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 **FY 2008 Results & Strategy Presentation**

March 19th, 2009

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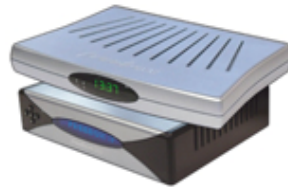
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A Profitable and Resilient Business Model

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Il a *free*,
il a tout compris.



29,99 €
PAR
MOIS*

Inscription sur *free.fr* ou au **1044**
(prix d'un appel local)

* Offre soumise à conditions - Sous réserve d'aptitude, applicable aux abonnés d'une Freebox HD, voir sur free.fr

PCS Paris 9 471 938 867

+ 1.3 million subscribers in 2008

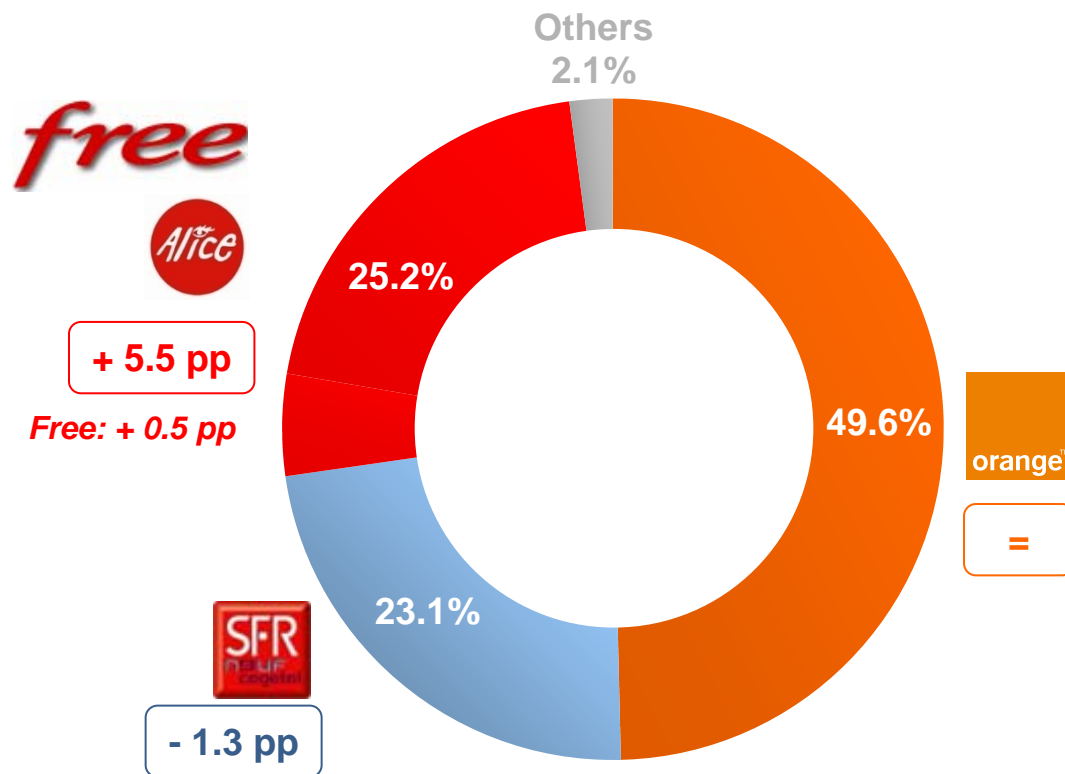
Projects becoming **reality**

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

Combined KPIs

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free

Alice

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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

