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 **2007 Results & Strategy Presentation**

March 12th, 2008

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Key Performance Indicators



	2005	2006	2007
ADSL Subscribers	1,595,000	2,278,000	2,904,000
Unbundling Ratio	70.2%	75.9%	81.5%
ARPU (at year end)	€32.2	€34.5	€36.3
% Subscribers using Free as Sole Telecom Provider*	22%	46%	64%
Churn	= 1% / month	< 1% / month	<< 1% / month

* Full Unbundling + IP Only (naked ADSL)

From a Fragmented to a Consolidated Market in Less Than 10 Years

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1999



2008

free

9UF

orange

- **Less than 200K** BB subscribers
- **Aggressive pricing competition**

- **15M Subs** as of 31 December 2007
- **Benign pricing environment**
- **Market growth slowing down**

Free: The only brand that survived consolidation

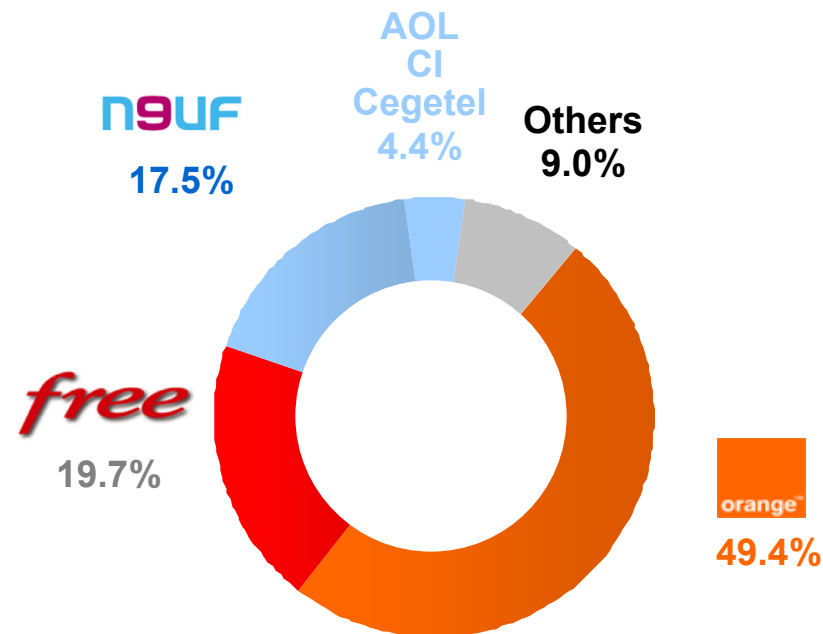
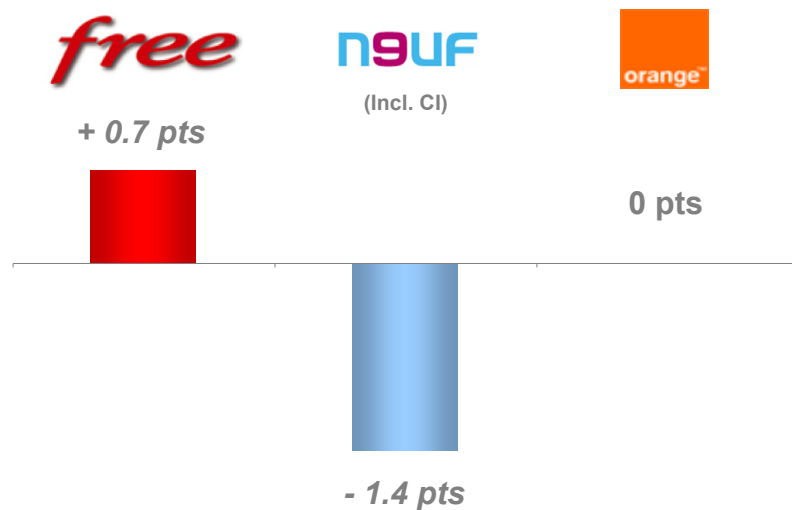
Free: The Only Player that Benefits From Market Consolidation



Dec. 07 vs. Dec. 06
Market Shares Evolution

Dec. 31, 2007
Market Shares

14.7 M. Subscribers

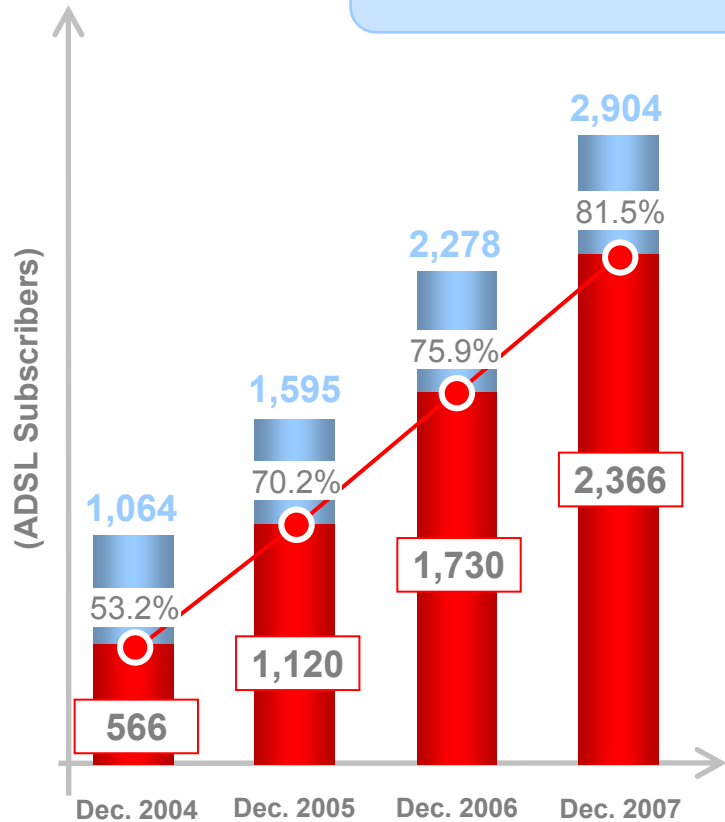


Growth Fuelled by Unbundling



In thousand subs

Free 1st Unbundler with 45.5% market share in Dec. 2007



- 1,500 Central Offices equipped with DSLAMs at end 2007
 - vs. 908 COs at end 2006
 - 100% with ADSL2+ DSLAMs
- Positive impact of the 231 COs unbundled in H1 2007
 - Year on year subscribers growth > 65%
- Objective to reach 2,200 COs at end 2008
 - Extensive use of LFO

