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 **H1 2011 Strategy & Results Presentation**

September 1st, 2011

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 **Business and Strategy Review**

Maxime Lombardini (CEO)

■ **Broadband : A profitable growth model**

➤ Commercial success of the Freebox Revolution

- Record net adds market share: **36%*** on Free and **29%*** at Group level in H1 2011
- New Tariff plan illustrating Iliad's pricing power

➤ Profits increased through cost efficiencies

- EBITDA margin at historic high: **40%**

➤ FTTH:

- Targeting **~100,000** subscribers by end 2011
- Sharing agreement signed with Orange in non dense areas

■ **Mobile: A clear path for future growth**


➤ Everything on track for early 2012 commercial launch

➤ Market structure improves: competitors realise they have customers:

- Sim only offers and online subscription are becoming available
- Mobile pricing is improving

Group KPIs

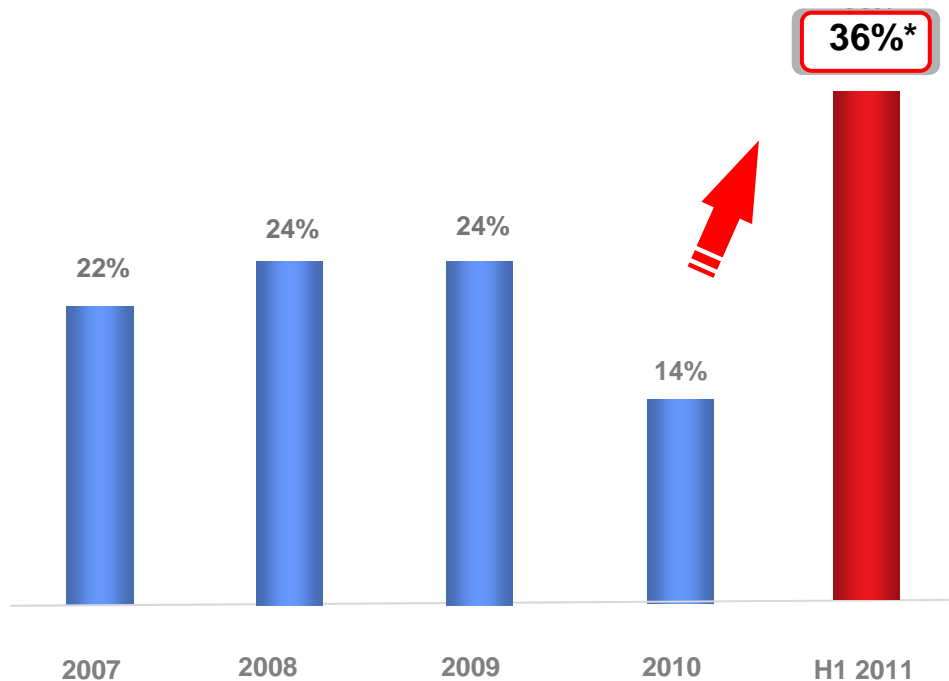


	June 2010	Dec. 2010	June 2011
Broadband Subs.	4,514,000	4,534,000	4,716,000
- <i>free</i>	3,903,000	3,969,000	4,244,000
<i>Of which migrations from Alice to Free</i>	-	-	44,000
- 	611,000	565,000	472,000
Unbundling rate	87.5%	89.2%	90.8%
ARPU Group (end of period)	€36.5	€36.1	€35.5
ARPU Revolution	-	-	> €38

Freebox Revolution: A Successful Launch

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free share in Net Adds



- Record net adds market share
- ~80% of new subscribers opting for Freebox Revolution
- Successful upgrade

Free net adds market share hitting record high

* Net of 44.000 migrations from Alice to Free

■ Free is driving innovation in the fixed market

- Unmetered calls to mobile
- Unique Premium design by Starck
- Cutting edge box
- Smart TV (39 catch-up TV services)
- Integrating a Blu-ray™ Player
- Only box that turns into a HD game console





- **A new ad campaign**
 - Premium positioning
 - Focusing on subscriber experience
 - Enlarging targeted subscribers

- **Testing store efficiency**
 - Encouraging feedback from the 1st Free store in Rouen:
 - Positive impact on recruitments
 - Improved after-sales services
 - Too early to draw definitive conclusions



Dense Areas

- **Horizontal roll-out well advanced**
 - Most of Paris covered horizontally at end 2010
 - **100 cities** and **3.6m plugs** deployed or in the process of being rolled out
- **Operators are now focusing on in-building wiring**
 - **1,800,000** households have chosen their in-building operator
 - Targeting **~100,000** FTTH subscribers by end 2011

