1H2007 Results and Strategy Presentation

September, 2007

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1H2007 Key Performance Indicators

- Best first-half ever in terms of ADSL net adds

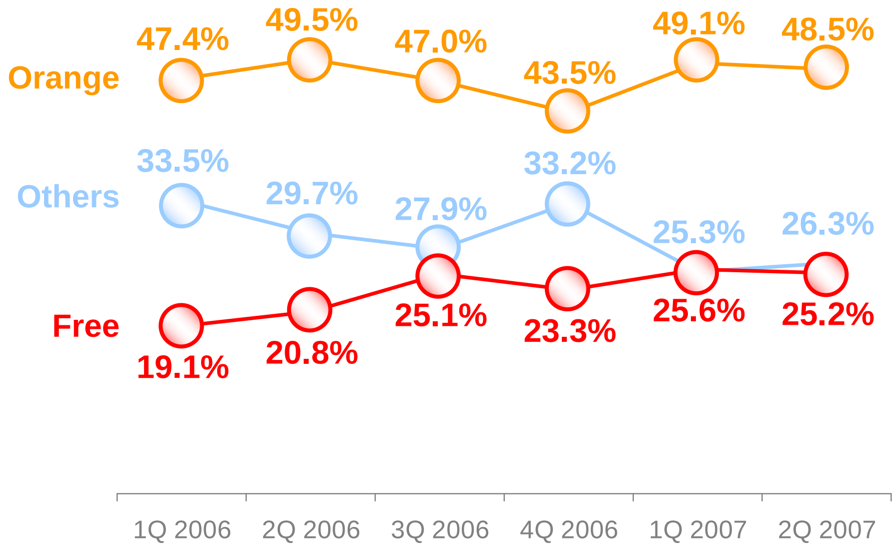
	December 2006	June 2007
ADSL Subscribers	2,278,000	2,626,000
Unbundled Subscribers	1,730,000	2,060,000
Unbundling Ratio	75.9%	78.4%
Broadband ARPU	€ 34.5	€ 35.0

Iliad Execution Focus

- **Continue to grow core ADSL business**
  - ➔ Organic growth champion in a consolidated market
    - Higher/quicker return per subscriber
  - ➔ 4,000,000 subscribers target by 2010
  - ➔ Over 85% unbundling rate long term
  - ➔ Innovation leadership to fuel ARPU / ensure low level of churn
- **Accelerate FTTH deployment**
  - ➔ Network architecture and technology confirmed
  - ➔ Key execution steps established through Paris first 5 NROs
  - ➔ Experienced execution team

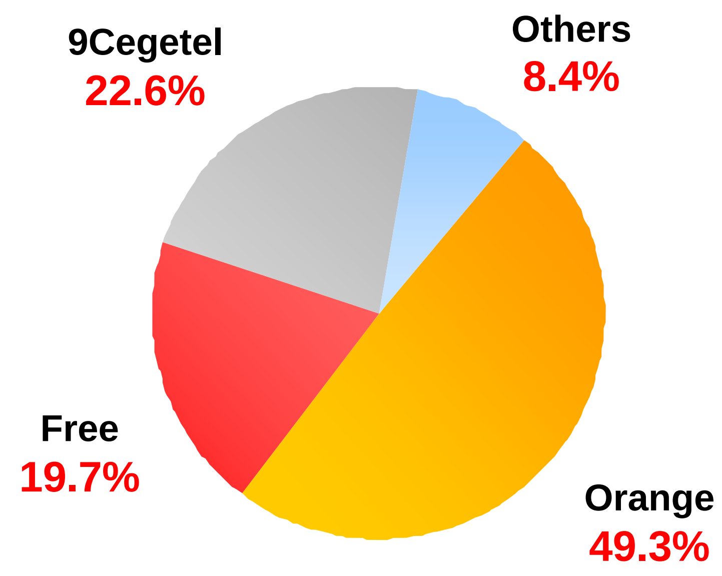
ADSL Market Overview

Quarterly Net Adds Market Shares



June 30, 2007 Market Shares

13.3 M. Subscribers



- **Free market share increased by 1.5 percentage point in 12 months**

Source: ARCEP and France Telecom for market share

Free ADSL Subscriber Base

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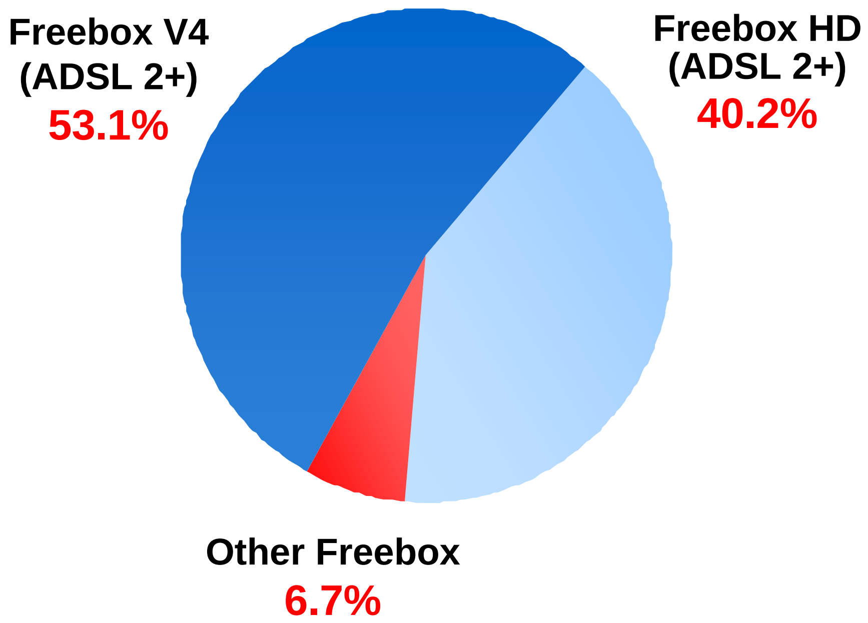
Freebox Type

