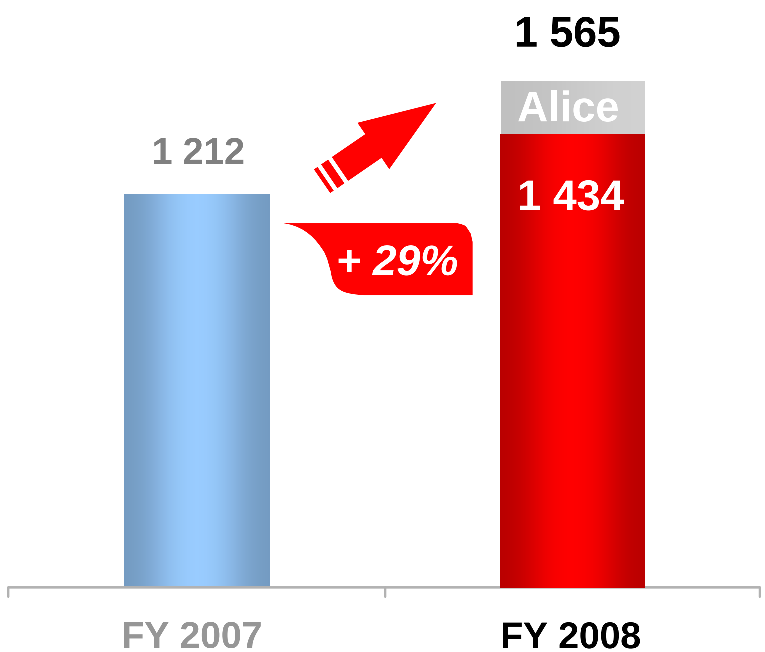
	FY 2007	FY 2008 Excl. Alice	VAR.	FY 2008 (1) Incl. Alice	
Revenues	**1 212.4**	**1 434.1**	*+18.3%*	**1 565.0**	**+29%**
EBITDA	**443.6**	**539.1**	*+21.5%*	**524.7**	
EBITDA Margin	*36.6%*	*37.6%*		*33.5%*	
EBIT	**211.8**	**266.3**	*+25.7%*	**172.3**	
EBIT Margin	*17.6%*	*18.5%*		*11.0%*	
Net Income	**150.2**	**216.7**	*+44.3%*	**100.4**	
ADSL FCF	**23.0**	**209.7**	*x9*	**157.3**	
Dividends	**0.31€**	**0.34€**	*+9,7%*	**-**	

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

Consolidated Revenues

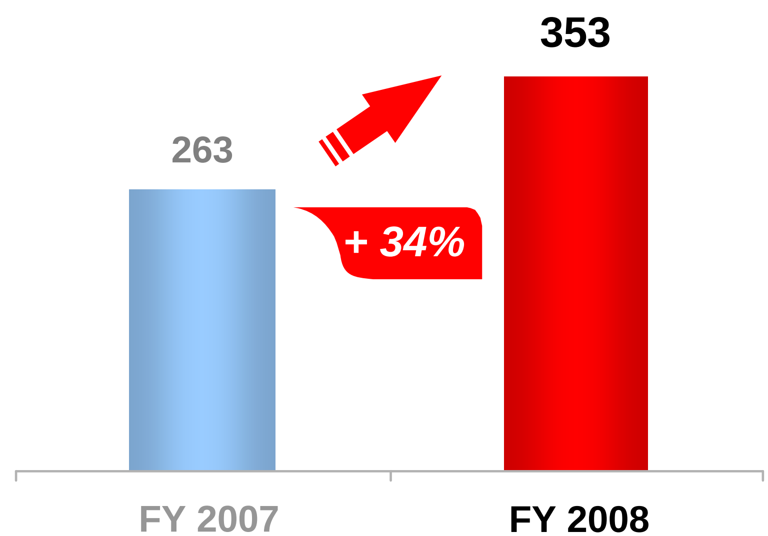
In € million

Revenues[1]



