

iliad



Santander Telecom Conference

June 19th, 2008

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Key Performance Indicators



	2005	2006	2007	1Q 2008
ADSL Subscribers	1,595,000	2,278,000	2,904,000	3,041,000
Unbundling ratio	70.2%	75.9%	81.5%	ND
ARPU (end of the period)	€32.2	€34.5	€36.3	€36.2
% Subscribers using Free as Sole Telecom Provider	22%	46%	64%	ND
Churn	= 1% / month	< 1% / month	<< 1% / month	ND

* Full Unbundling + IP Only (naked ADSL)

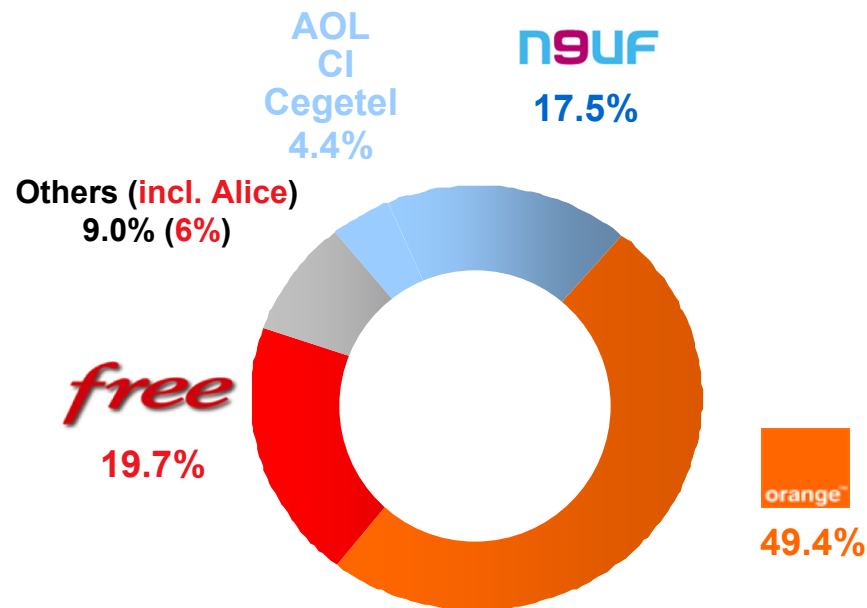
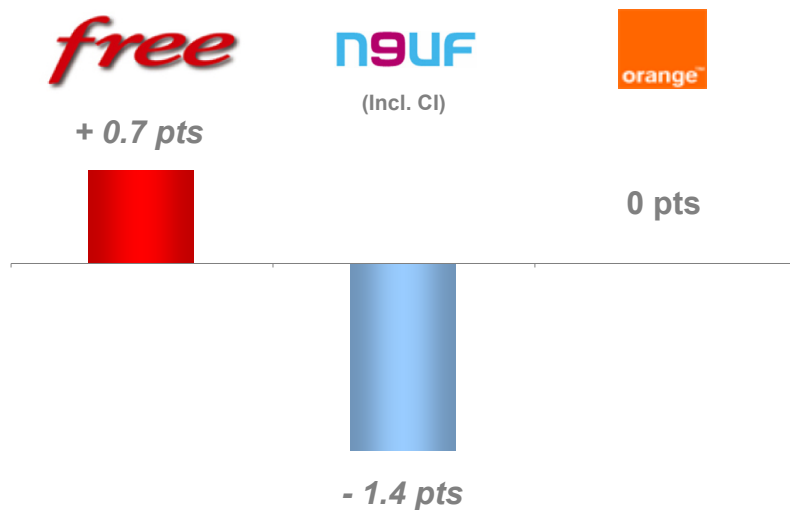
Free: The Only Player that Benefits From Market Consolidation

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Dec. 07 vs. Dec. 06
Market Shares Evolution