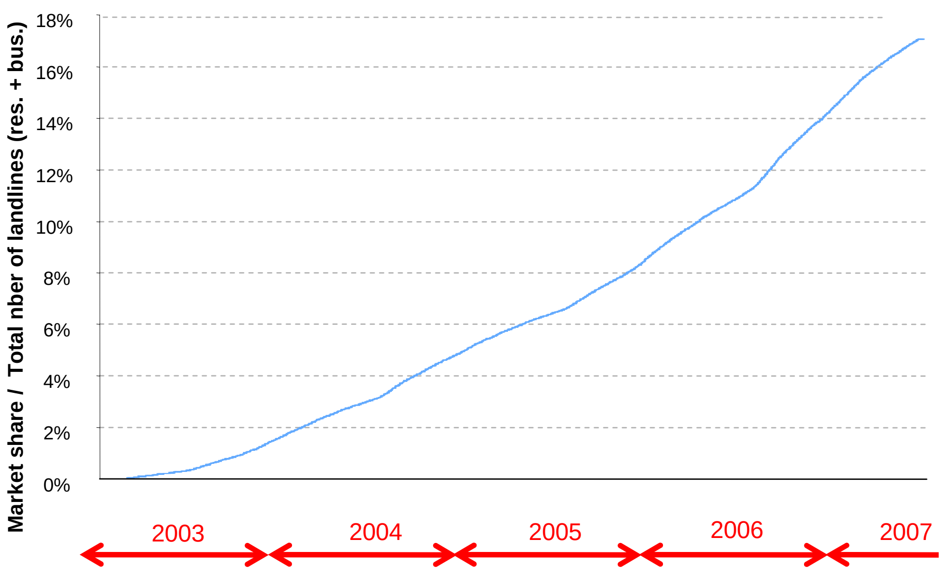


- **2,626,000 ADSL Subscribers**
- **100% subscribers equipped with Freebox and on € 29.99 package**
- **Growing number of subscribers leaving France Telecom :**
  - ➔ 51.4% of subscribers base fully unbundled vs. 44.0% in Dec. 06
  - ➔ 5.6% of subscribers base on IP Only (Naked ADSL) vs. 2.0% in Dec. 06

Why is Unbundling So Critical ?

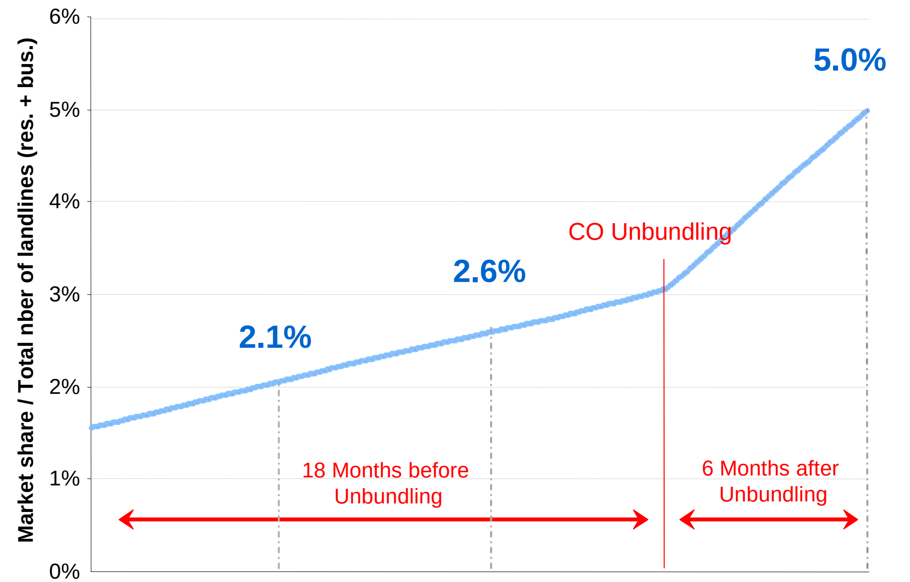
- Over 2 million unbundled subscribers at Free

Paris



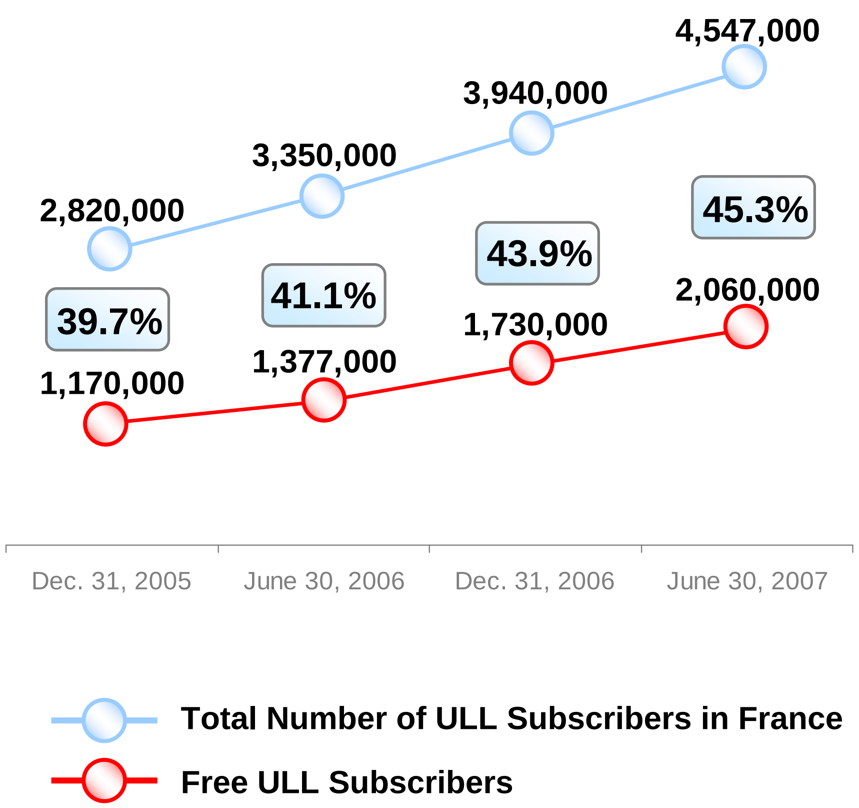
- First French city to be unbundled in 2003
- Uninterrupted growth since 2003
- Over 17% of total lines are unbundled as of June 30, 2007

Regions



- 160 COs unbundled in 2006
- Subscriber growth trend multiplied by 5 as soon as unbundling starts

Why is Unbundling So Critical ?



