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Morgan Stanley Conference

November 20th, 2008

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Targets & Combined KPIs

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Targets

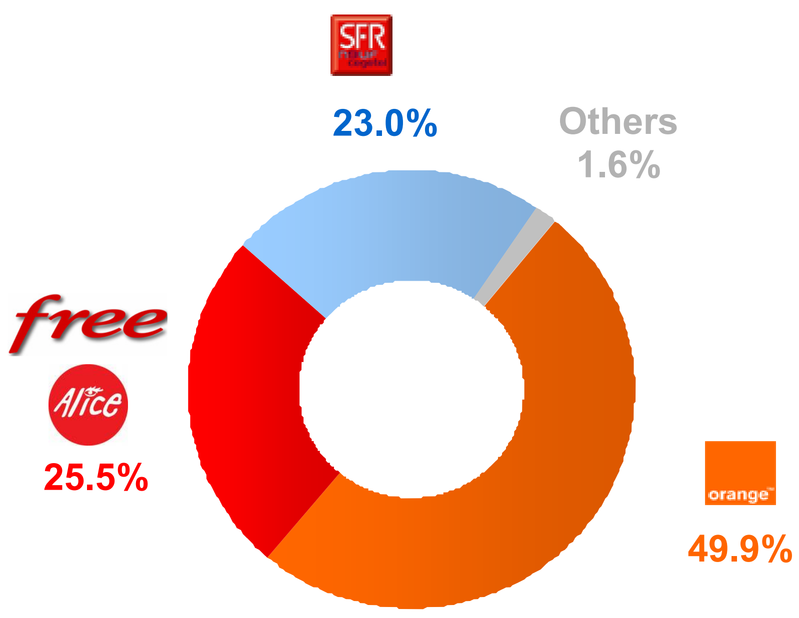
- Remain the 1st Alternative on the French broadband market
- Invest in FTTH
- Quick integration of Alice
- Address the mobile market

	Alice estimates	+	Free Sept. 08	=	Iliad Sept. 08
Active ADSL Subs.	850,000		3,275,000		4,125,000
Market Share	5.3%		20.2%		25.5%
ARPU (end of the period)	ca. €27.0		€36.4		€34.5
Unbundling ratio	45.8%		84.2%		76.4%

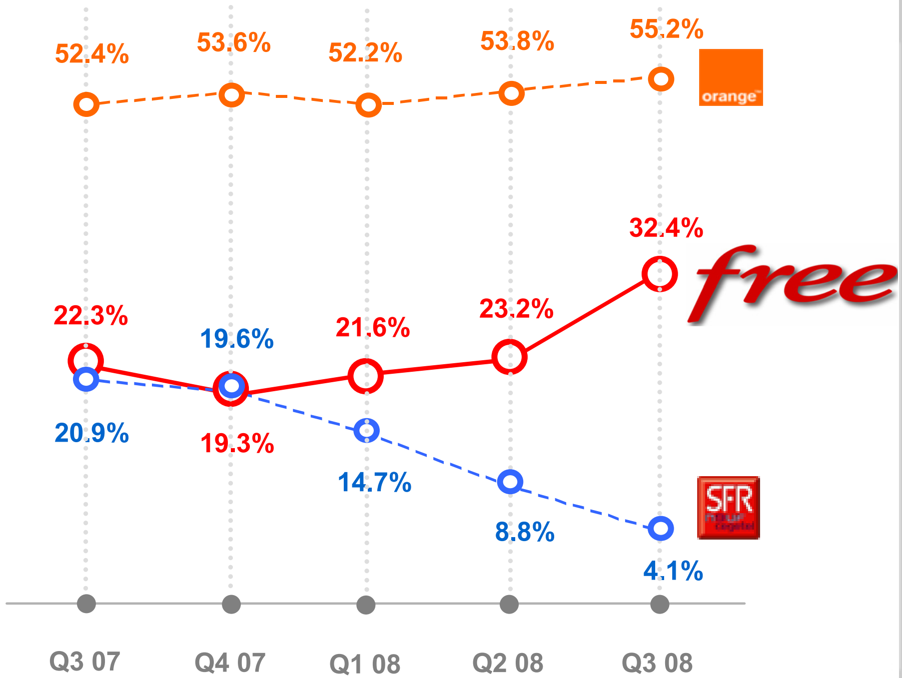
Free Gains from Market Consolidation

Sep. 30, 2008 Market Shares

16.2 M. ADSL Subscribers



Quarterly Net Adds Market Shares



Source: ARCEP & France Telecom for ADSL market data

Free: More than an Access Provider !