- ADSL Subscribers
- Unbundled Subscribers (Partial and Full ULL) in %
- Unbundled Subscribers (Partial and Full ULL)

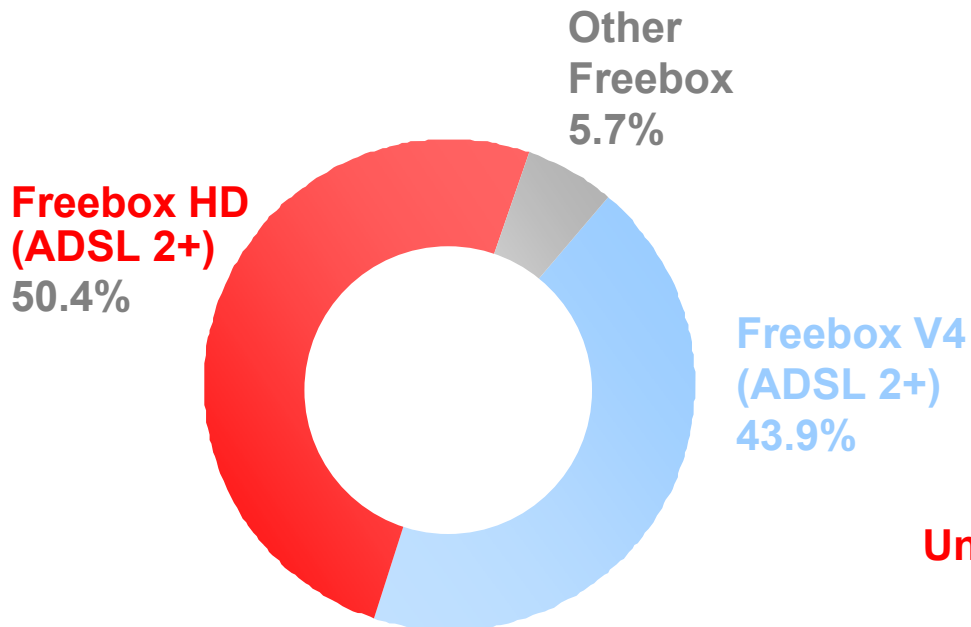
A Loyal Subscriber Base



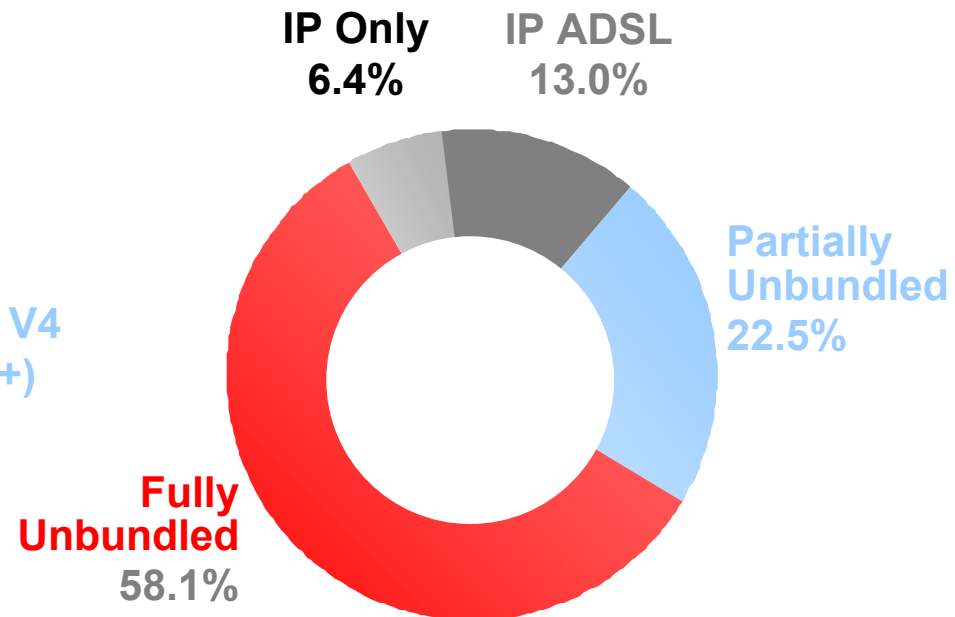
As of December 31, 2007

- 64.5% of subscribers using Free as unique Telecom Provider
- 100% of subscribers accessing TV
- Over 80% of subscribers accessing Pay TV Services

Freebox Type



Access Type



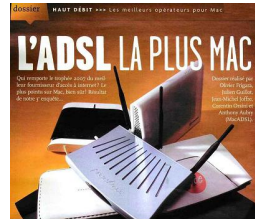
A Regularly Awarded Offer

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Best ISP in 2007

(source: www.01net.com, December 2007)



SVM Mac

Free:

Best ISP Offer for Mac

(source: "SVM MAC" November 2007)



**Free ranked 1st
Satisfaction Rating
of 93%**

(source: "60 millions de consommateurs"
October 2007)

The McGraw-Hill Companies

J.D. POWER
AND ASSOCIATES®

Best Services Provider

(source: J.D Power and Associates 2007
French Broadband Internet Service
Provider Satisfaction StudySM)



**Best Innovator
2007 prize
AT-Kearney**

Still the Groundbreaking 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
- PVR (40 Gbits Hard drive)
- Over 7,000 VoD features
- S-VoD offer
- TV Perso



CONNECTIVITY

- WiFi MiMo
- HDMI connection
- Freeplug



⇒ Only Offer to include PVR / BOX / PLC at no additional charges

Free: A Lot More Than An Access Provider



Product Launches

Take-up as of Dec. 07

"We did it"