- **Unbundling started in early 2003**
- **As of July 31, 1,200 COs opened for ULL**
  - ➔ **2,200 COs targeted by end 2008**
- **2,800 DSLAMs installed**
  - ➔ **2.0 million subscribers for 2.3 million ports**
  - ➔ **Optimised DSLAM occupancy rate at 86%**

Freebox : The Ultimate Mediacenter

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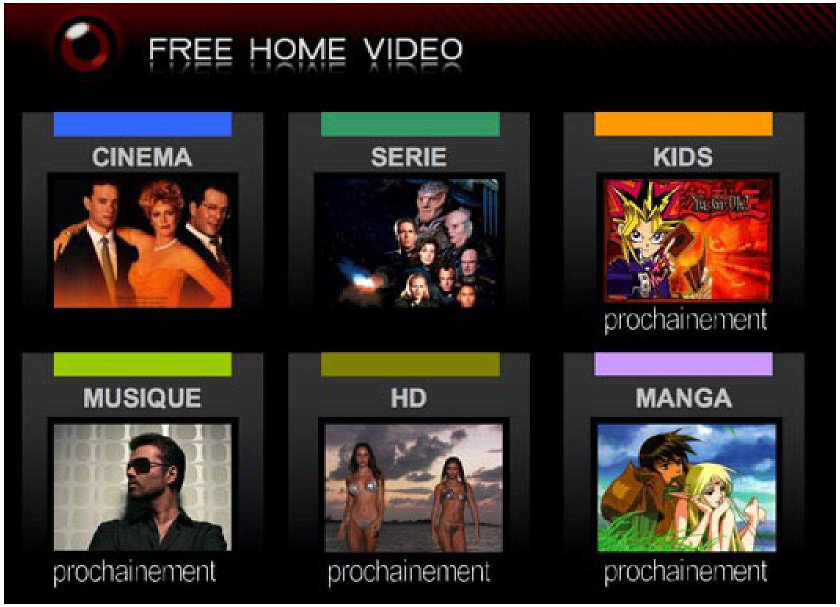
TV Perso Freebox

- Self-produced videos broadcast on TV
  - A world première
- 350 videos viewed more than 10,000 times
- Over 40,000 videos broadcasted at peak

Free Home Video



- € 5.99 a month
- 1st Subscription VOD Package in France for TV series and cinema
- Unlimited access 24/7 to more than 50 films an 100 TV series updated every week

Pre- And After-Sales Services

- **Freebox delivery agreement signed with UPS in May, 2007**
  - ➔ **Significant improvements for subscribers**
    - HD Freebox delivered in 24h to 48h
    - Online tracking available
  - ➔ **A cost effective delivery process**
    - Number of undelivered package divided by 10
- **Best Call Center Statistics on full unbundling :**

Average Call Waiting Time on Free Full ULL's Dedicated Hotline (min.) :

10AM	12PM	3PM	6PM	8PM
01:30	01:41	00:52	00:40	01:12

% of answered calls
100%

Source: DSL Valley survey for Hotline Statistics

FTTH : Overview

- **Strategic and technological choices confirmed**
  - ➔ Web 2.0, IPTV, HD TV
- **Significant advances in execution**
  - ➔ Strong position established in Paris
  - ➔ Service to open in Paris in September
  - ➔ Numerous turnkey contracts signed in the regions
- **Legal and regulatory landscape shifting**
  - ➔ Usage of FT and cable ducts
  - ➔ Vertical deployment sharing
- **CapEx structured to Iliad’s benefit**
  - ➔ Real estate purchased through 12 year leasing agreements
  - ➔ Turnkey agreements paid at delivery

FTTH : PtoP, the Right Choice

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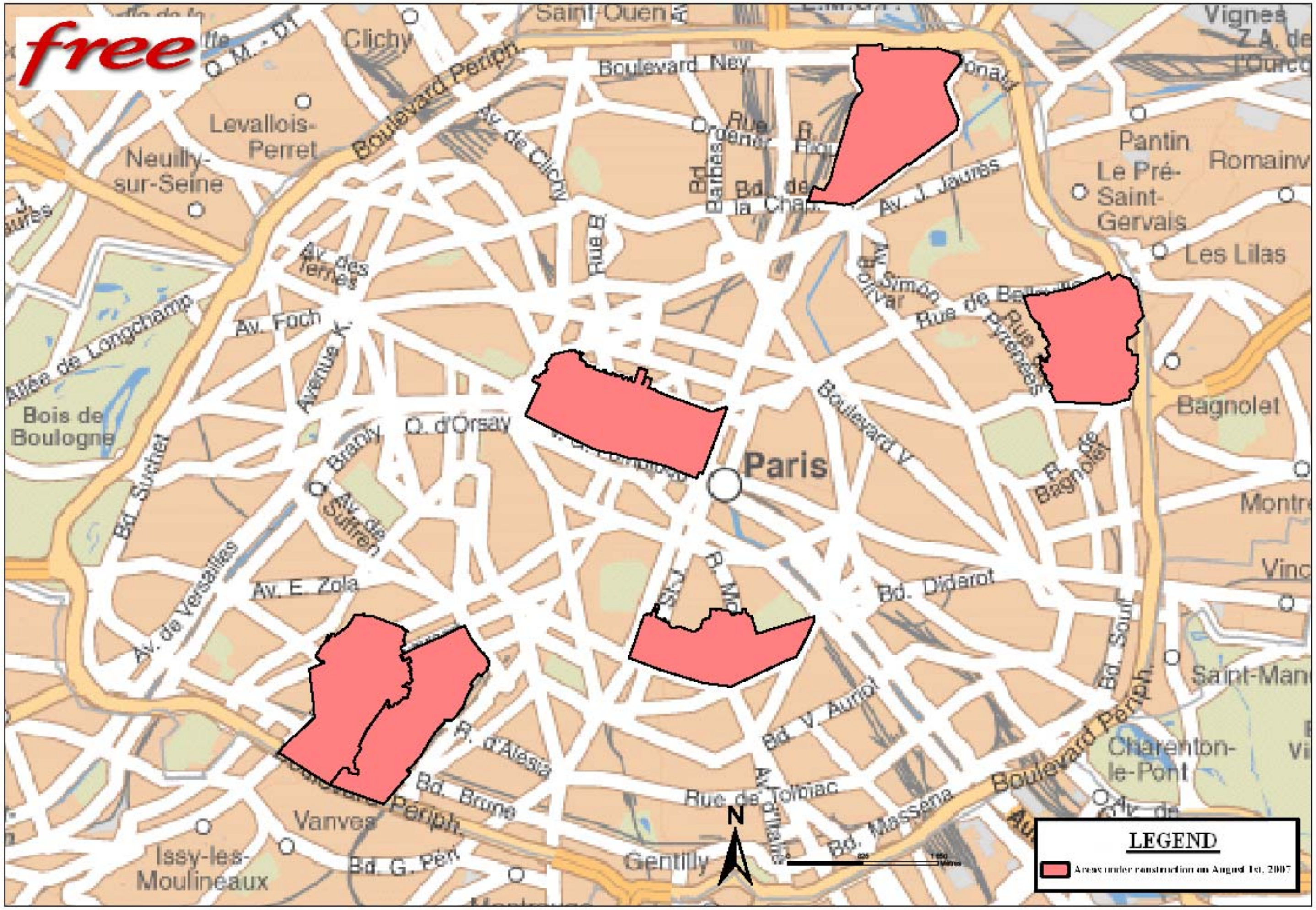
- **Key advantages of PtoP (Point to Point)**
  - → "Unlimited" bandwidth
  - → Perfectly suited to alternative operator with no legacy network
  - → Variable CapEx
  - → Perfectly suited to unbundling