- **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

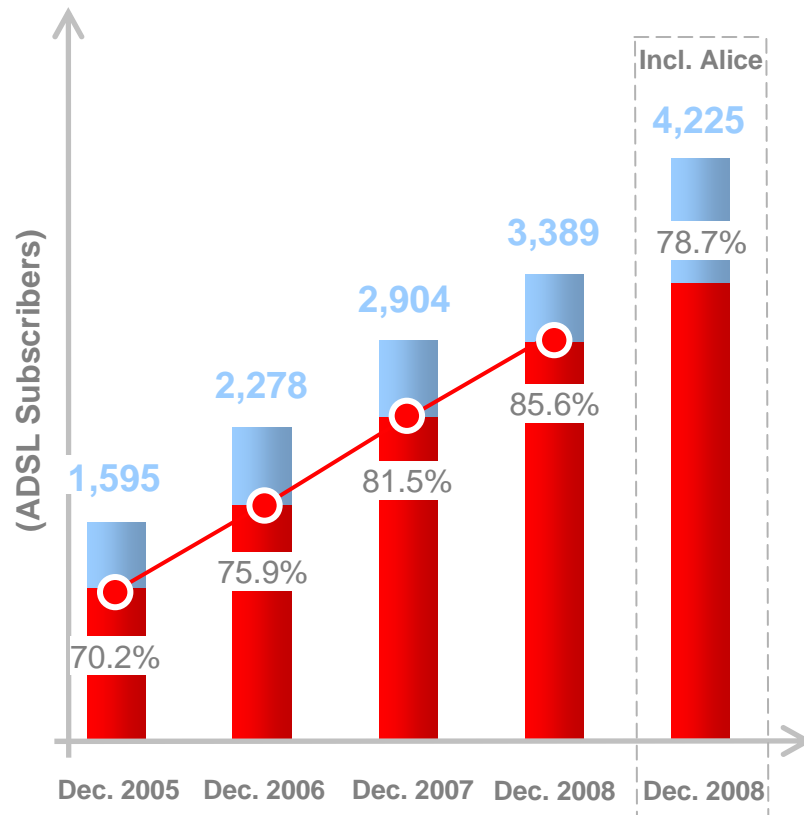
Profitable Growth Fuelled by Unbundling

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

■ ADSL Subscribers
● Unbundled Subscribers in %

VAS Offering Continuously Improving

2

Value Added
Serv.

■ 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

TF1 HD

france
2

M6 HD

NATIONAL GEOGRAPHIC
CHANNEL
HD

i-concerts
HD

M21 HD

LUXE.TV
HD

■ 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

CHILIGAMING
SPICE UP YOUR GAME
free

■ 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

- **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

■ 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

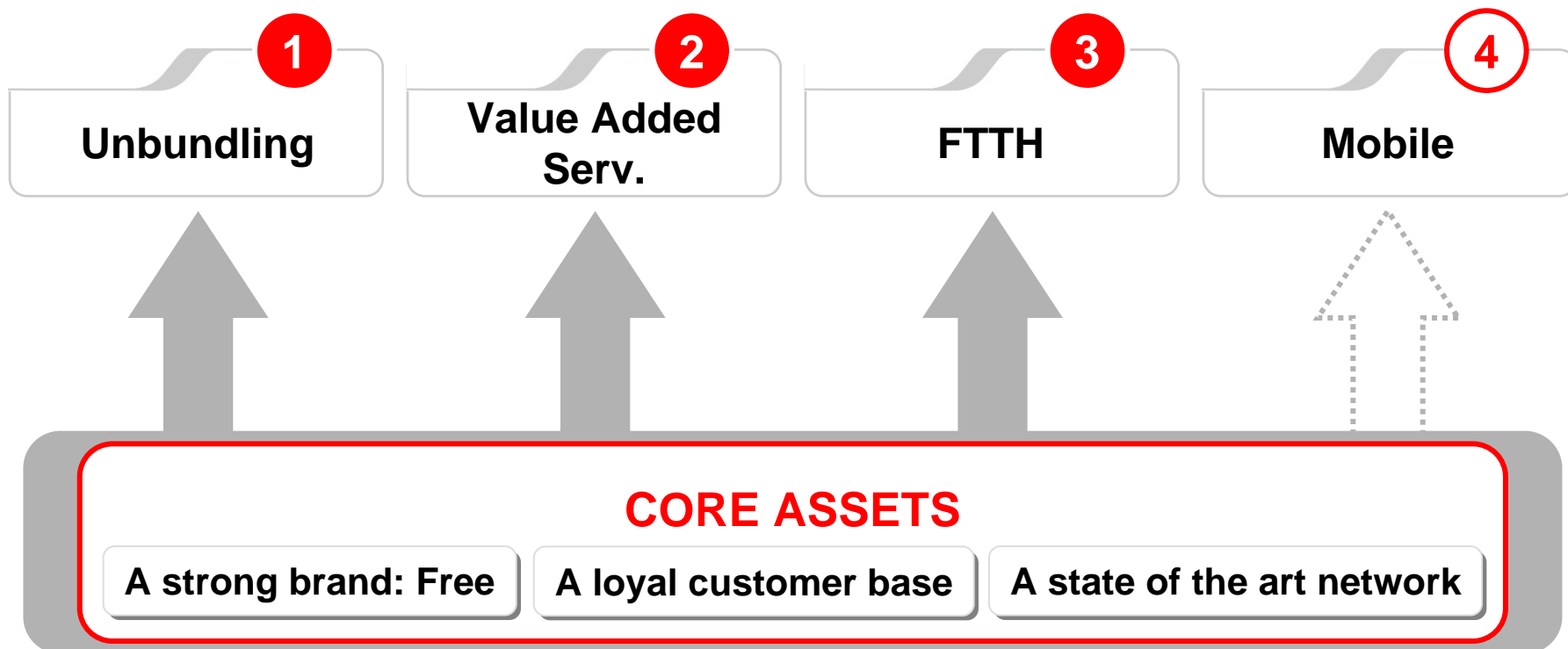
- No more dependency on Incumbent's network
- Opex savings: margin and FCF booster