Dec. 31, 2007
Market Shares

14.7 M. Subscribers

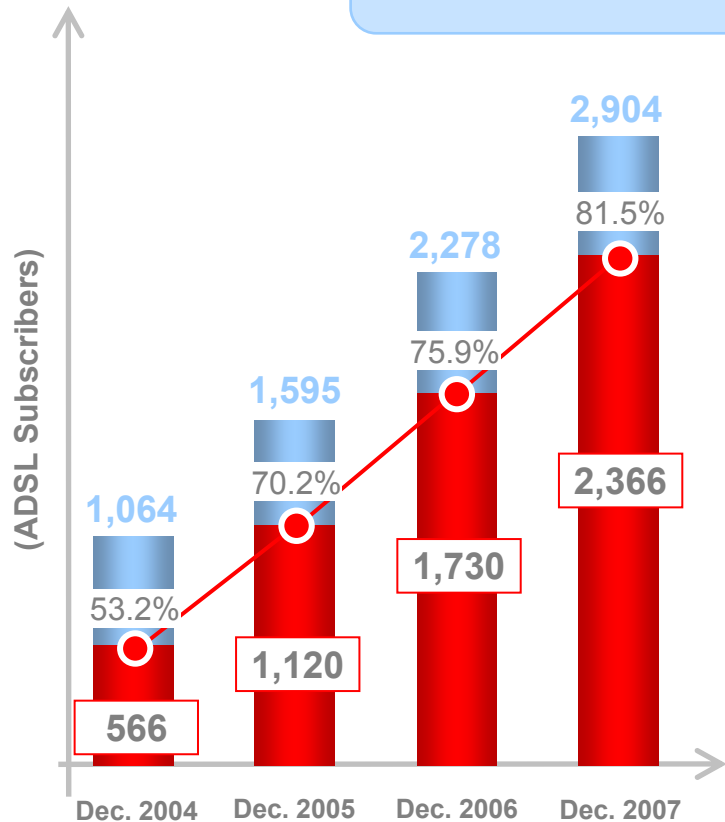


Growth Fuelled by Unbundling

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In thousand subs

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



■ ADSL Subscribers

● Unbundled Subscribers (Partial and Full ULL) in %

■ Unbundled Subscribers (Partial and Full ULL)

- 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

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)

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

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 400,000 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

Revenues

- Revenues over €1,2 bn at end 07, up +30%
- VAS Revenues at 24% of BB Revenues at end March 08

Ebitda Margin

- Record Ebitda Margin at 36.9% at end 07 (vs. 35.7% in 06)
- Highest Ebitda Margin of the industry

Balance Sheet

- An ungeared Balance Sheet
- FTTH CapEx plan fully financed by ADSL Cash Flows
- Quick pay-back of Alice's debt (Tax Savings)

- **Iliad will become the 1st Alternative Operator in France**
 - Around 4 million subscribers at closing
 - A market share close to 26%
- **No premium paid for this strategic asset**
- **Improving the economics of:**
 - FTTH investment plan
 - Content agreements
 - Mobile



Subject to the outcome of the consultation process with the employee representatives and other necessary approvals



Enhancing Iliad strategic positioning

Revenues

- ARPU Enhancement
- Increasing VAS take-up

Costs

- Increasing the unbundling ratio of Alice subscriber base
- Drastic cut of marketing expenses
- Streamlining of Alice network and related costs

Tax

- Iliad currently pays taxes at full corporate rate (34.3%)
- Substantial tax losses carried-forward within Liberty Surf Group
- Immediate use of tax losses by Iliad

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 **Appendices – 2007 Financials**