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|--------------------|---------|---|----------------------|
| • VoIP | Jul. 03 | ⇒ | 95% of subscribers |
| • Incoming Calls | Jul. 03 | ⇒ | 81.5% of subscribers |
| • Primary Landline | Jun. 04 | ⇒ | 64% of subscribers |

"From perception to usage"

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|-------------------------|---------|---|---|
| • Canal+/Canalsatellite | Oct. 04 | } | <i>Pay-TV Services
available to more than
2.3 M Subs at end 07
(vs. 1.7 M Subs at end 06)</i> |
| • VoD | Dec. 05 | | |
| • S-VoD | Jun. 07 | | |

"Bringing more services"

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|----------------------|---------|---|---|
| • Antivirus | Jun. 06 | } | <i>Additional Services
Lifting Margins & ARPU</i> |
| • PC Insurance | Aug. 07 | | |
| • Premium Cust. Care | Aug. 07 | | |

■ A new way to use TV: TV Perso Freebox – A True Video Community



- A world premiere:
 - Self-produced videos broadcast on TV
- Premium offer:
 - More than 168,000,000 broadcasted since opening (June 28, 2007)

■ A new way of consuming TV: Free Home Video



- Basic offer:
 - €5.99 / month
 - Unlimited access 24/7 to more than 50 films & 100 TV series
- Premium offer:
 - €9.99 / month
 - Unlimited access to all thematic collection

■ An exclusive partnership enabling aggressive pricing

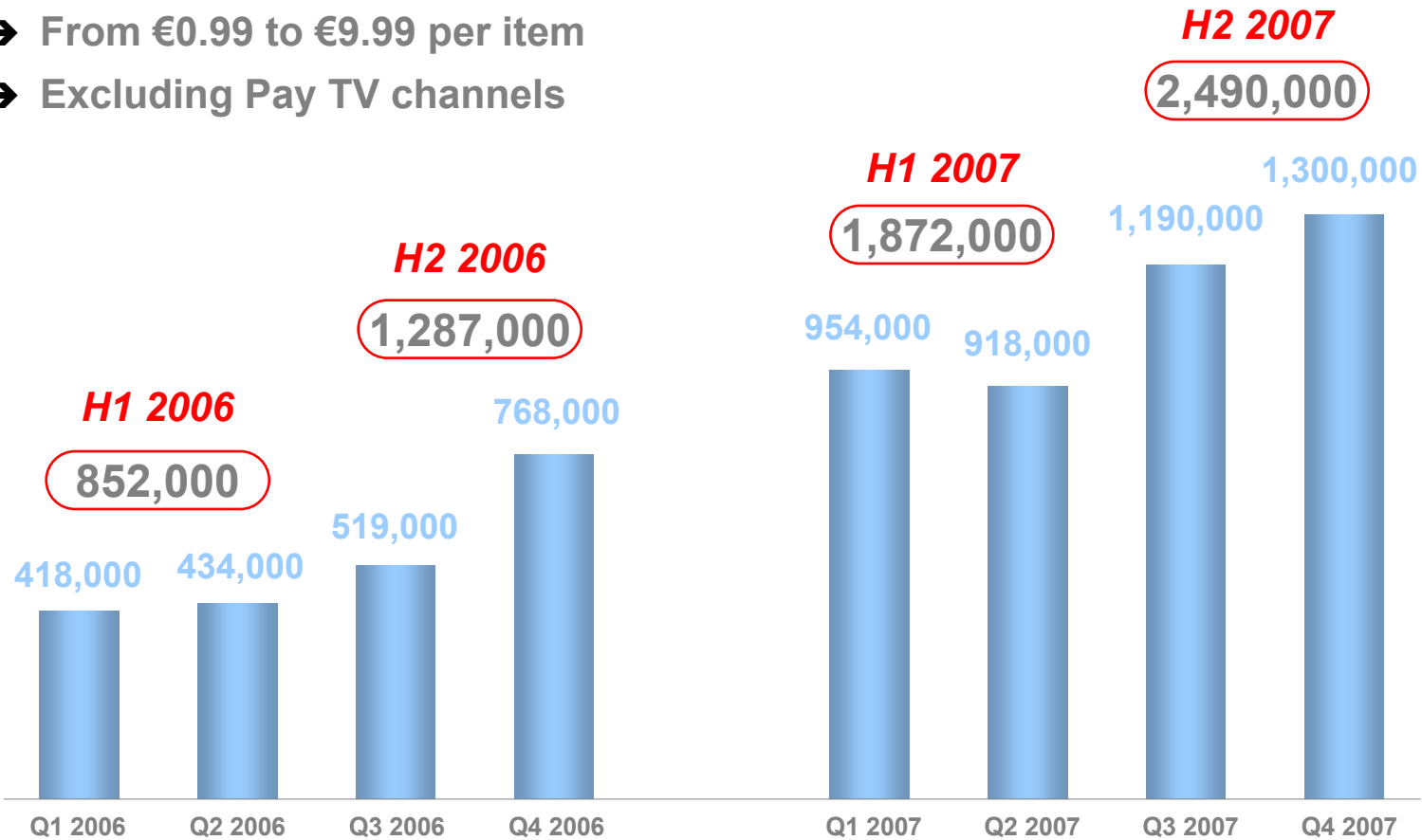


- 80 Channels (Discovery, LCI, Eurosport...)
- €10 / month during the first year (vs. €20.90)

Leading the VOD Concept in France



- Average quarterly consumption x3 in less than 2 years
- Take-up pushed by new content & services (S-VoD)
 - From €0.99 to €9.99 per item
 - Excluding Pay TV channels



VOD Features & S-VOD Packages Purchased per Quarter

Consumer needs

- **€29.99 (100 Mbits / 50 Mbits): Free offers the best value for money**
- **HDTV, Multi-TV sets, SME needs**
- **High satisfaction of Free existing FTTH subscribers**