■ First users' feedbacks

- Increased bandwidth and lower latency
- Perfectly suited for HD content
- Increased stickiness

The Four Pillars of Growth

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Iliad: A Confirmed Will to Bid for Mobile

4

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

■ 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

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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	
<i>EBITDA Margin</i>	<i>36.6%</i>	<i>37.6%</i>		<i>33.5%</i>	
EBIT	211.8	266.3	+25.7%	172.3	
<i>EBIT Margin</i>	<i>17.6%</i>	<i>18.5%</i>		<i>11.0%</i>	
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%	-	

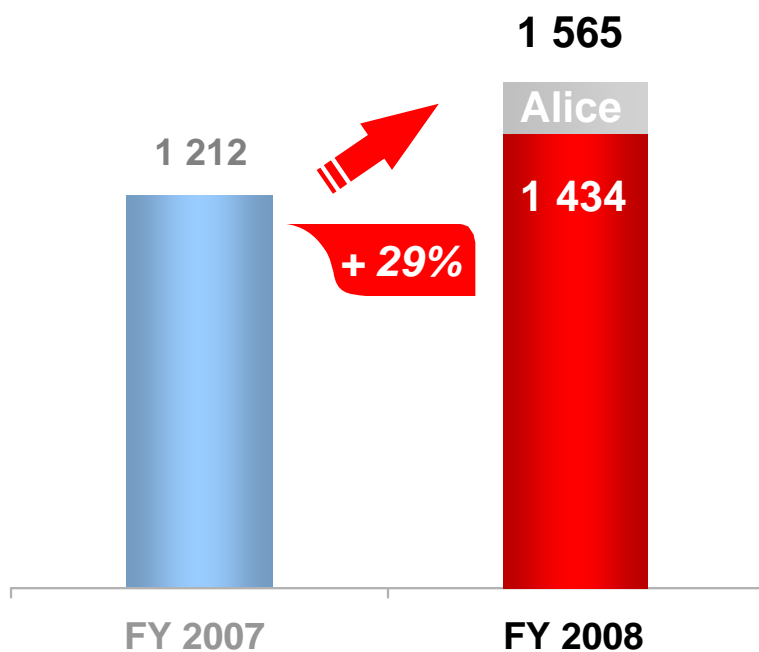
(1) Including the 4 months and 5 days of Alice operations.