A Record Year for Iliad



In € million

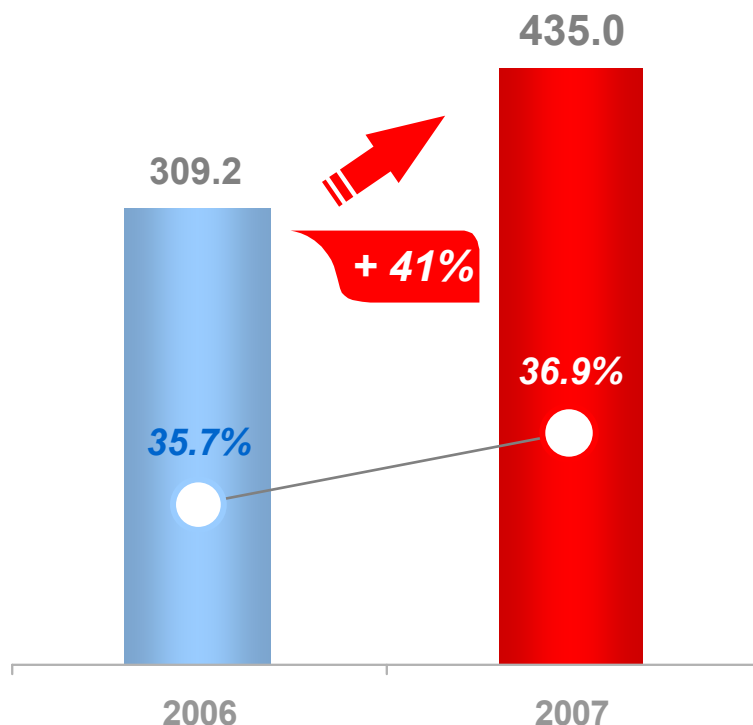
	FY 2006	FY 2007	VAR.
Revenues	935.1	1 212,4	+29.7%
EBITDA	328.5	443.6	+35.0%
EBITDA Margin	35.1%	36.6%	
EBIT	180.5	213.8	+20.4%
EBIT Margin	19.5%	17.6%	
Net Income	120.6	150.2	+24.4%
Proposed Dividend	€0.27	€0.31	+14.8%

Broadband: 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:

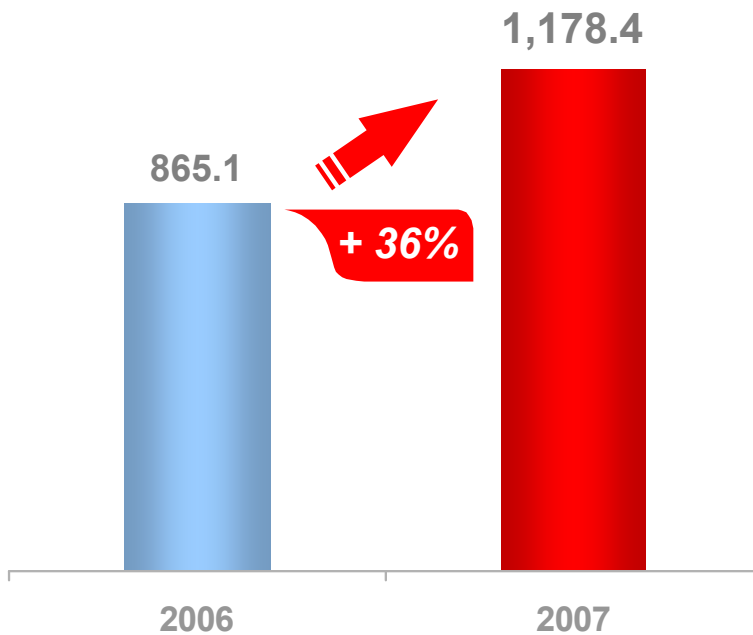
- + Unbundling ratio: from 81.5% to 84%
- + Positive effect of 2007 operational measures
- + Leverage on Fixed Cost Base
- LFO impact
- Implementation of the COSIP Tax