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Leading HD Experience

Films / Series

Channels

Major Sporting Events

A Strong Partnership

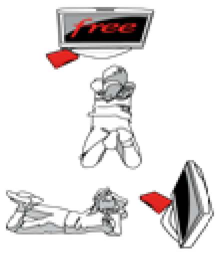
CANAL+ à la demande

- Launch of the 1st Catch Up TV Service in France

CANALSAT

- €10 / month during the first year (vs. €20.90)

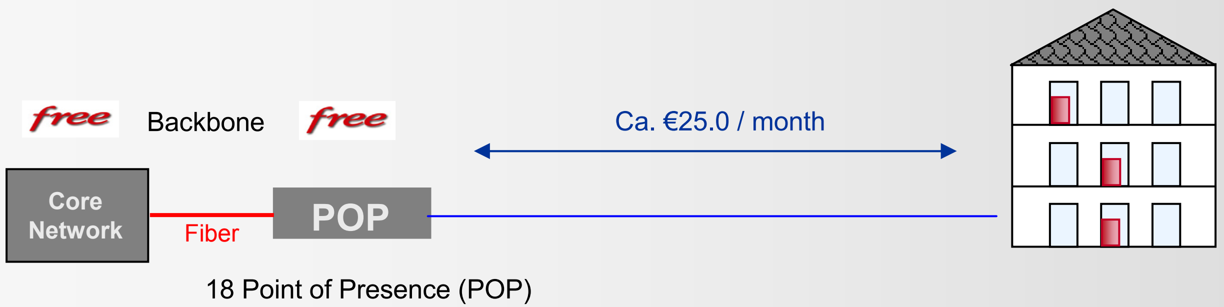
Multi-TV Sets



- Launched in Sep. 2008
- Basic offer at €4.99 / month
- Premium offer (incl. PVR) at €9.99 / month

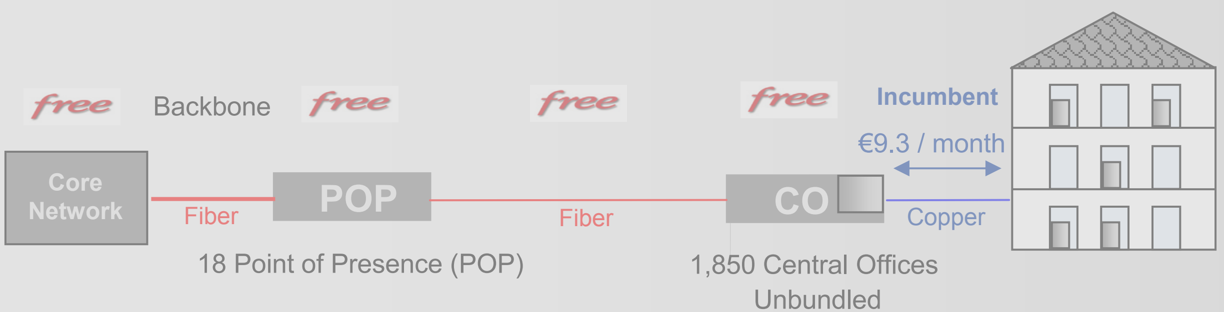
VAS account for more than 25% of Broadband Revenues