Consolidated Revenues



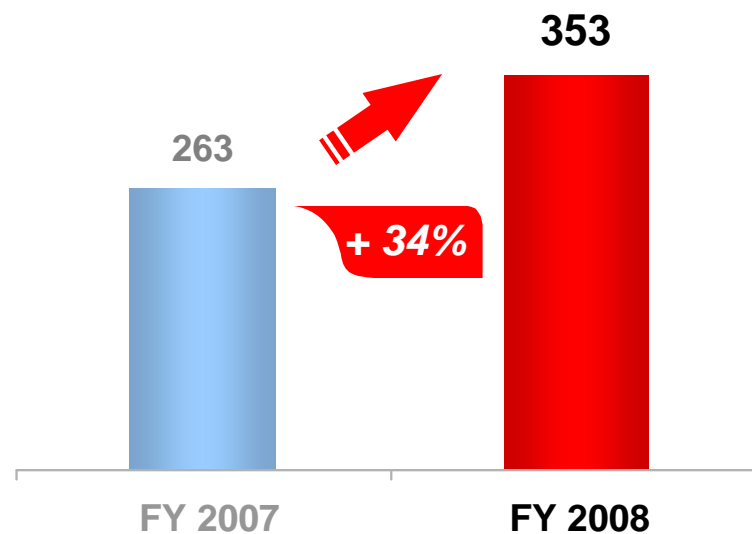
In € million

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

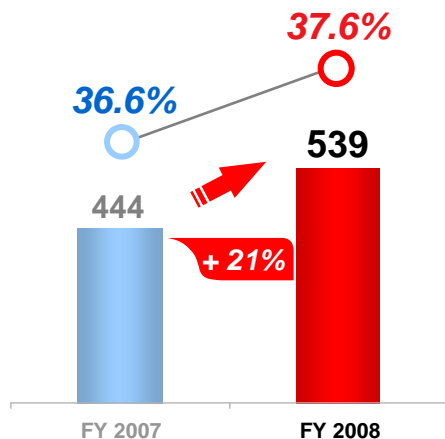
EBITDA Margin: A Record High on Historic Perimeter

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Historic Perimeter

In € million

free



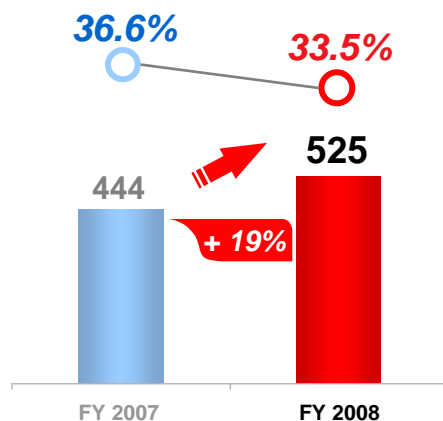
2008 EBITDA's drivers:

- + 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

free



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

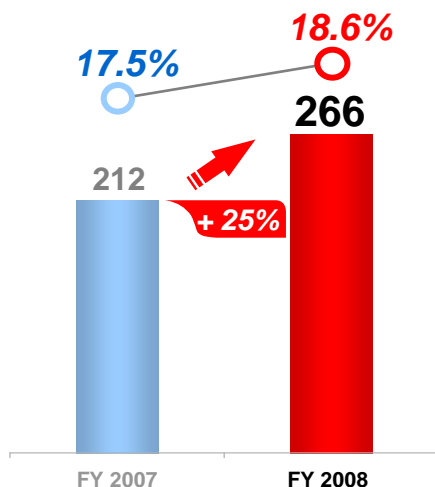
EBIT up by 25% on Historic Perimeter



Historic Perimeter

In € million

free



EBIT up by 25% on historic perimeter:

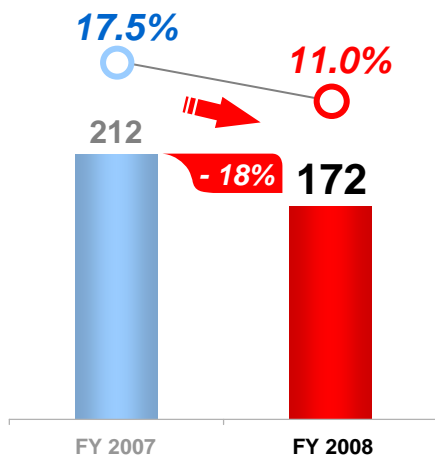
- + Increasing EBITDA margin
- + Slowdown of amortization