- **Key drawbacks of GPON**
  - → Known bandwidth limitations
  - → Dictated by existing ducts architecture rather than intrinsic properties
  - → Fixed CapEx for one or many users
  - → Security issues embedded in shared infrastructure
  - → Additional CapEx needed for unbundling

FTTH : Network Deployment

- Leading alternative operator in FTTH deployment
- 34 NROs purchased or under promise
- Paris deployment moving forward according to plan
  - ➔ Horizontal roll-out under construction for 5 NROs in the following arrondissements :
    - 19th 28,000 homes passed
    - 20th 28,000 homes passed
    - 15th 61,000 homes passed
    - 5th 24,500 homes passed
    - 1st 22,000 homes passed
  - ➔ 163,000 homes passed horizontally by end 2007
- Roll-out starting for 3 additional NROs by Dec., 07 passing 78,000 homes horizontally
- Building management agreements to connect over 70,000 homes

FTTH : Network Deployment



FTTH : Network Deployment

- **Turnkey agreements signed outside Paris**
  - ➔ **260,000 homes targeted**
  - ➔ **Delivery over 24 to 36 months**

- **Over € 100 million CapEx committed as of August 30, 2007**
  - ➔ **Turnkey agreements payment terms on delivery**
  - ➔ **CapEx cycle longer in civil engineering projects**

- **~€ 1,500 CapEx per existing subscriber confirmed in Paris**
  - ➔ **All fixed CapEx assumed to be born by existing subscribers**

FTTH : Retail and Wholesale Offer

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Retail Offer

- **€ 29.99 per month**
  - ➔ 100 Mbps download
  - ➔ 50 Mbps upload
  - ➔ 2 TV box included
  - ➔ All ADSL functionalities included

Wholesale Offer

- **A universal offer**
  - ➔ Open to all network architecture (PtoP, GPON)
  - ➔ Technical features released to ARCEP
- **An attractive and cost effective pricing:**
  - ➔ € 15 / per month / per access

Mobile : Process and Rationale

- **Iliad submitted an application for the 4th mobile license on July 30, 2007**
  - ➔ Only company to have submitted a bid
  - ➔ Selection phase ends February, 2008
  - ➔ Government authorization by March, 2008
  - ➔ Option to pull out until end of process
- **Rationale for submitting a bid**
  - ➔ Size of mobile market
  - ➔ Margin level of existing operators
  - ➔ Synergies with brand, backhaul and subscriber base
- **Conditions for success**
  - ➔ Deferred annual payment of license fee
  - ➔ Access to 900Mhz, especially for coverage of rural areas
  - ➔ Roaming and site sharing agreement
- **802.16^{E} WiMax field trial to be conducted by year end**

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Financials

Record EBITDA Margin

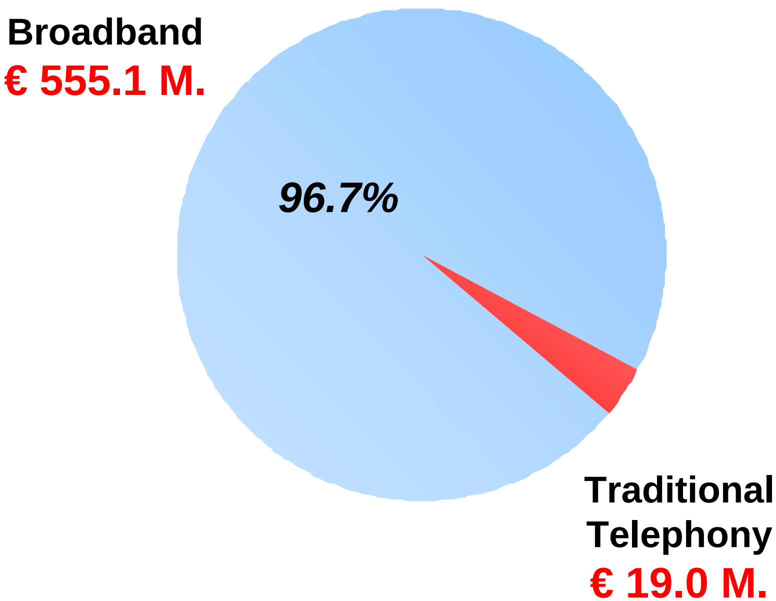
In € million

	1H2007	1H2006 PF[(1)]	VAR.
Revenues	574.1	439.1	30.7%
EBITDA	**205.6**	**150.5**	**36.6%**
EBITDA Margin	35.8%	34.3%	-
EBIT	**101.4**	**87.2**	**16.3%**
Net Income before Disc. Operations	**65.0**	**56.9**	**14.2%**
Profit from Disc. Ops	13.9	1.7	-
Net Income	**78.9**	**58.6**	**34.6%**

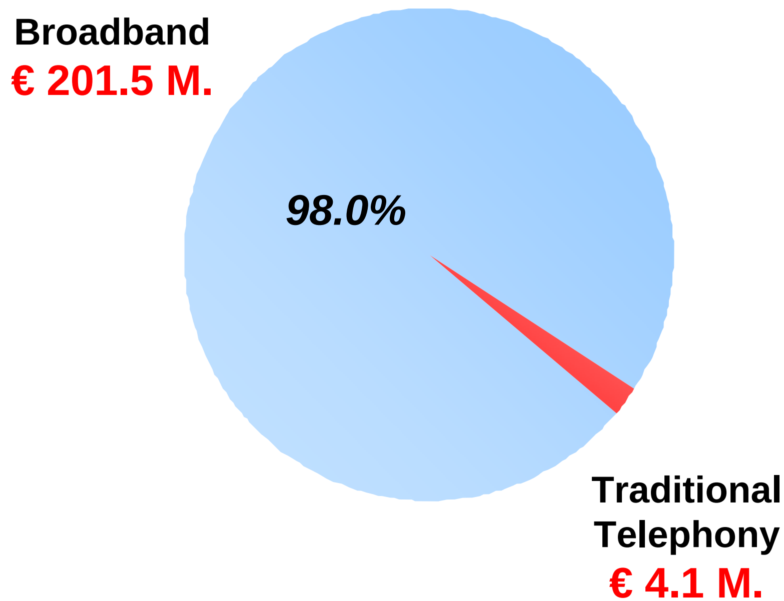
(1) Pro Forma excluding Société SA and Kertel SA