Yesterday Wholesale, Today Unbundling and Tomorrow FTTH



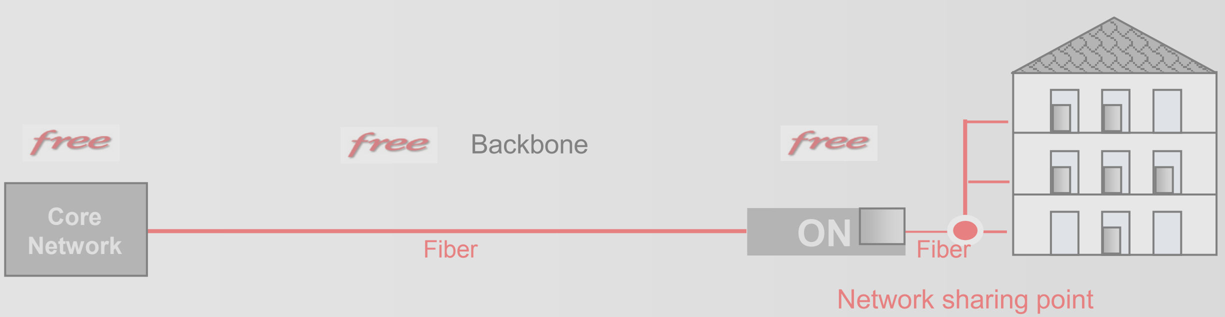
FT Wholesale

- FT rental Fee: € 13.5 - €21.0
- IP Transit : €5.0 - €7.0
- Gross margin of ca. 5%



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

Yesterday Wholesale, Today Unbundling and Tomorrow FTTH

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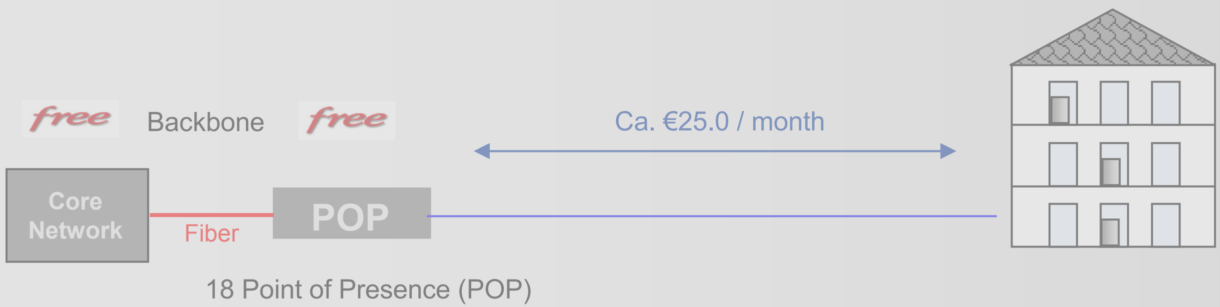

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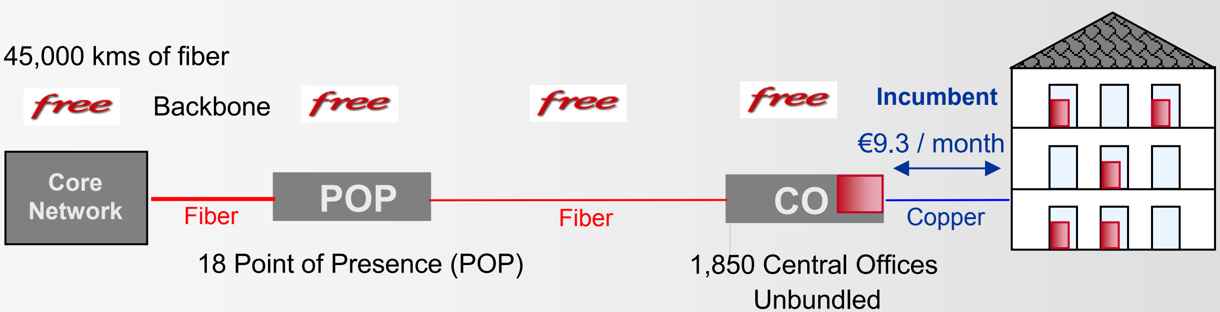