Non Dense Areas

- **Co-financing is the rule**
 - Agreement signed with Orange for **approximately 5m homes**
 - A unique network shared from the point of interconnection to subscribers
 - Investment pro rata to the addressable market share
 - Confirmed Capex plan for 2011 & 2012
 - Potential access to *Grand Emprunt* funding

A clear path for FTTH upgrade

■ Network roll out going as expected

- Contracts signed for the rollout of its network to over 5,000 identified sites
- IT and core networks are being deployed
- 2G & 3G Agreement signed with Orange: Full coverage of France

■ A changing market offering opportunities for a new entrant

- MTR will be at €0.8c in January 2013
- Less subsidies: Sim only offers, reduced lock-up period, online subscription...
- More smartphones at reasonable price

■ New Frequencies: Disciplined approach

- The calendar is defined:
 - 2.6GHz frequencies (70 MHz): Bid due for 15 Sept. 2011 and frequencies awarded in November
 - 800MHz (30 MHz): Bid due for 15 Dec. 2011 and frequencies awarded early 2012
- Allocation process based on Price (taking into account a MVNO coefficient)
- Refarming process of the 1.8GHz probably coming at a later stage

 **Financial Performance**

Thomas Reynaud (CFO)

Robust Financial KPIs

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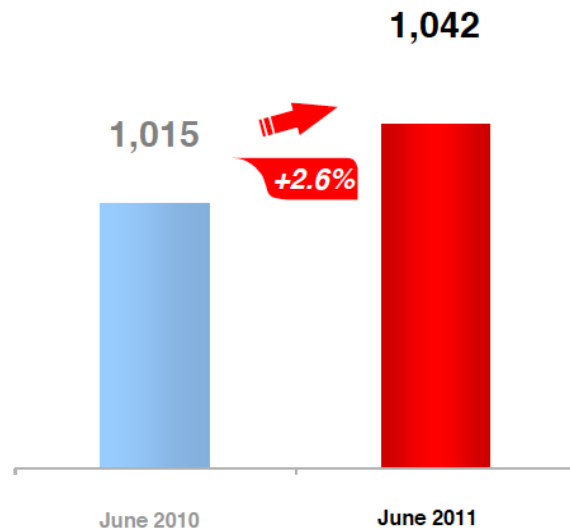
(€ millions)

	June 2010	June 2011	% change
Revenues	1,015	1,042	+2.6%
EBITDA	392	416	+6.3%
<i>EBITDA Margin</i>	38.6%	40.0%	+140bp
EBIT	235	260	+10.6%
Net profit	135⁽¹⁾	145	+7.9%
ADSL FCF	218	196	-10.1%

(1) Excluding a €37m non-recurring income

(€ millions)

Consolidated Scope



■ Revenues up by 2.6% on Consolidated Scope:

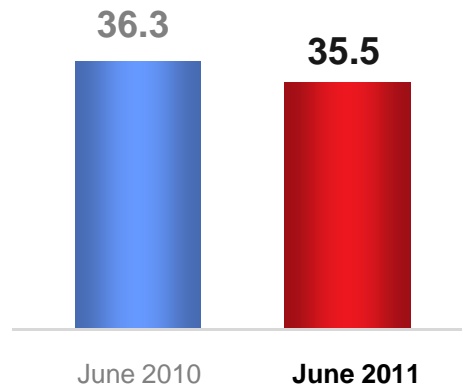
- **Successful launch of Freebox Revolution**
 - + Locking higher entry point – ARPU at €38
 - + A 29% record market share in H1 2011
- **Negative impact of VAT change**

(1) Excluding inter-segments

Revolution Leading ARPU Increase

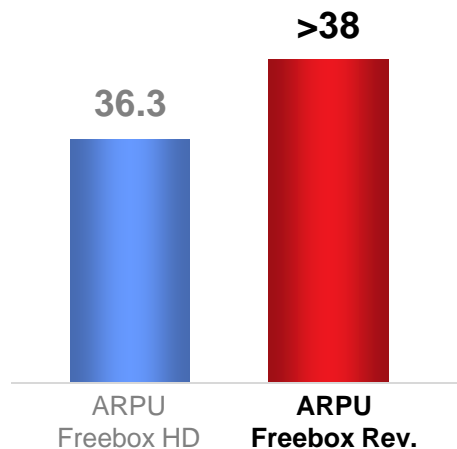


(€)