Pure Play in Mass-Market Broadband

Revenues



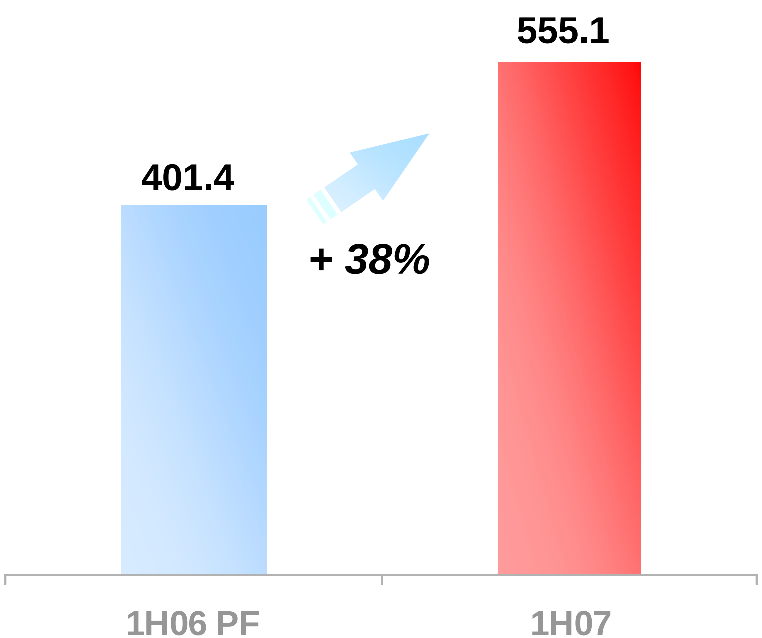
EBITDA



Broadband :
Revenues and ARPU Growth

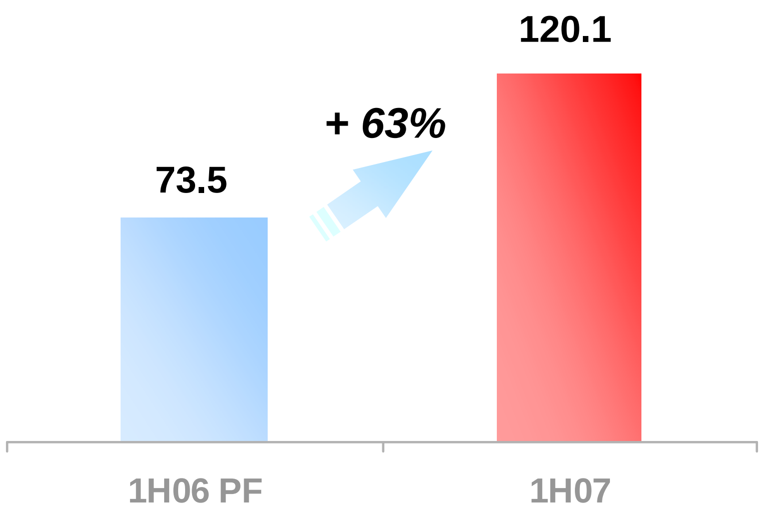
In € million

Revenues[1]



Value Added Services Revenues

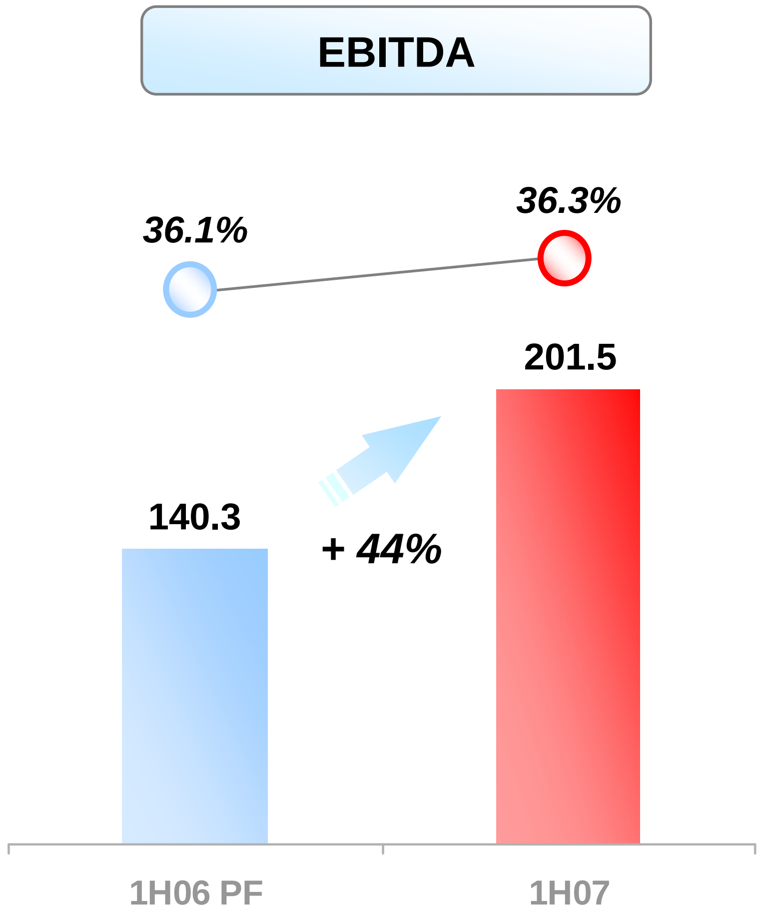
- Broadband ARPU at € 35.0 in 2Q07
- VAS revenues at 21.6% of BB revenues vs. 19.4% in 2006