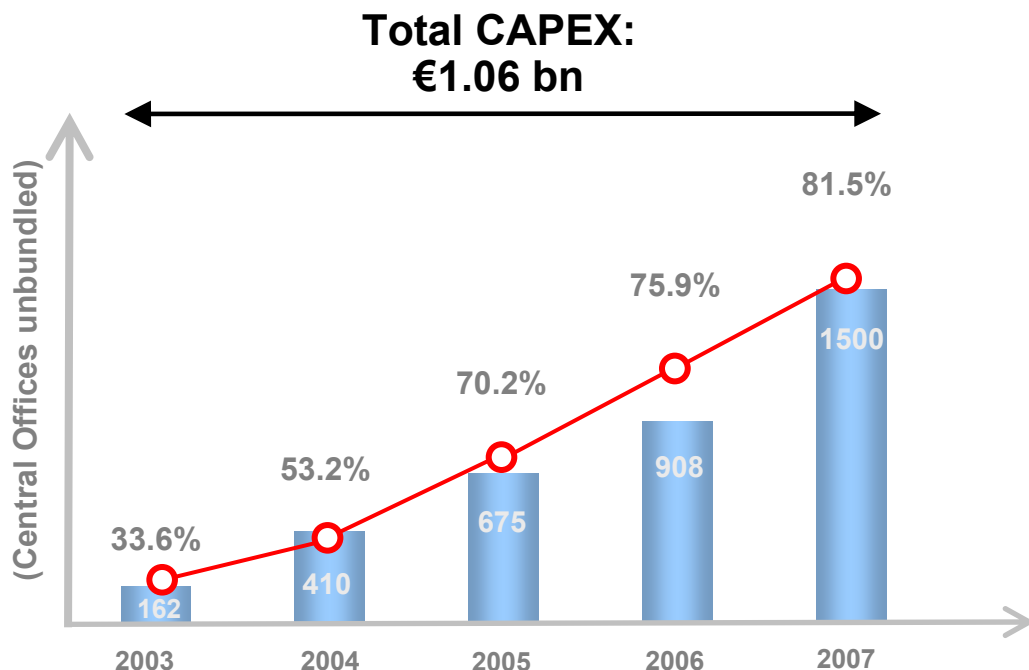
Technical needs

- **Improve subscribers satisfaction (independence on the local loop)**
- **Increase video take-up due to high quality standard**

Economics

- **CapEx vs. OpEx (rental to France Telecom)**
- **Lower churn & increase ARPU**
- **Future proof network**

Moving from Unbundling to FTTH



Dependence on Incumbent Operator

○— Unbundling Ratio

- 03 - 07: €1.06 bn CapEx on unbundling
 - 1,500 COs Unbundled / equipped with Freebox DSLAM
 - Backhaul covering 33,000 kms
 - Over 2,300,000 unbundled subscribers
- FTTH: Creation of a fiber local loop to 4 million households
 - €1 bn on FTTH CapEx by 2012

Achievements

■ Ducts:

- France Telecom ducts offer under review
- ARCEP organizing FTTH deployment in fair conditions

■ FTTH law:

- To be voted in 2008 : Regulating vertical deployment & access to buildings

Objectives

- ⇒ **Sharing with FT ducts studies and fiber deployment**
- ⇒ **Agreement of players on two fibers laid vertically to ease unbundling (either at the NRO, or at the building)**
- ⇒ **FT additional fiber to be provided to ISPs**
- ⇒ **Obtain a Bitstream offer from FT to guarantee fair competition**

Paris

- **Optical nodes**
 - 2/3 of premises acquired or under promise at end 2007
- **Horizontal roll-out**
 - 70% of Paris covered over 2H2009
 - Full Point-to-Point technology

Rest of France

- **Over 300,000 homes signed through turnkey agreements**
 - Delivery over 12-24 months
- **Horizontal roll-out began in**
 - Montpellier
 - Valenciennes
 - Paris' Suburbs...

⇒ *Vertical roll-out to improve drastically with coming law*

⇒ *Mutualisation has to be agreed to accelerate deployment and lower investments*

***French consumers & Telcos' manufacturers eager for more mobile competition
Several frequencies will be available in the near future***