Amortization policy: from 3 to 4 years

Consolidated Perimeter

In € million

free



€M94 Dilutive impact of Alice:

- Negative EBITDA: €M-14.4
- Amortization: €M-48.9
- Provision for restructuring costs: €M-30.7

EBIT Margin

Alice: A Quick Turn Around



2008 Acquisition of Alice 2009 2010 End of migration 2011

SYNERGIES

Revenues
Enhancing

Increase Alice ARPU: Rationalization of commercial offers / Increase VAS

Network
Migration

Increase Alice Unbundling ratio
to ca. 75% / 80%

Streamlining of the
fixed costs base

Marketing expenses cut / Reduction of G&A / Network shutdown...

FINANCIALS

EBITDA

EBITDA > 0

Incremental EBITDA
of €M90 / year

FCF

FCF > 0

Tax Shield

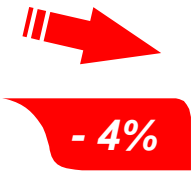
A Tax Asset of €M390

FY 2008 CAPEX Breakdown on Historic Perimeter

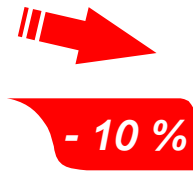


In € million

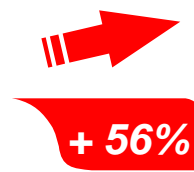
DSL Network CAPEX



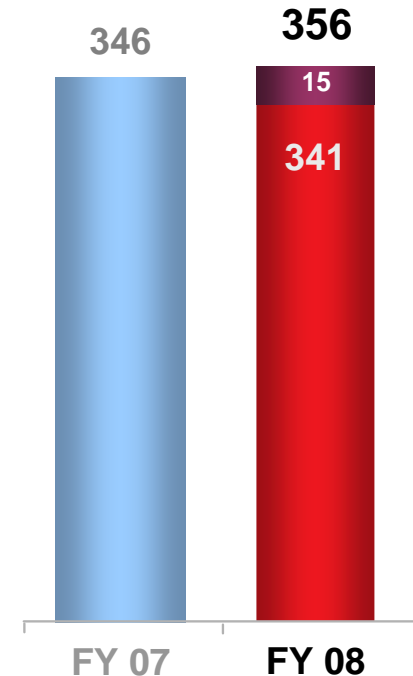
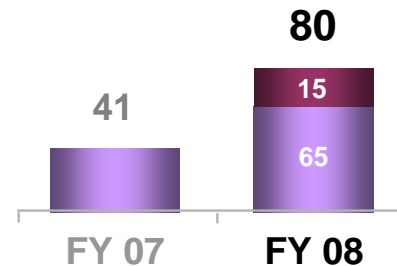
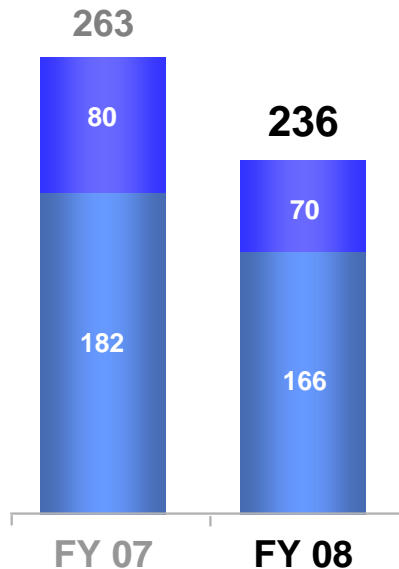
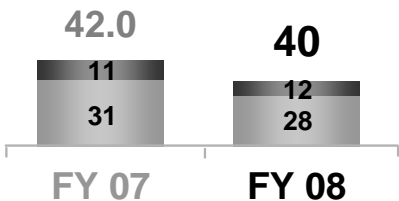
DSL Growth CAPEX



FTTH CAPEX



Total CAPEX



■ FT Room
■ Fiber IRU + Trans. Eq.