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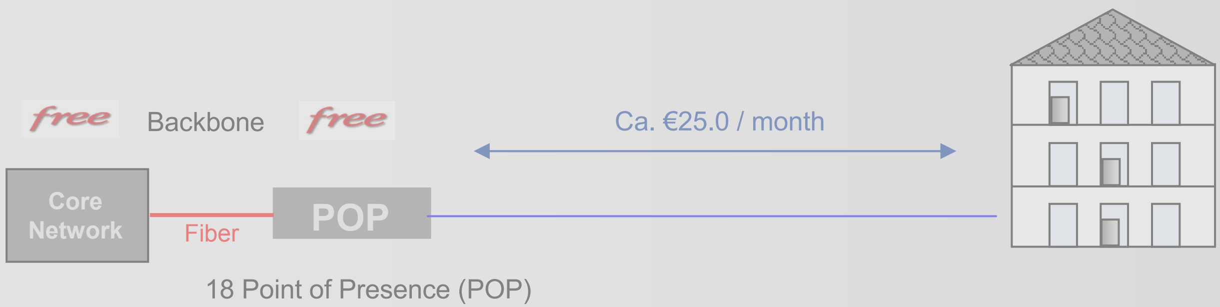

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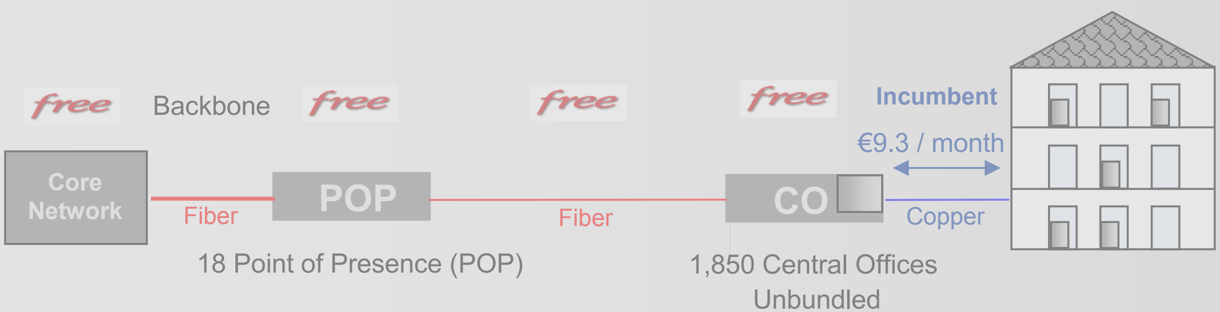

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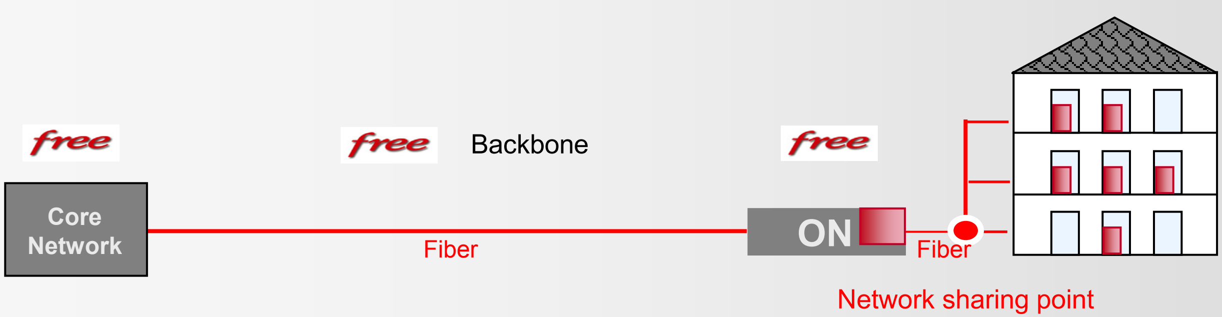

FTTH

- **Gross margin of ca. 85%**

Freebox DSLAM
Freebox set-top box

Focus on FTTH

Regulatory Framework in Progress

- **FTTH law passed**
  - ➔ Create a right to fiber
  - ➔ Regulate vertical roll-out
    - Vertical deployment mutualized
    - Network sharing on Public Domain
  - ➔ Ease buildings' access
- **Ducts**
  - ➔ France Telecom second ducts offer under review.
  - ➔ Technicalities agreed / Compatible with P2P technology
  - ➔ Pricing and operational process to be improved

FTTH Program 'on track'