(1) Excluding intersegment

Broadband : Highest EBITDA Margin for a Fixed Line Operator

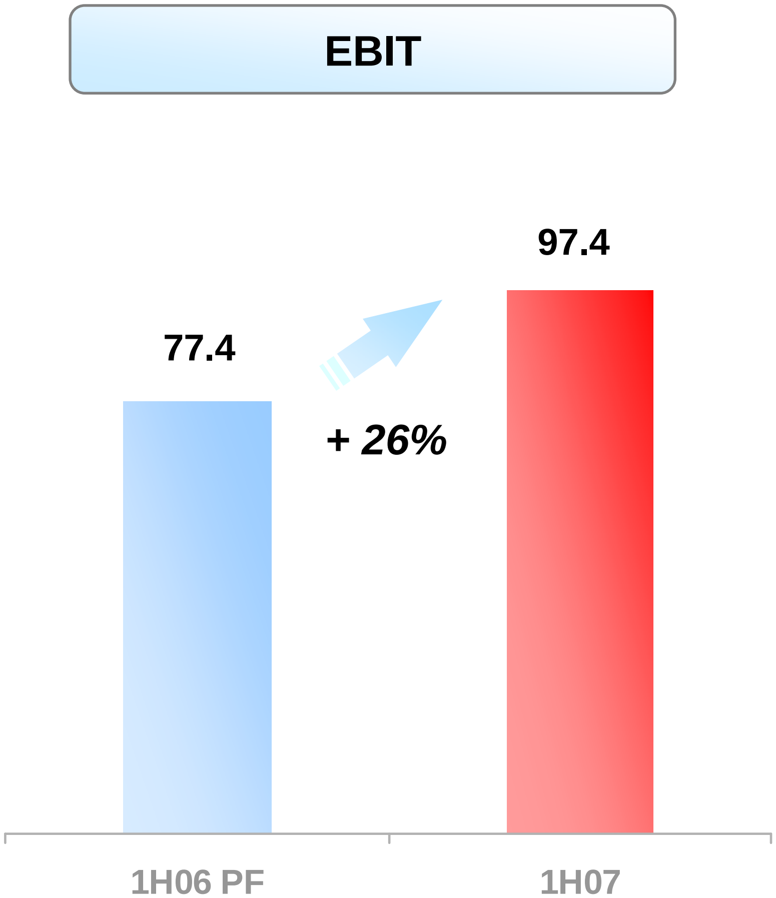
In € million



- **BB Gross margin at 43.5% vs. 43.4% in 2006**
  - ➔ € 20 gross margin commitment intact for the future
  - ➔ Slight Impact of subscriber base migration to Full ULL and IP Only
  - ➔ New ULL subscribers converted through LFOs (rental) rather than IRUs (CapEx)
- **Marketing expenses up 42% year on year**
  - ➔ Gross marketing acquisition costs stable at € 50 per sub. in 1H2007
- **Personnel costs stable at 4.1% of revenues**
  - ➔ Call centre growth in Morocco exclusively

Broadband : EBIT up 26%

In € million



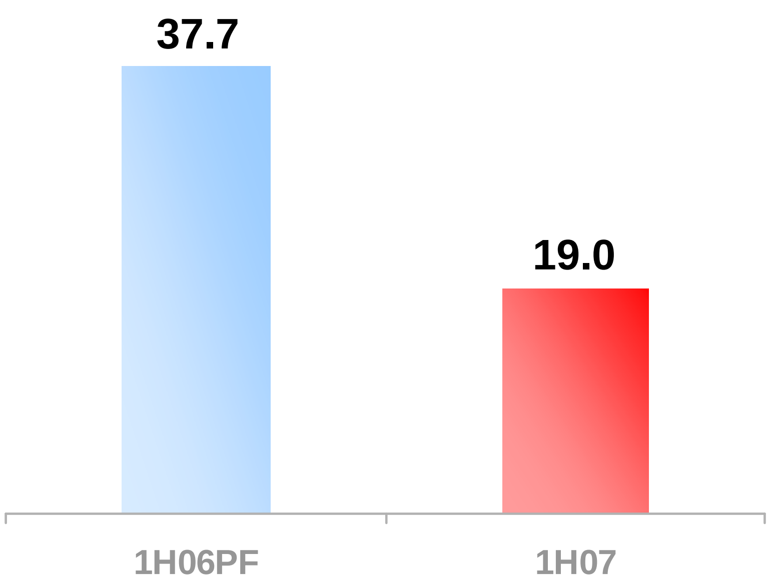
- **Depreciation charges at € 104 million vs. € 63 million in 1H2006**
- **First exercise with full impact of Freebox HD introduced in April 2006**
  - ➔ 3-year depreciation schedule
  - ➔ Equipment Cost per sub. at € 210 (incl. DSLAM) vs. € 100 in 1H2006
- **Freebox HD production in China and Eastern Europe**
  - ➔ € 30 estimated savings per unit (at 1.3 USD/Eur exchange rate)
  - ➔ 80% of production to be delocalized
  - ➔ WCR improvement

Traditional Telephony : Declining but Still Profitable

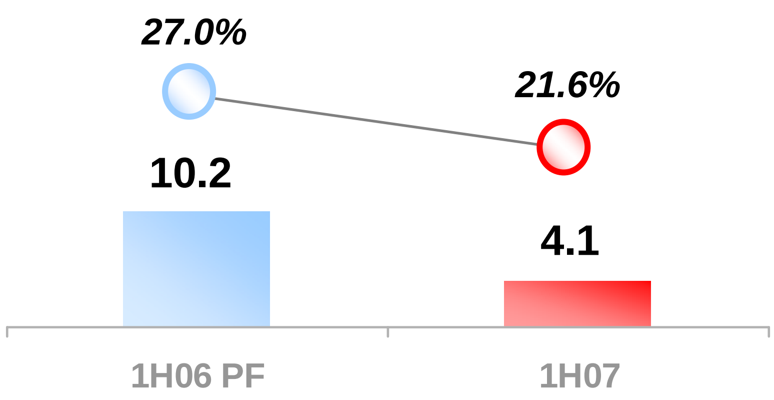
In € million

Revenues[1]