■ Group ARPU under pressure

- Impact of VAT rise
- Fixed termination rate cut
- Mobile calls included in the Freebox Revolution package
- + Increasing use of video services



■ Revolution driving ARPU up

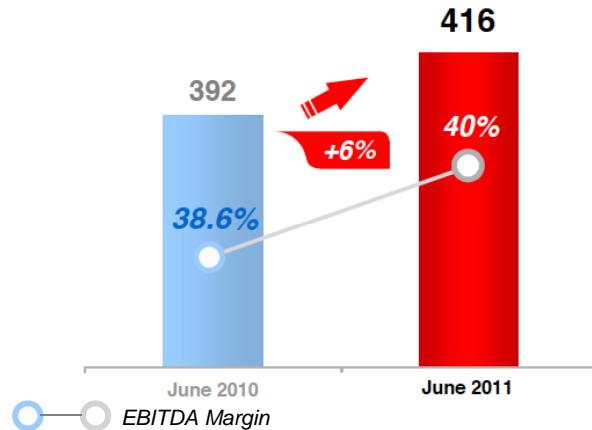
- + Enhanced customer experience
- + An evergrowing range of value added services
- + Increased stickiness

2011 : Flat ARPU due to external pressures
2012 and onwards : ARPU increase through V6

Margin Expansion Driven by Operational Efficiency

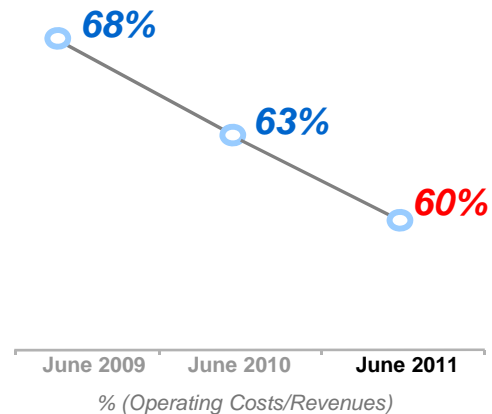
(€ millions)

Group EBITDA



- Consistent margin expansion: EBITDA margin reaching 40% in H1 2011

Operational Efficiency

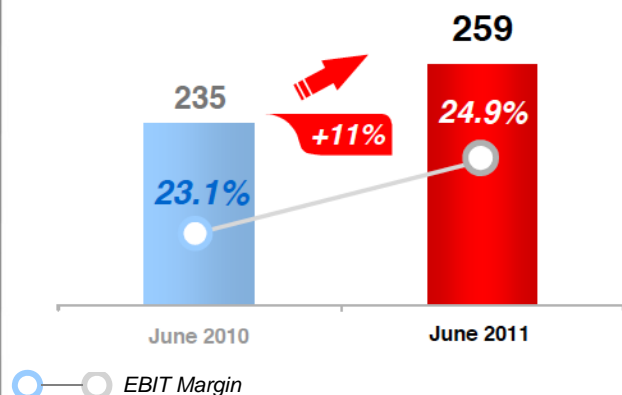


- Operational efficiency improved by 800bp
 - + A virtuous unbundling model: 250 news COs opened in H1 2011
 - + Scale effect on cost structure
 - + Decrease in regulated tariff

EBIT Up by +11%, Net Profit up by +8%

(€ millions)

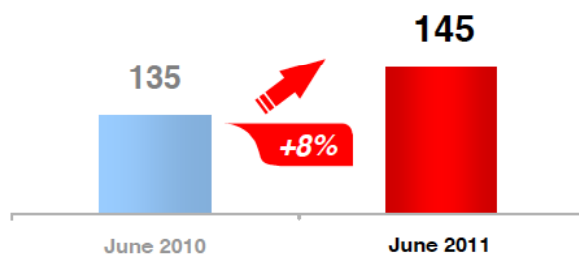
Group EBIT



■ A double-digit growth on EBIT

- + Operational efficiency improved
- + Amortisation policy reviewed for cabling fees (from 4 to 5 years)

Group Net Profit



■ Net income excluding non-recurring income increased by 8% to €145m

- Non-recurring income of €37m after tax in H1 2010

Proactive Capex Plans



(€ millions)