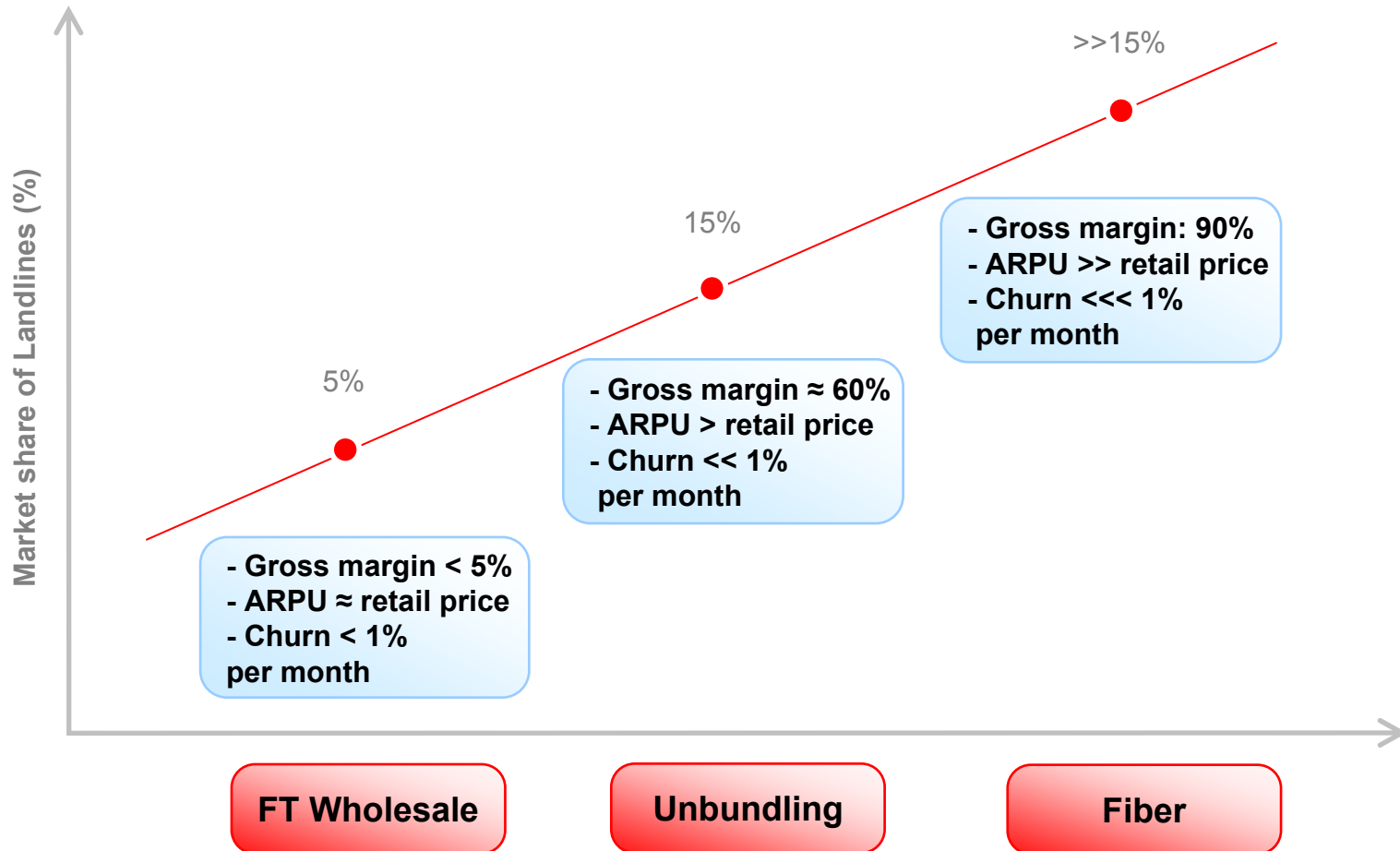
Not Starting From Scratch

- **Amongst the strongest brand in the French telecom sector**
- **Access to a large subscriber base:**
 - ➔ Access to 10 million Free users by 2010
- **Network synergies**
 - ➔ Owned and operated backhaul covering 33,000 kms
 - ➔ High capillarity in major cities
- **Operational synergies**
 - ➔ CRM, Hotline, billing systems
 - ➔ Management, regulatory affairs
- **Own the only National Wimax License**

A Favorable Environment

- **Valuable License / Frequencies**
 - ➔ Access to 900MHz – 2100MHz
 - ➔ Access to roaming & site sharing agreements (commitment inside the 3 existing 3G licenses)
- **Network CapEx:**
 - ➔ Maximum spending: €1 bn - €1.2 bn to cover 90% of French population
 - ➔ Access to vendor financing
- **Amendment passed in the French law**
 - ➔ Enabling the Government to fix financial conditions of the license,
 - ➔ French Highest Court (Conseil d'Etat) authorized a deferred payment

Iliad's Growth Drivers



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Financials

A Record Year for Iliad



In € million

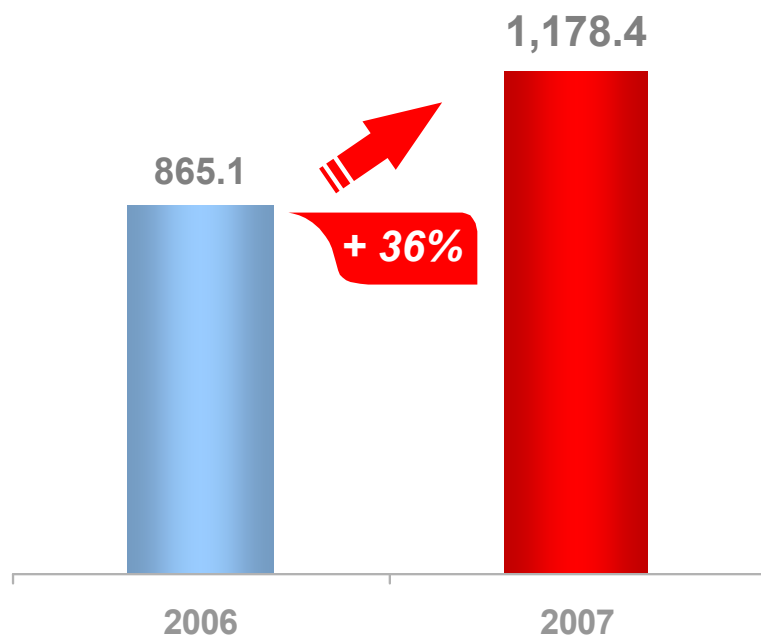
	FY 2006	FY 2007	VAR.
Revenues	935.1	1 212,4	+29.7%
EBITDA	328.5	443.6	+35.0%
EBITDA Margin	35.1%	36.6%	
EBIT	180.5	213.8	+20.4%
EBIT Margin	19.5%	17.6%	
Net Income	120.6	150.2	+24.4%
Proposed Dividend	€0.27	€0.31	+14.8%

Broadband Revenues



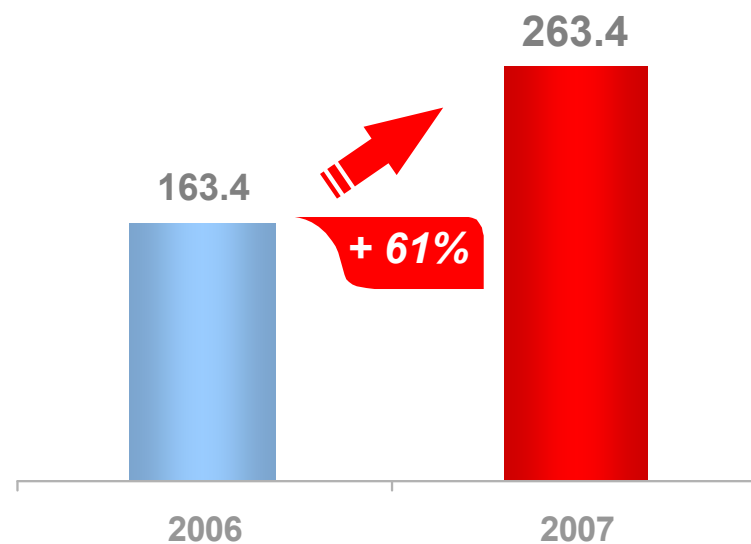
In € million

Revenues⁽¹⁾



Value Added Services Revenues

- Broadband ARPU of €36.3 at end 2007
- VAS revenues at 22.4% of BB revenues
→ Vs. 18.9% in Dec. 06