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**

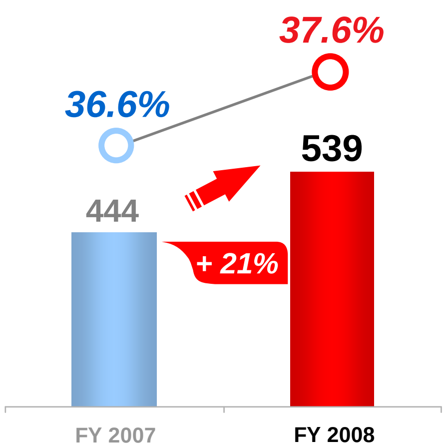


(1) Excluding inter-segments

EBITDA Margin: A Record High on Historic Perimeter

Historic Perimeter

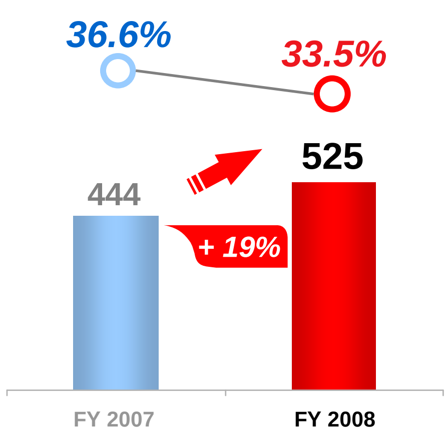
In € million



- **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

In € million



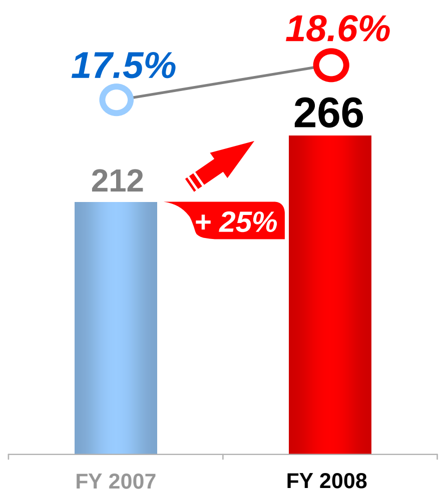
- **Operational losses on Alice since Closing:**
  - - A low unbundling ratio: 50.7% at end 08
  - - High fixed costs base (subcontractors, G&A…)
  - ➔ **A negative EBITDA contribution of €M-14.4 since closing**
- **Objectives:**
  - + Increasing the unbundling ratio up to 75% - 80%
  - + Streamlining of Alice fixed costs base