■ FT Cabling Fees + Portability
■ Freebox + DSLAMs

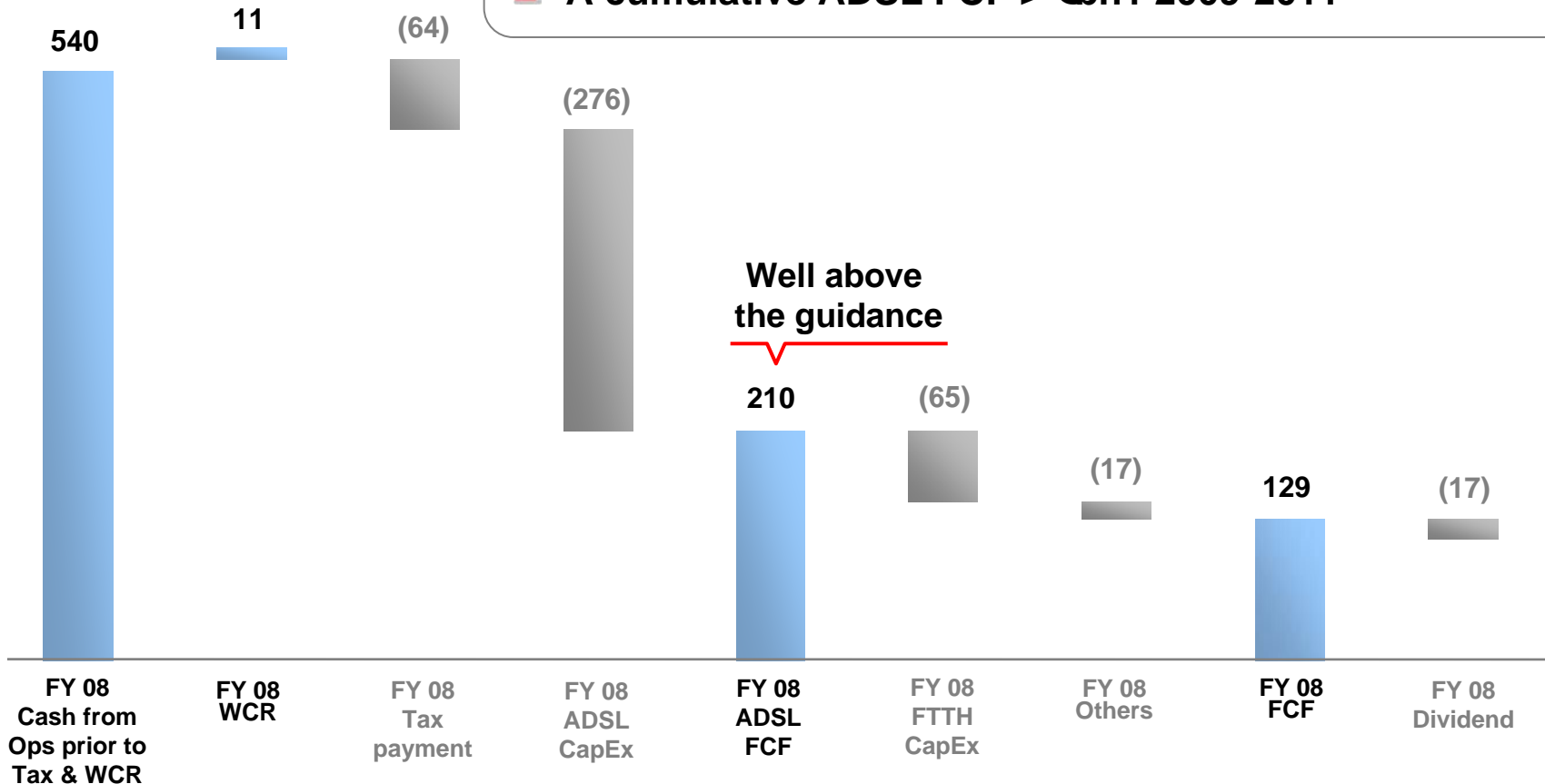
■ FTTH Leasing
■ FTTH CAPEX

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



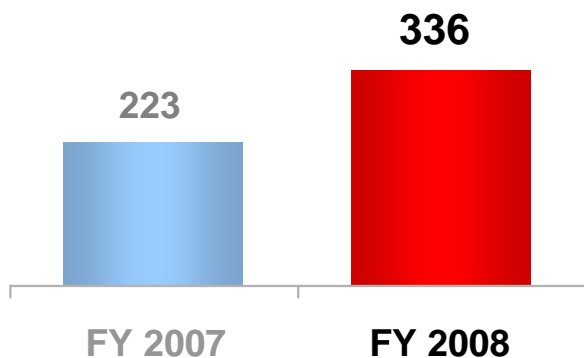
A Sound Financial Position



In € million

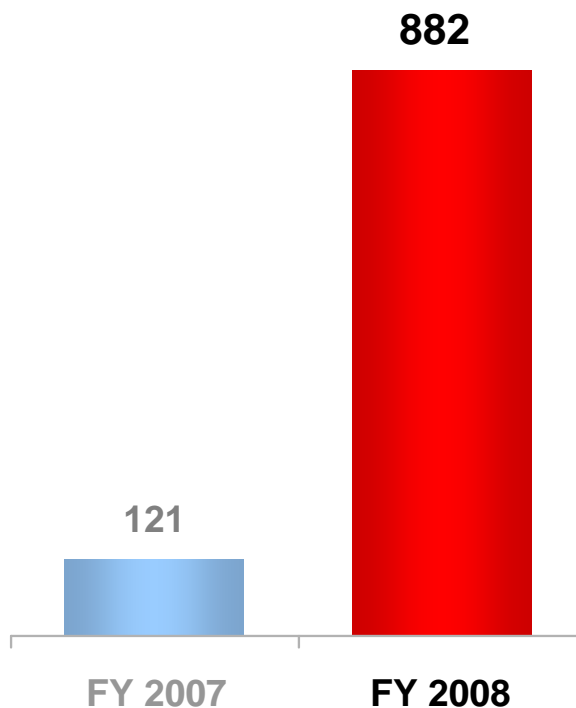
Cash & Equivalents

+ €356 million undrawn credit facilities



Net Financial Debt

Leverage = 1.7x EBITDA



■ A predictable business model

- Subscription model