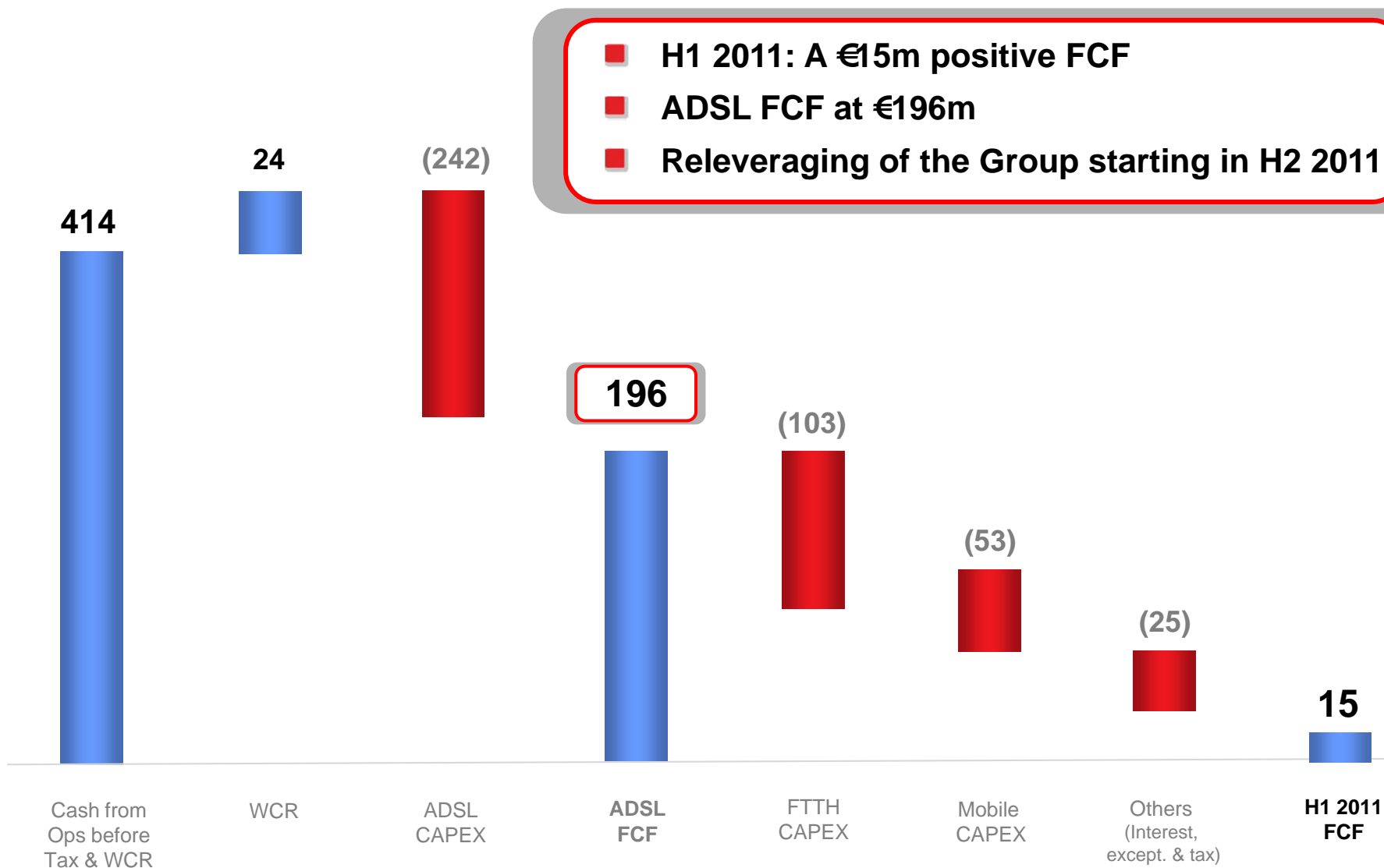
	June 2010	June 2011
Network	22	29
Boxes & Cabling Fees	114	213
ADSL	136	242
FTTH	54	103
Mobile	249	53
Total CAPEX	471	398

- Successful launch of the Freebox Revolution
- Mobile: Network roll-out capex kicking

Ambitious Investment Plans Backed by Strong Operating FCF



(€ millions)



■ **Steady Business Profile**

- Recurring revenues relying on a subscription based model (~€2bn revenues)
- Critical size with 23% market share
- Low execution risk on mobile

■ **Strong financial profile**

- One of the lowest leveraged companies in the Telecom sector (0.8x as of June 2011)
- Strong visibility and profitability of the Broadband business (>1.1bn€ of ADSL FCF over 2010-2012)
- Robust liquidity position

■ **Conservative financing policy**

- Proven track record of deleveraging post acquisition (from ~2.5x to less than 1x. in 18 months)
- Family-owned company with management as shareholders
- Successful bond issue of €500m in May 2011

Operational

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

Financial

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

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