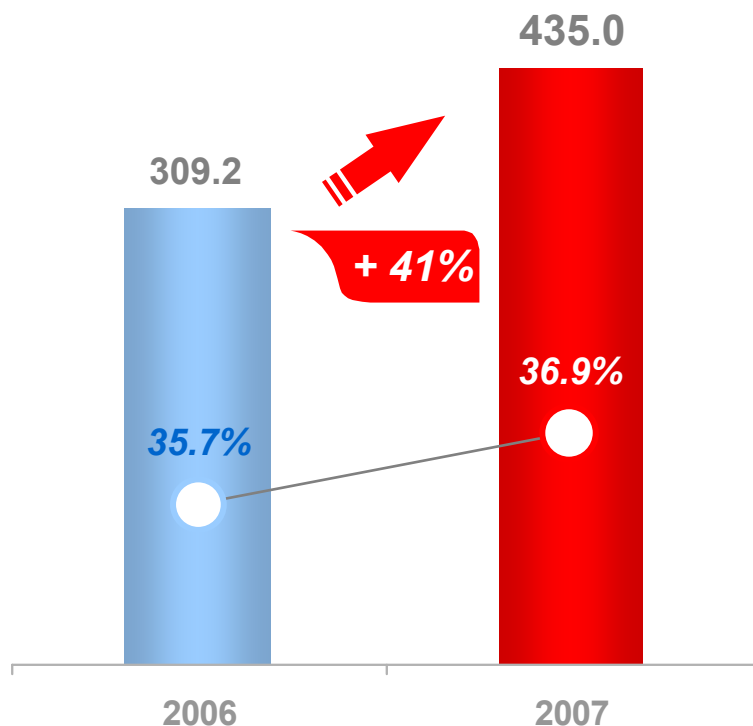
(1) Excluding intersegment

Broadband: Record EBITDA / EBITDA Margin

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In € million

EBITDA



○ ○ Ebitda Margin

■ 2007 - Record Ebitda & Ebitda Margin in spite of:

- A strong increase of fully unbundled subscribers (58% of total subscribers in Dec. 07 vs. 44% in Dec. 06)
- Marketing expenses increase
- LFO OpEx since April 2006

■ 2008 Ebitda's drivers:

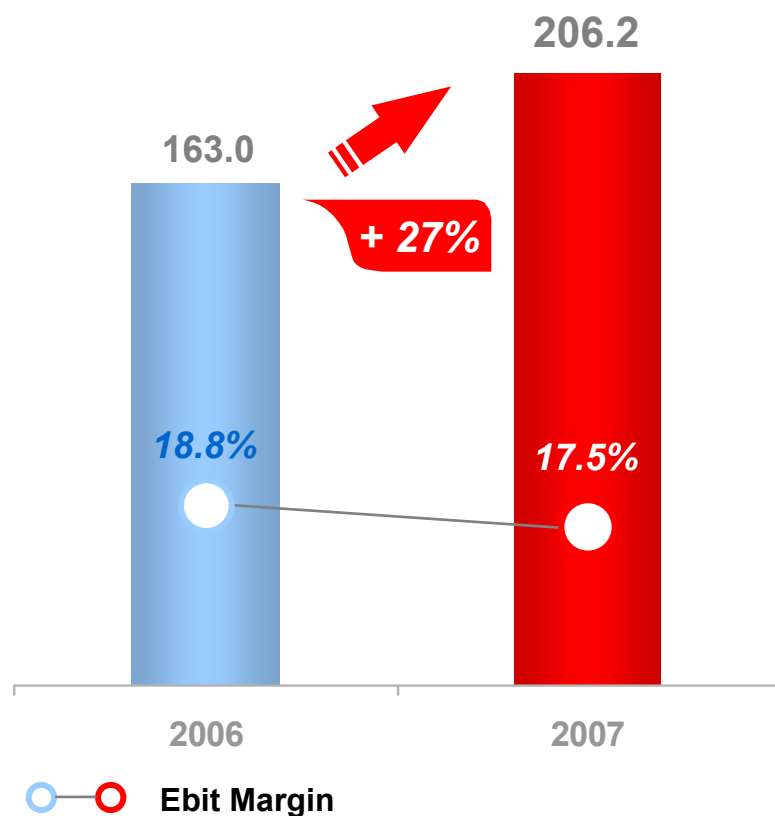
- + Unbundling ratio: from 81.5% to 84%
- + Positive effect of 2007 operational measures
- + Leverage on Fixed Cost Base
- LFO impact
- Implementation of the COSIP Tax

Broadband: EBIT up by 27%

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In € million

EBIT



Record amortization charges in 2007

- 626,000 ADSL net adds in 2007
- First exercise with full impact of Freebox HD

Equipment cost per sub. at €180 (incl. DSLAM) vs. €210 in 1H2007

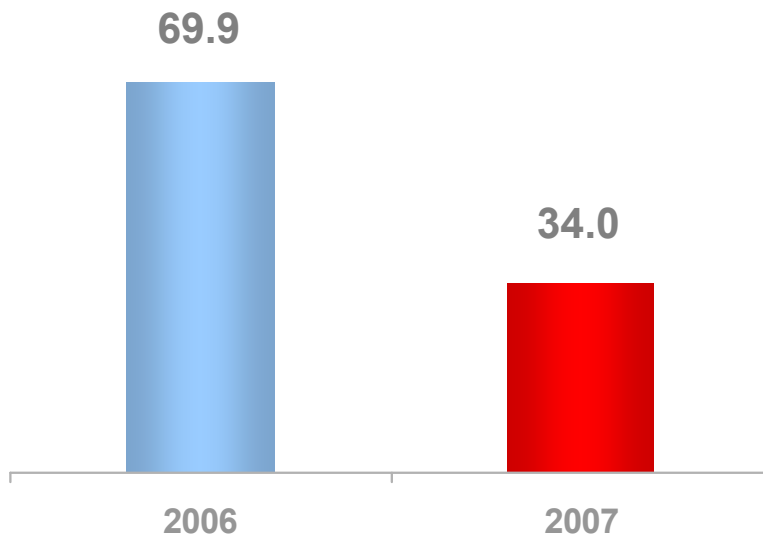
Traditional Telephony: Declining but Profitable