- €356 undrawn facilities

**Strong deleveraging:
Targeting a leverage of 1x
a year in advance (end 09)**

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

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 **FY 2008 Results & Strategy Presentation**

March 19th, 2009

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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

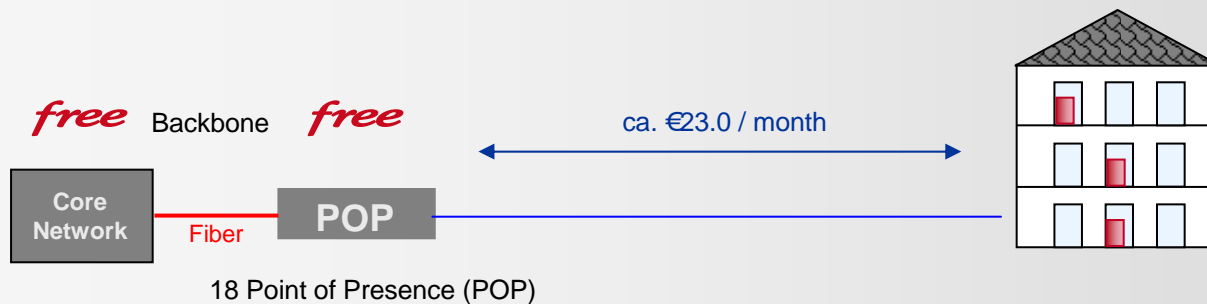
- WiFi MiMo 802.11n
- HDMI connection
- Freeplugs