EBITDA Margin

EBIT up by 25% on Historic Perimeter

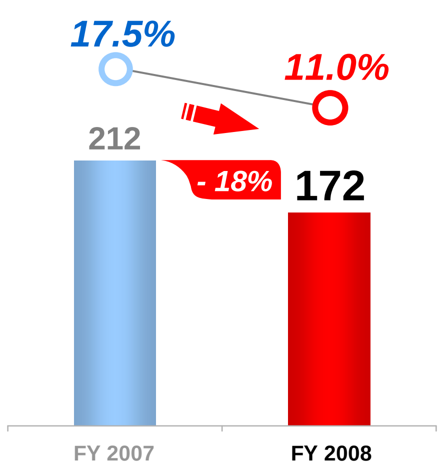
Historic Perimeter

In € million



Consolidated Perimeter

In € million



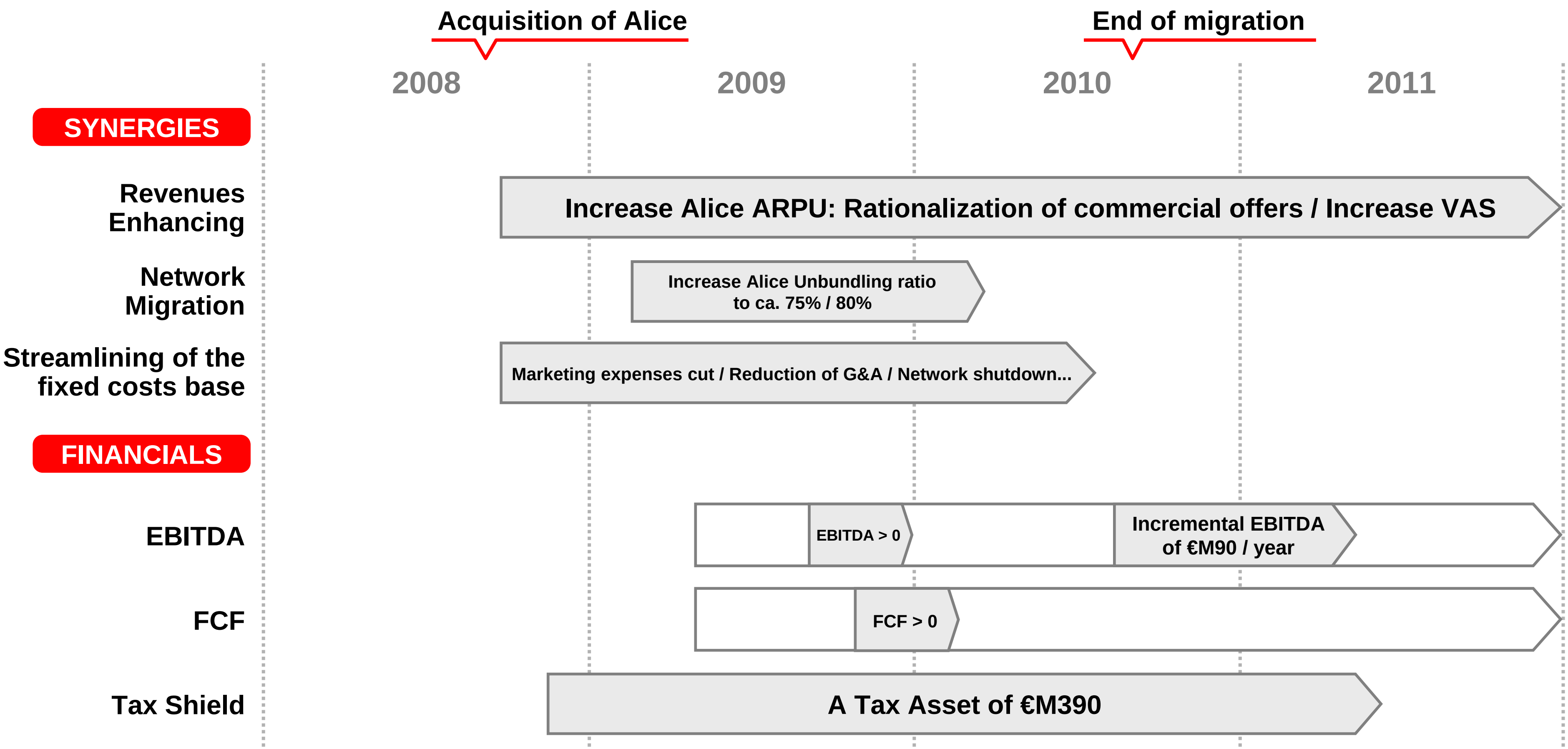
EBIT Margin