- Kertel sold in February 2007
- Kedra winding down



EBITDA

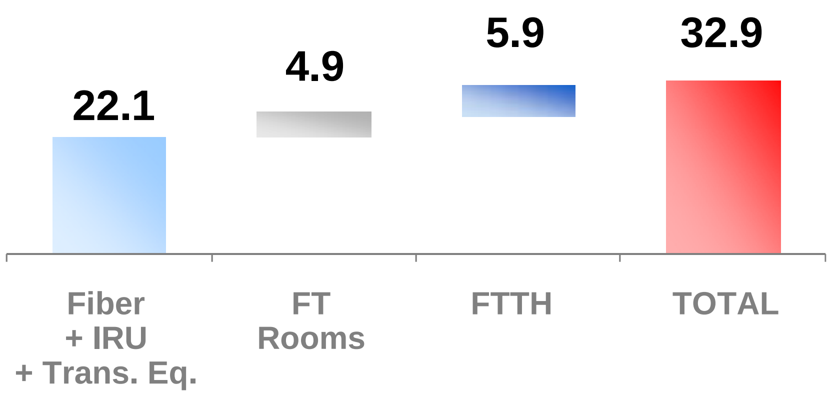


(1) Excluding intersegment

1H2007 CAPEX Breakdown

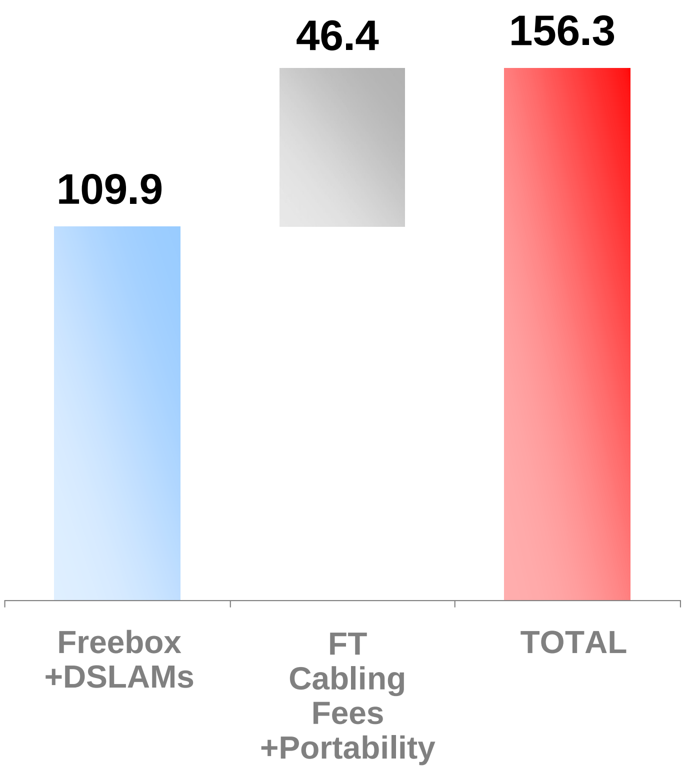
In € million

Network CAPEX



Growth and Subscriber Base CAPEX

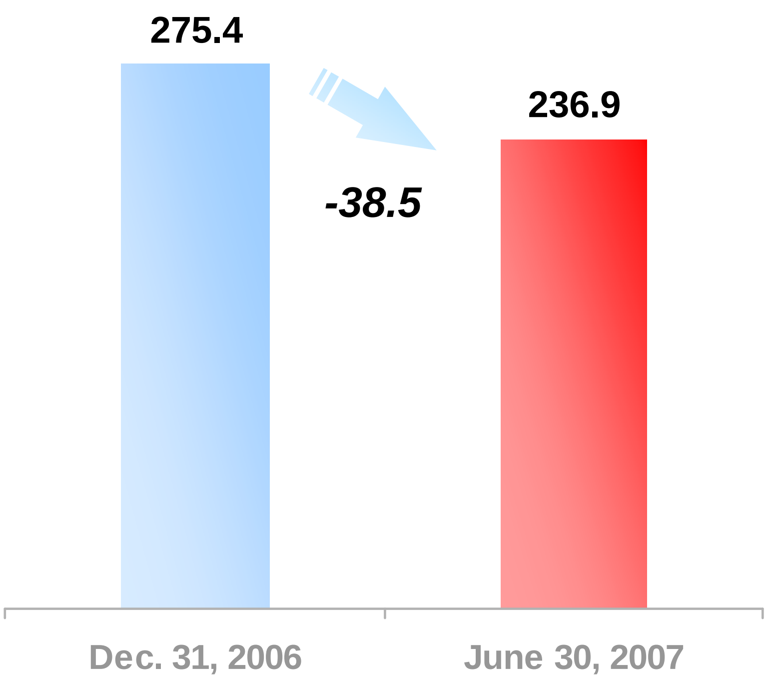
- **Record ADSL net adds in 1H2007**
- **Subscriber base movements implies additional FT cabling fees**



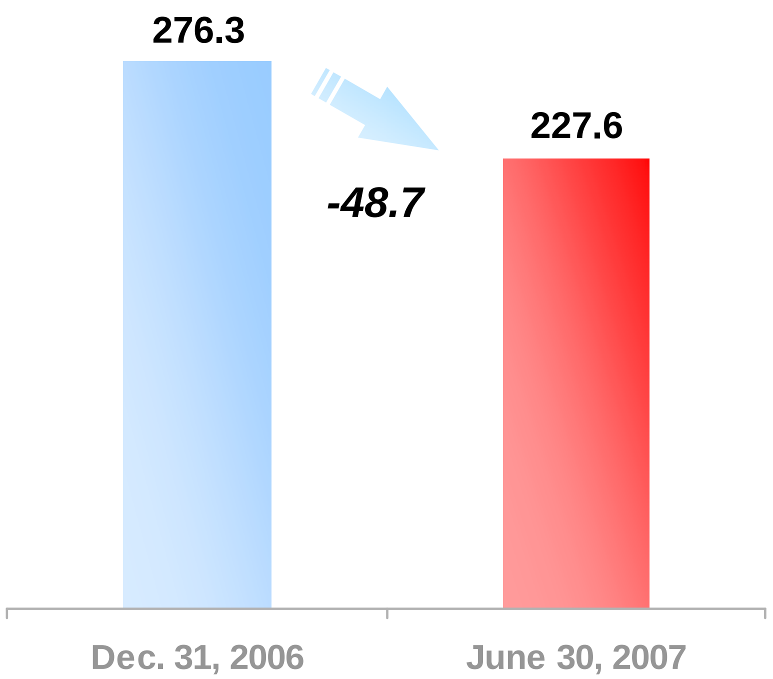
1H2007 Balance Sheet : Payment to Suppliers Accelerated