- **Free FTTH Offer is becoming a reality**
  - ➔ Paris: FTTH offer available for some buildings in Paris
  - ➔ Outside Paris: Service opened in various areas of Montpellier
- **Investment Program confirmed**
  - ➔ A total CapEx plan of €1 bn by 2012
  - ➔ 70% of Paris covered horizontally by 2H 2009
  - ➔ €1,500 per existing subscribers confirmed

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Alice

Rationales to Buy Alice

- **Acquisition completed on August 26th**
- **Iliad will become the 1st Alternative Operator in France**
  - ➔ 850,000 active subscribers for Alice as of Sep. 30th, 2008
  - ➔ A market share close of 25.5%
- **No premium paid for this strategic asset**
  - ➔ Price paid : €760 M (debt free / cash free)
    - €350 M: Tax asset
    - €410 M: Subscriber base
  - ➔ Submitted to significant downward adjustment clauses
- **Improving the economics of :**
  - ➔ FTTH investment plan
  - ➔ Content agreements
  - ➔ Mobile

Enhancing Iliad's strategic positioning

Summary of Synergies

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Revenues

- **ARPU Enhancement**
  - ➔ Alice's ARPU at ca. €27.0 in 1H 2008
  - ➔ Rationalization of commercial offers
- **Increasing VAS take-up**

Profitability

- **Increasing the unbundling ratio of Alice subscriber base**
- **Streamlining of Alice network and related cost**
  - ➔ Marketing expenses cut
  - ➔ Network: 700 Central Offices redundant
  - ➔ Rationalization of IT and G&A

Tax-shield

- **Substantial tax losses carried-forward within Liberty Surf Group (estimated value of ca. €350 M)**
- **Immediate use of tax losses by Iliad reducing tax charges**

Alice ARPU over €30 in Q4 2008
Targeting a yearly incremental EBITDA of €90 M as of 2H 2010

Financials

Strong Financial KPIs

In € million

	FY 2006	FY 2007	1H 2008	VAR. 1H 08 / 07
Revenues	935.1	1 212.4	692.2	+20.6%
EBITDA	**328.5**	**443.6**	**256.9**	**+24.4%**
EBITDA Margin	*35.1%*	*36.6%*	*37.1%*	
EBIT	**180.5**	**213.8**	**128.0**	**+26.2%**
Net Income	**120.6**	**150.2**	**82.9**	**+27.5%**
ADSL FCF	(5.3)	23.0	74.7	

Gearing Balance Sheet for Alice

- **Alice's acquisition financed 100% by banks debt**
- **New Facilities of €1.2 bn**
  - ➔ 12 banks
  - ➔ Financing Alice acquisition
  - ➔ Refinancing of existing Facilities
- **Opening leverage of 2x EBITDA**
- **Strong deleveraging: Targeting 1x EBITDA in 2010**
  - ➔ Tax shield
  - ➔ Synergies

Mobile

- **Iliad confirms its will to become the 4th Mobile Operator**
  - ➔ Uncompetitive market with only 3 players
  - ➔ Strong assets that can be redeployed
  - ➔ Drop in Mobile Termination Rates (MTRs)
  - ➔ Low break-even point
  - ➔ Unlimited offers jeopardize MVNO's positioning
- **ARCEP is in favor of a 4th player**
  - ➔ Cutting up the license into several blocks of frequencies
    - 1 blocks of 5 Mhz put to tender to all players
    - 2 blocks of 5 Mhz allotted to new entrants
- **Next steps**
  - ➔ Decision to reset a new tender has to be taken by Government
  - ➔ Attribution of the 4th License / blocks unlikely before mid-2009

2008 Outlook without Alice

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3.25 million subscribers by end 2008 (excluding Alice)
& 5 million by end 2011 (including Alice)

84% unbundled subscribers by end 2008

> €20 average gross margin per ULL subscriber

FCF significantly higher than €100 M on ADSL activity in 2008

FTTH: 70% Paris covered horizontally over 2H 2009

Strengthen Iliad's Unique Position in French Telecom Market

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Q&A

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Appendice 1 : Free's Offer: € 29.99
The 'Best-Value for money'

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

TV / VIDEO

- 250 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

Appendice 2: More than 20 exclusives services available in Free's offer