- **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



FY 2008 CAPEX Breakdown on Historic Perimeter

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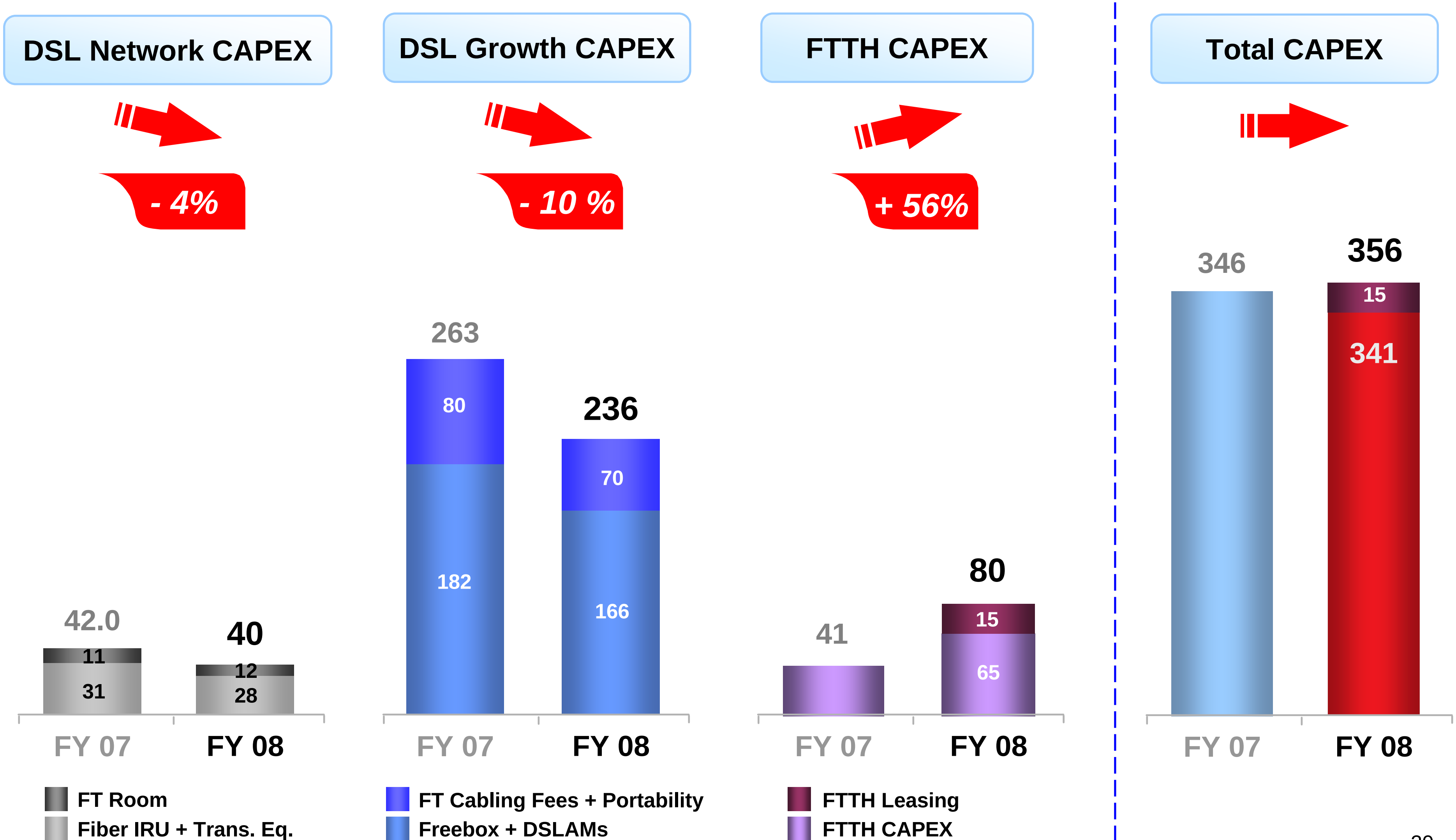
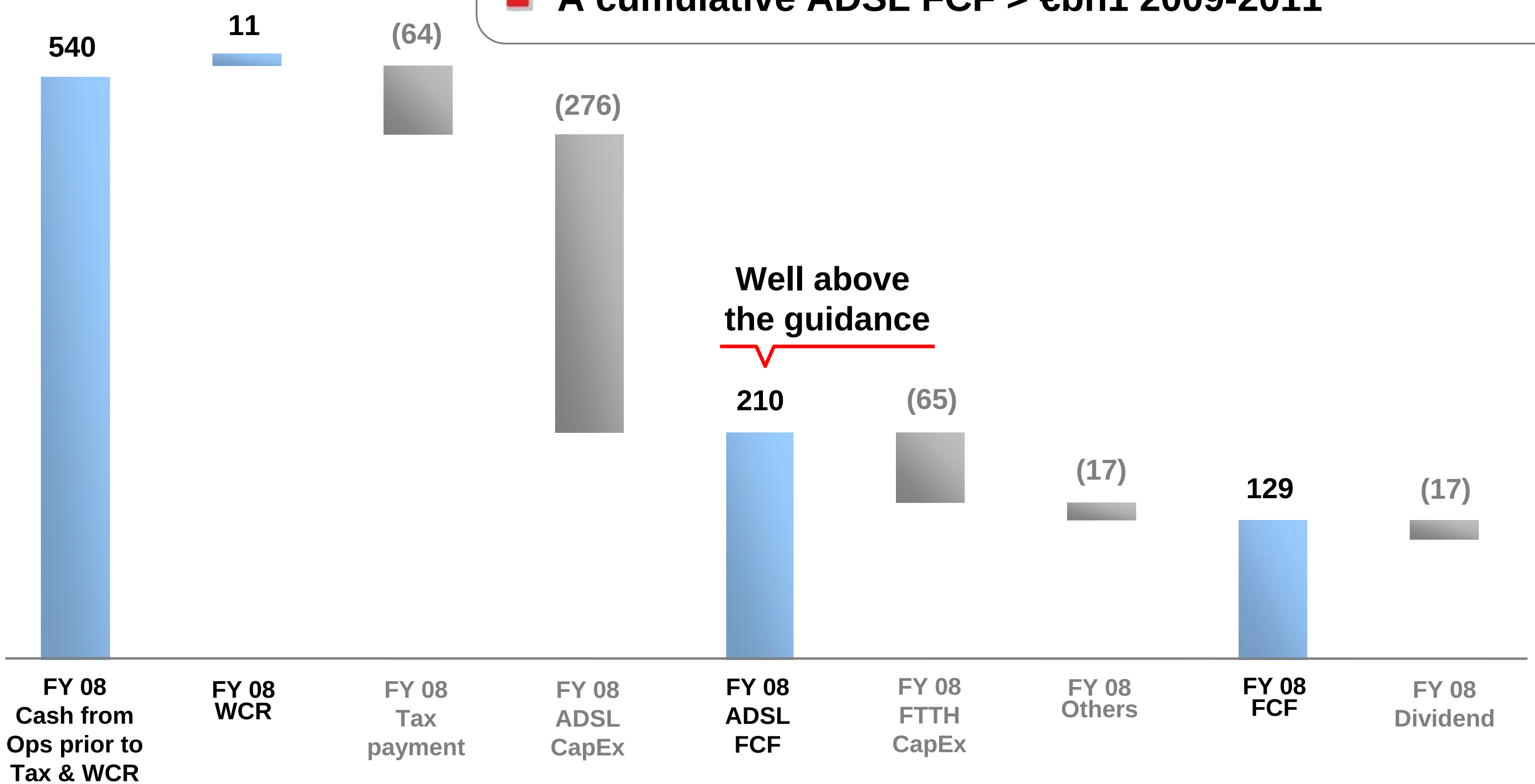
In € million