Yesterday Wholesale, Today Unbundling and Tomorrow FTTH

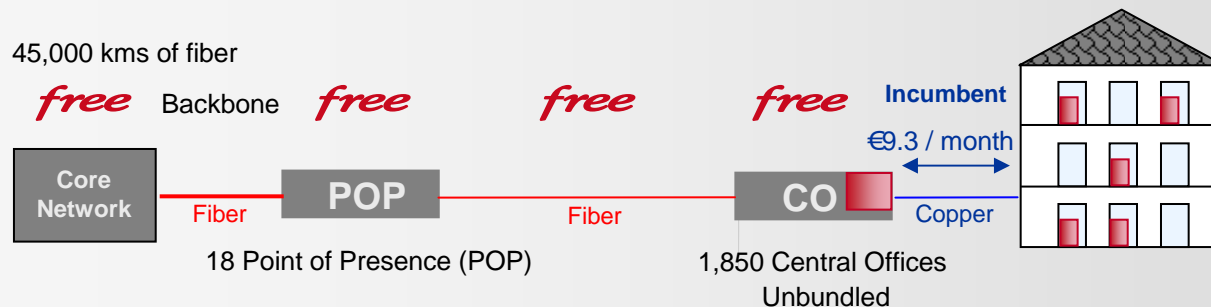


FT Wholesale



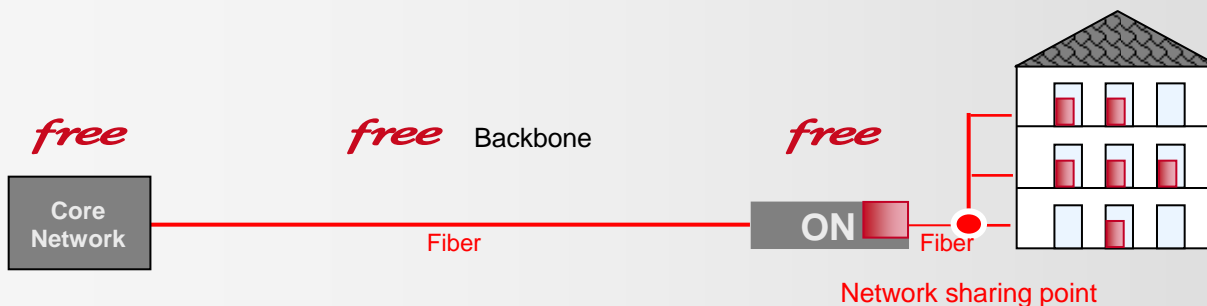
- FT rental Fee: €10.5 - €18.5
- IP Transit : €5.0 - €7.0
- Gross margin of ca. 5%-10%

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

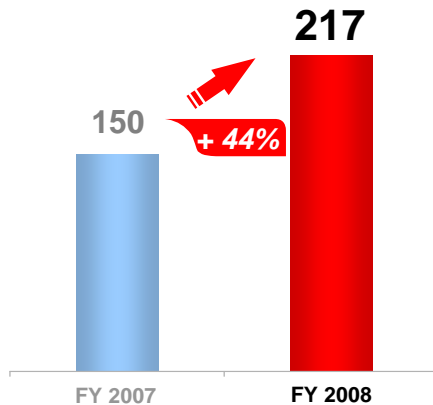
Historic Perimeter: Significant Net Income Growth



Historic Perimeter

In € million

free



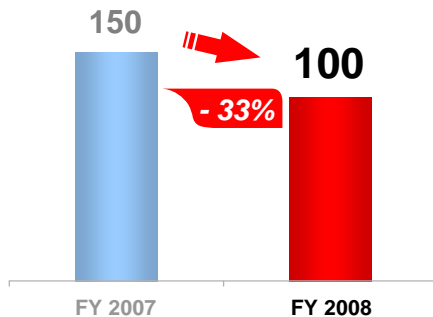
■ Net income up by 44% on historic perimeter:

- + Strong operating performance
- + Costs control

Consolidated Perimeter

In € million

free



■ Dilutive impact of Alice:

- Negative EBIT: €M-94
- Interests link to Alice's acquisition