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In € million

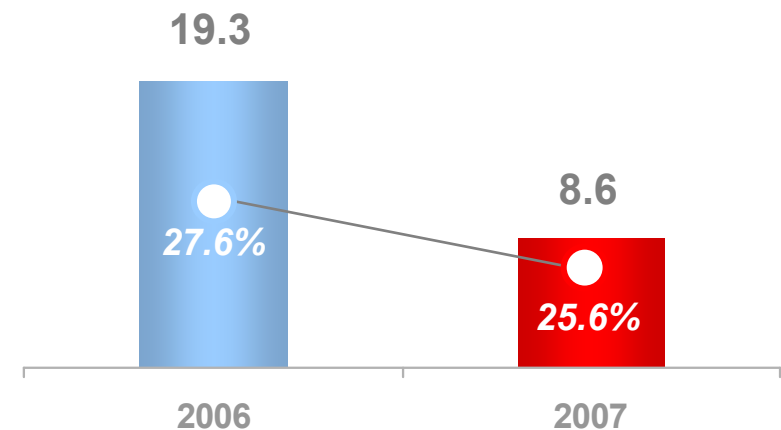
Revenues⁽¹⁾

- Traditional Telephony less than 3% of total revenues as of Dec. 2007



EBITDA

- Kedra: End of indirect interconnection
- End of marketing at OneTel
- Kertel sold in February 2007



(1) Excluding intersegment

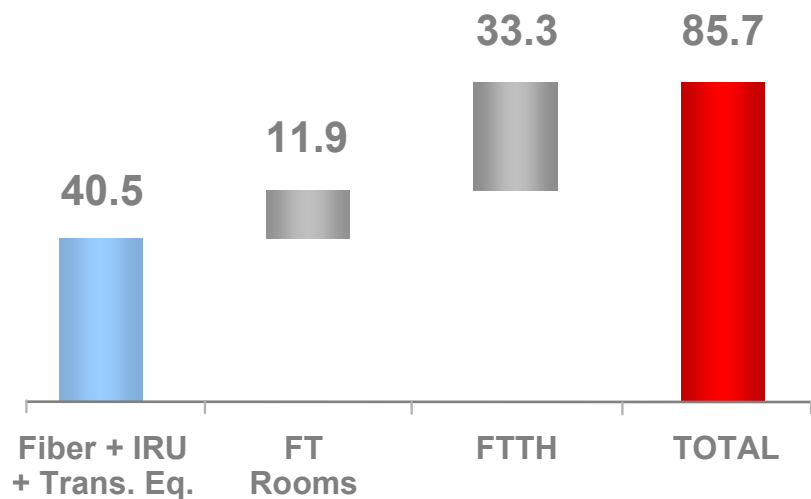
○—○ Ebitda Margin

2007 CAPEX Breakdown



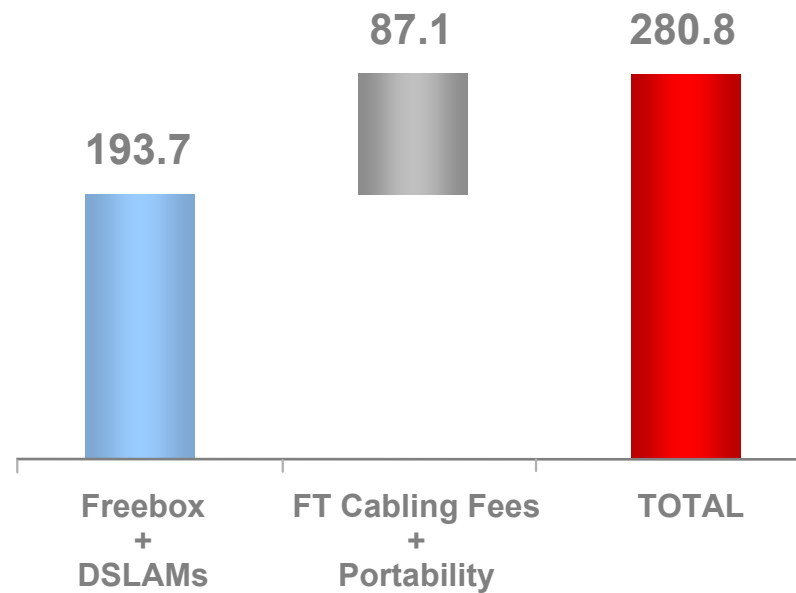
In € million

Network CAPEX



Growth CAPEX

- Strong recruitment in 2007
- Subscriber base movements implies additional FT cabling fees



- **€33.3 M of FTTH CapEx in 2007**
- **€21.4 M of FTTH equipments & NROs under leasing agreements at year end**
- **€1,500 CapEx per existing subscribers confirmed in Paris**
- **A favorable payment schedule:**
 - Turnkey agreements payments terms on delivery
 - Premise purchased under leasing agreements
 - Cisco's FTTH equipments under leasing