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

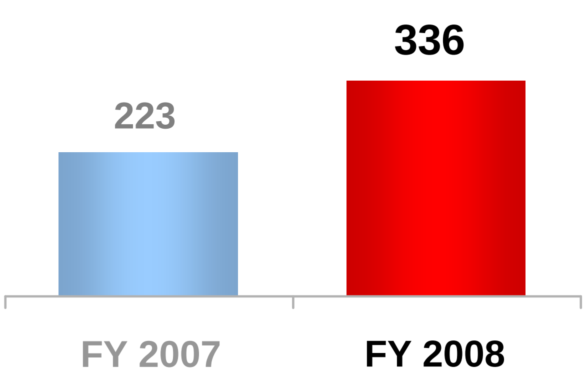


A Sound Financial Position

In € million

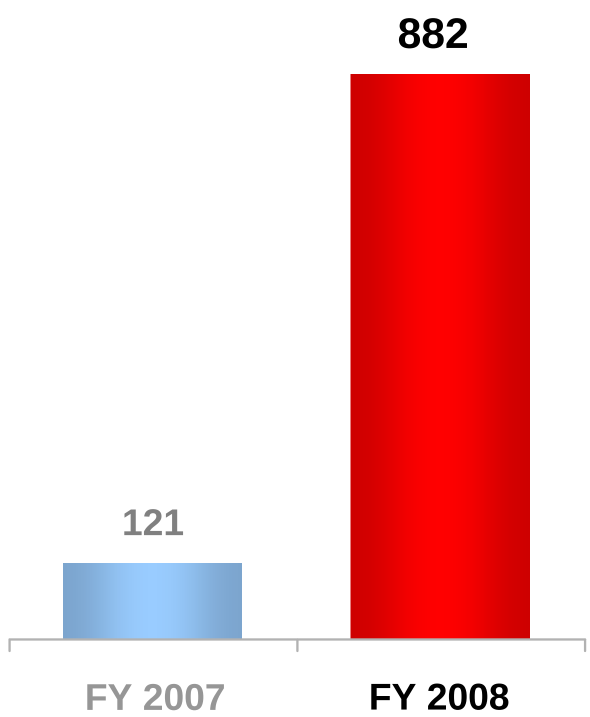
Cash & Equivalents

+ € 356 million undrawn credit facilities



Net Financial Debt

Leverage = 1.7x EBITDA



- **A predictable business model**
  - ➔ Subscription model
  - ➔ €M356 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

Q&A

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Appendices

Appendice 1 : Free's Offer: €29.99
The 'Best-Value for money'

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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