In € million

Trade Payables

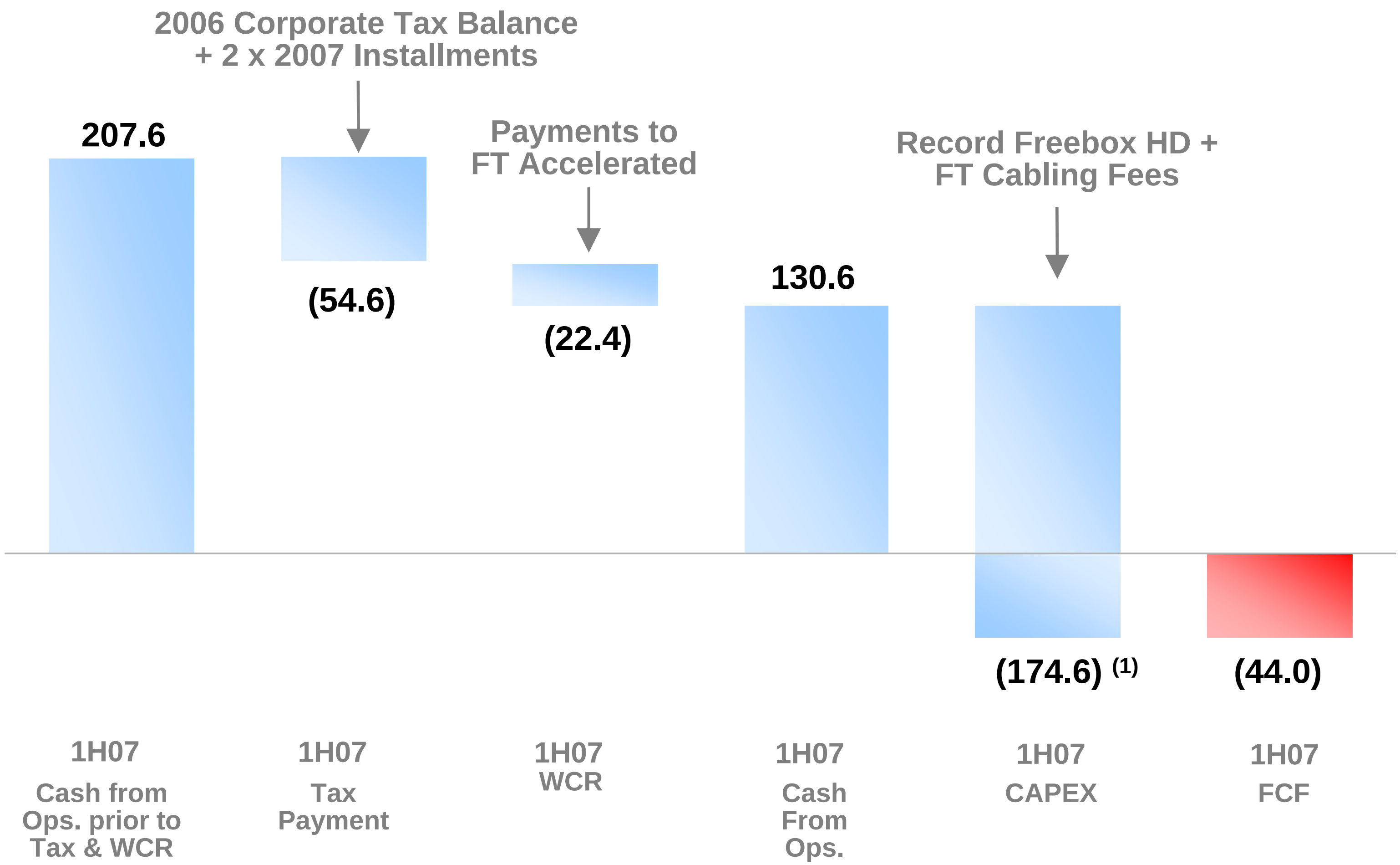


Net Cash Position



1H2007 Free Cash Flow : Impacted by Record Subscriber Growth and WCR

In € million



(1) Net of asset disposals

Outlook

Over 2.8 million Broadband subscribers by end 2007

80% unbundled subscribers by end 2007

€ 20 average gross margin per ULL subscriber

Lead PtoP FTTH deployment amongst AltNets

Structurally longer FTTH CapEx cycle

Pursue development strategy with shareholders and management interests perfectly aligned

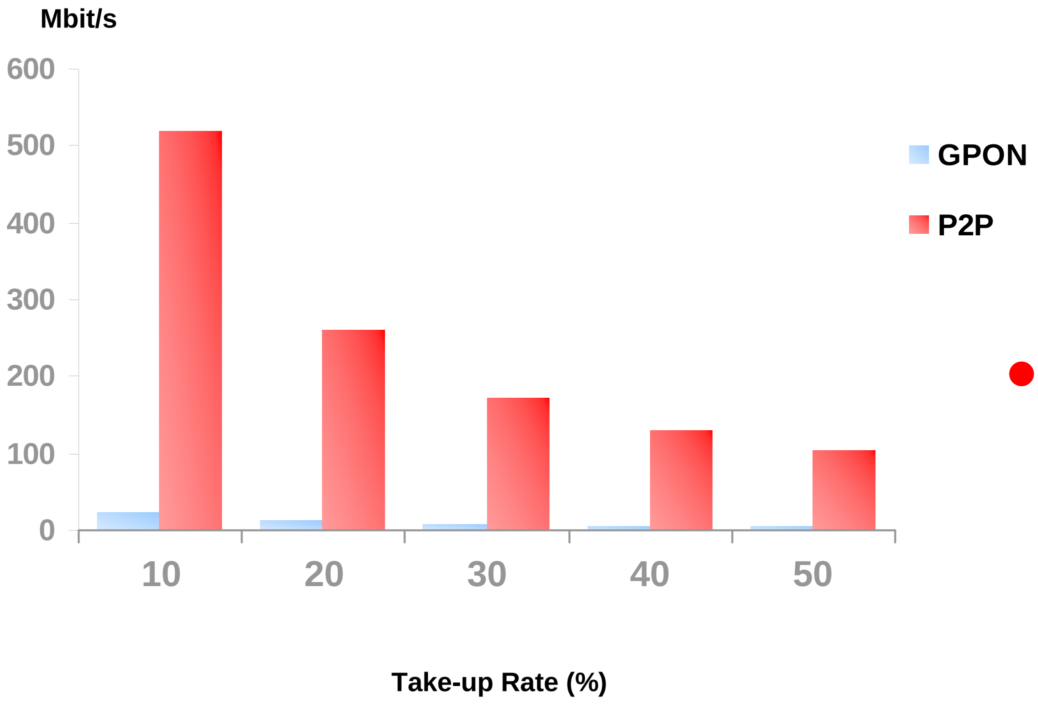
Appendix 1 : PtoP, the Right Choice

Extract from France Telecom - FTTH pilot to pre-rollout Presentation

	Point-to-point	GPON	On balance	Iliad P To P
Duct Occupancy for 20,000 Customers	28 cables of 25 mm diameter, with 720 optical fibers each	3 cables of 13.5 mm diameter, with 144 optical fibers each	Duct occupancy divided by 32 with GPON	No existing ducts Civil engineering is technology neutral
Central Office Requirements for 16,000 Customers	32,000 fibers, 24 fiber racks and 24 HW racks, covering 180 m2 And requiring 67K Watts	508 fibers, 1 fiber rack and 2 HW racks, covering 11.25 m2 and requiring 4.8K Watts	64 less fibers to manage, floor space divided by 16 and power usage divided by 14 with GPON	1 fiber per subscriber 16,000 fiber, 6 fiber racks 4 HW racks at 30% capacity, € 0.5 electricity per month vs. € 0.25
Bandwidth per Subscriber	no foreseeable limit	no foreseeable limit	same	No foreseeable limit on PtoP vs. known limit in GPON (see next slide)
Potential for Wholesale	both active and passive offers are possible	both active and passive offers are possible	same	Unbundling at no additional CapEx on PtoP only

Source : Alcatel

Appendix 2 : FTTH Bandwidth per Subscriber



- **No foreseeable limit with P2P**
  - ➔ Current technology offers unlimited bandwidth up to 1Gbit/s
  - ➔ Enables differentiated bandwidth per subscriber
  - ➔ A future proof technology
- **Known limits with GPON**
  - ➔ 2 congestion points in a GPON architecture (network interface and splitter)
  - ➔ A 100 Mbit/s symmetric offer limit the take-up rate at 2.5%
  - ➔ Network upgrades are CapEx intensive