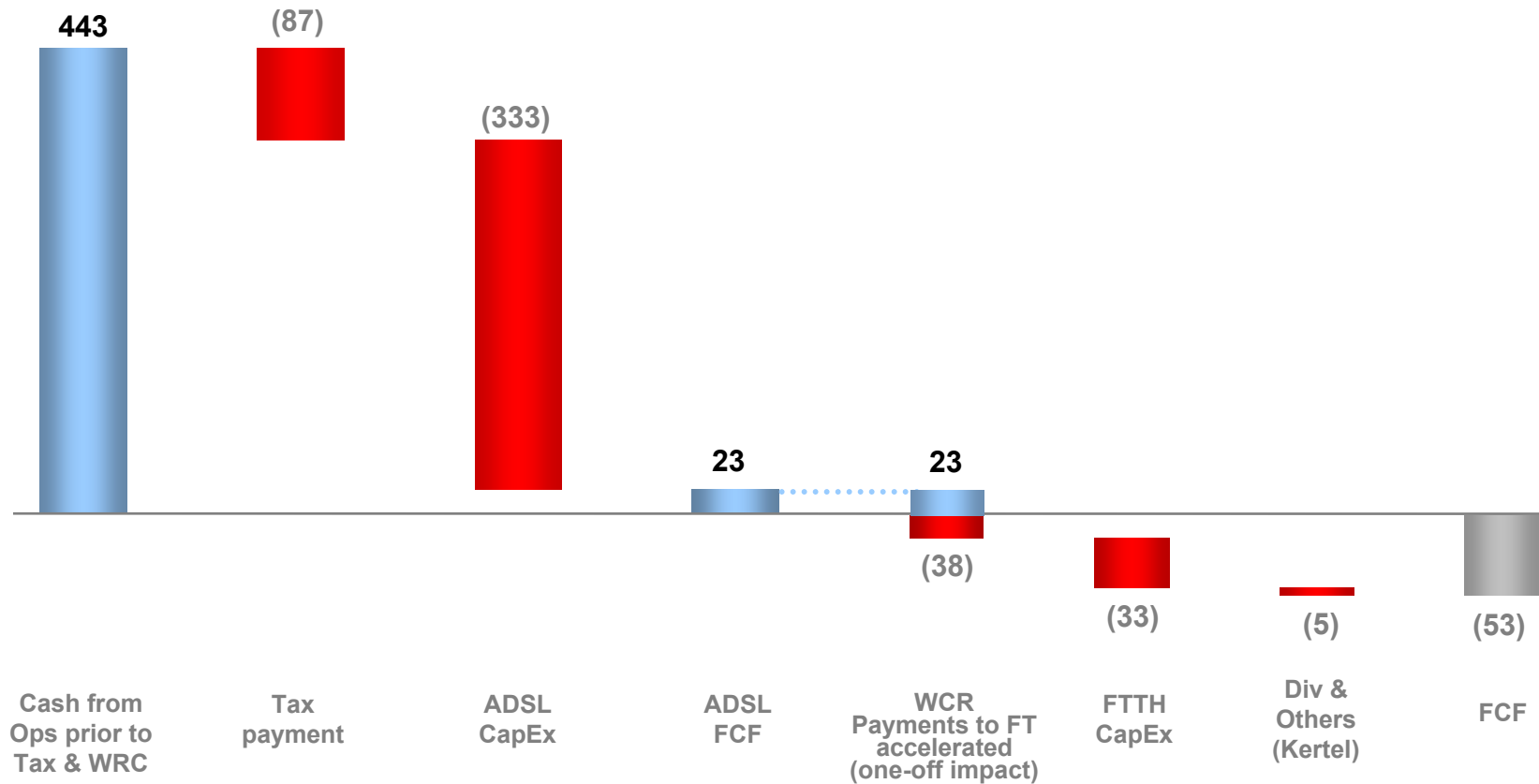
2008 / 2009 CapEx between €300M - €400M

ADSL Business: Generating Positive Free Cash Flow in 2007



In € million

- Positive ADSL FCF of €23 M in 2007
→ Positive ADSL FCF > €40 M on 2H07
- FCF significantly Higher than €100 M on ADSL Activity in 2008

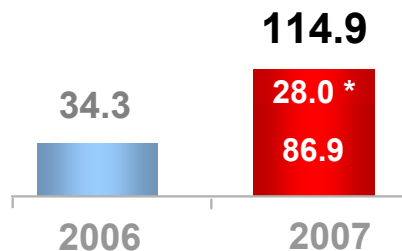


An Ung geared Balance Sheet open to Future Opportunities



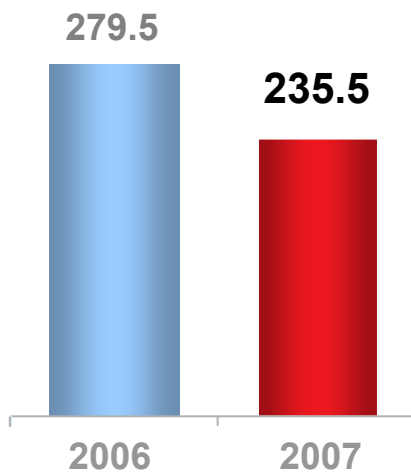
In € million

Net Financial Debt

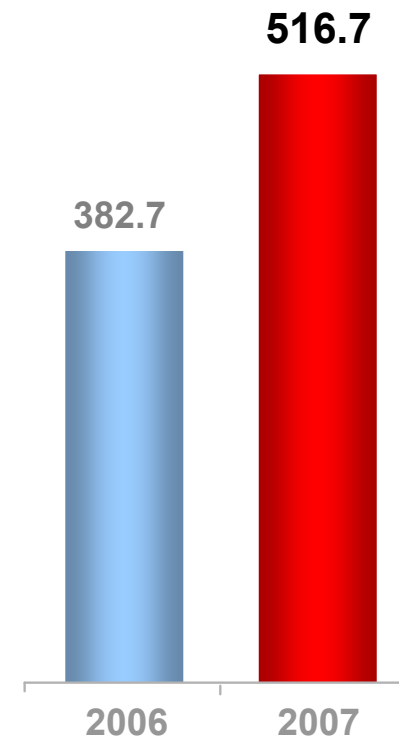


Cash & Cash Equivalents

+ €220 million undrawn credit facilities



Equity



*Leasing agreements

3.25 million Subscribers by end 2008 & 4 million by 2010

84% unbundled subscribers by end 2008

> €20 average gross margin per ULL subscriber

FCF significantly Higher than €100M on ADSL Activity in 2008

FTTH: 70% Paris covered over 2H2009

Strengthen Iliad's Unique Position in French Telecom Market

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