freebox HD

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

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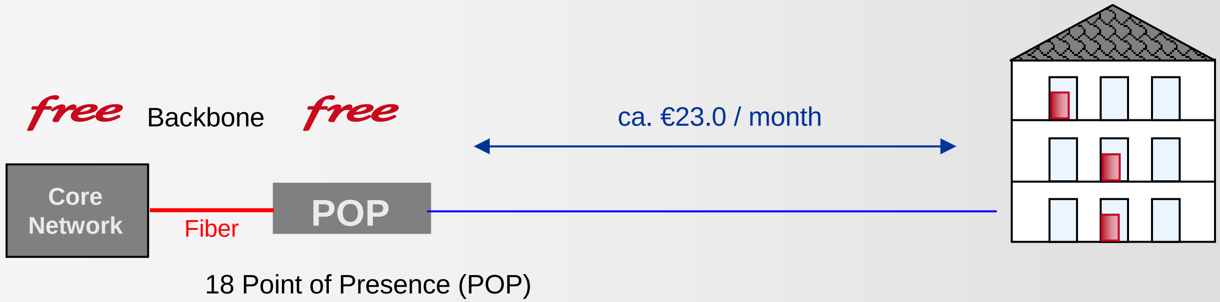
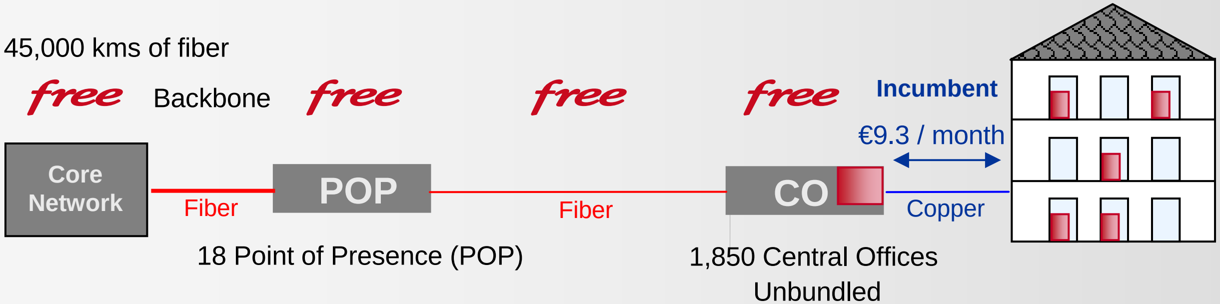


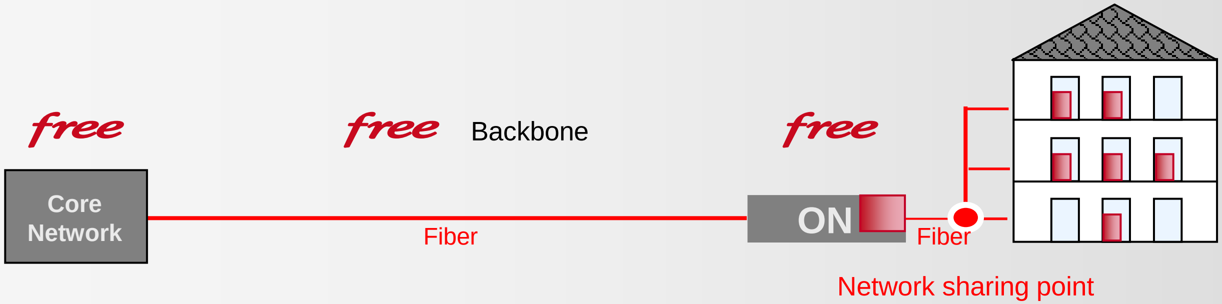
FT Wholesale

- 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

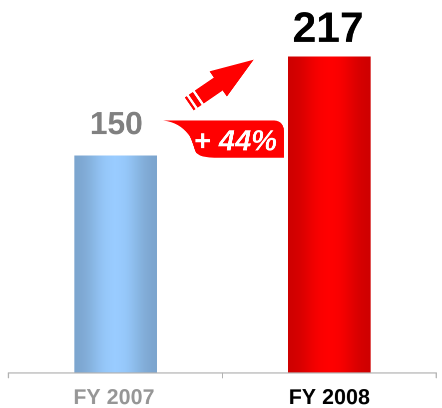
- Gross margin of ca. 85%

Freebox DSLAM
Freebox set-top box

Historic Perimeter: Significant Net Income Growth

Historic Perimeter

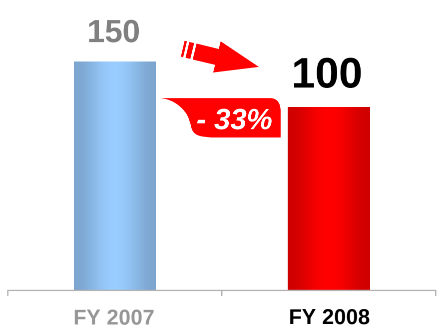
In € million



- **Net income up by 44% on historic perimeter:**
  - + Strong operating performance
  - + Costs control

Consolidated Perimeter

In € million



- **Dilutive impact of Alice:**
  - Negative EBIT: €M-94
  - Interests link to Alice's acquisition