Broadband Revenues



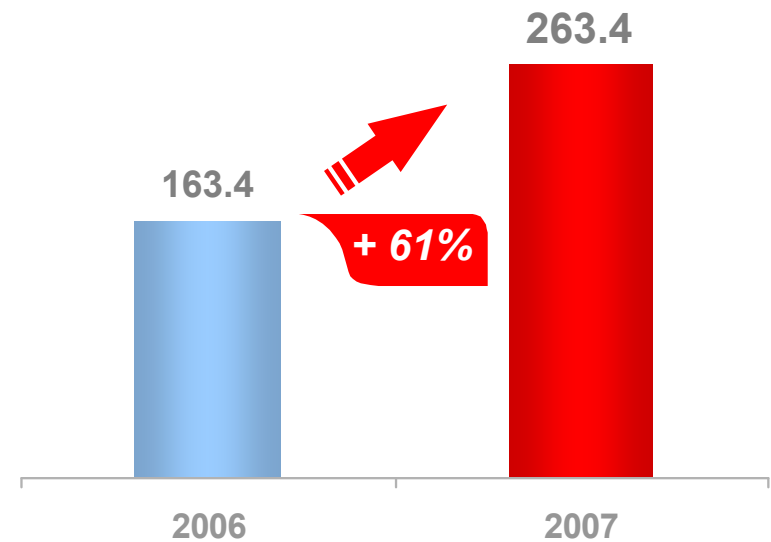
In € million

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

- **€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



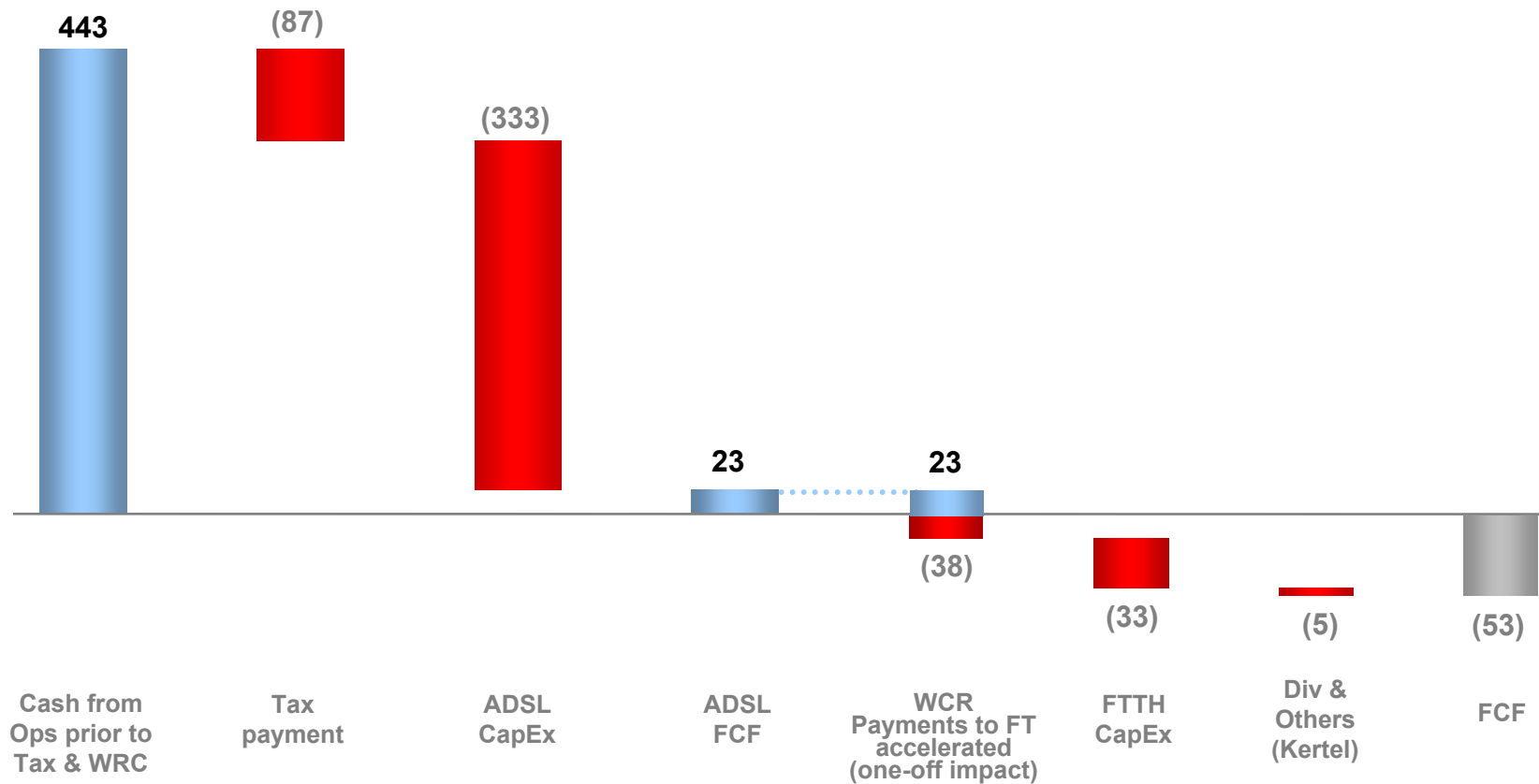
2008 / 2009 CapEx between €300M - €400M

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



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