FY 2009 Strategy & Results Presentation

March 23rd, 2010

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2009 Highlights

A unique growth profile

- Attracting new subscribers: **389,000** net adds on Free in 2009
- **+25%** growth in consolidated revenues
- Net profit up by **+75%**
- Leverage: 1x
- Free ADSL FCF: **€376m**

Positive EBITDA contribution of Alice (2008: - €119m / 2009: +€24m)

Low churn on Free – Loyal subs on a mature market

Successes that fuel long term growth

- FTTH: Sharing of multi-fiber & investments
- Mobile: License obtained
- Continuous innovation

FREE: Continued Organic Growth & The Lowest Acquisition Cost

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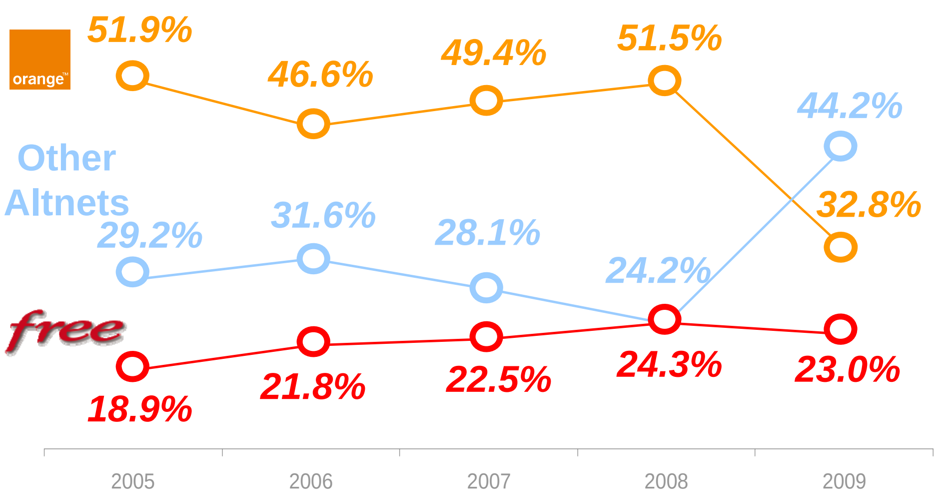
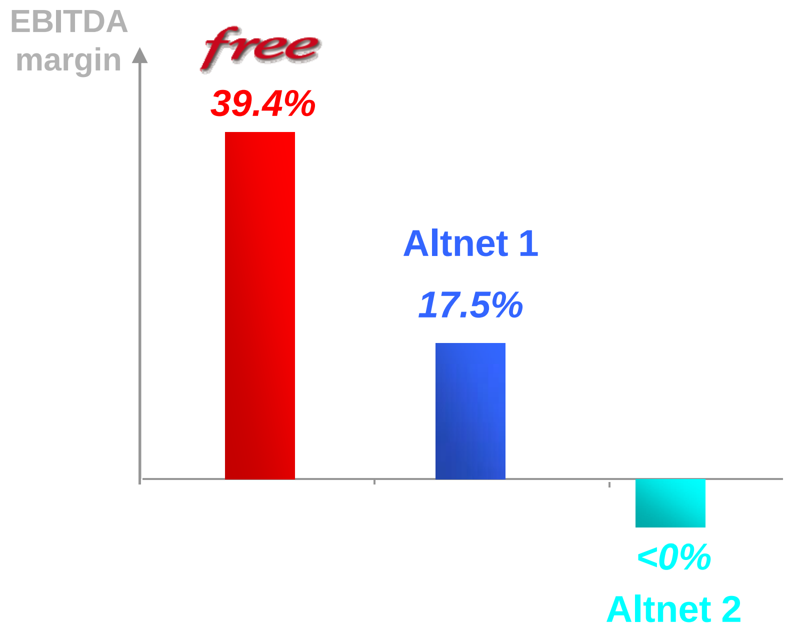
Net Adds / Market Share Trend



2009 Broadband & Fixed Line Profitability



- **free**
  - Continued organic growth / Increased share of existing subscriber base: 20.4% in 2009
  - 389,000 net adds over 2009 without owning any shops
  - Still the lowest subscribers' acquisition costs
- **Alice**
  - Suffered from integration / Peak churn in 2H 2009
  - Specific measures to curb Alice's churn in 2010

Source: Iliad & France Telecom

Combined KPIs

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	Dec. 2007	Dec. 2008	Dec. 2009
ADSL Subs.	**2,904,000**	**4,225,000**	**4,456,000**
- free	2,904,000	3,389,000	3,778,000
- Alice	-	836,000	678,000
Unbundling ratio	**81.5%**	**78.7%**	**85.4%**
ARPU (end of period)	**€36.3**	**€35.9**	**€36.5**
- free Churn	**<< 1% / month**	**<< 1% / month**	**<< 1% / month**
- Alice Churn	**-**	**>> 2% / month**	**>> 2% / month**

Alice: Focusing on Customer Satisfaction & Reducing Churn in 2010

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Migration process ending

- End of network migration and shut-down of Alice's network in April 2010
- Rationalizing and reprising of commercial offers completed

Everything in place to curb the churn in 2010

- Benefiting from the Free leading edge network
- Alice subs have access to all Free services
- Implementation of specific customer loyalty measures (upgrade, migration towards Free…)

Why maintain the Alice brand?

- Subscribers' profile are different
- Ability to launch specific commercial offers (€19.99)
- Limited cost

Alice

Strong Core Business

- **Key drivers:**
  - Free: Still the best-value-for-money offer on the market
  - A proven & profitable business model:
    - Low Sacs
    - Limited commercial costs
  - The lowest churn on the market (<1% / month)

➔ No major threat from integrated operators in the next 2 years

- **A future proof business model**
  - FTTH
  - Innovation
  - Mobile on track

c.5 million broadband subscribers by end 2011

The Four Growth Drivers

1. Unbundling
2. Value Added Services
3. FTTH
4. free mobile

CORE ASSETS

- A strong brand: free
- A loyal customer base
- A state of the art network

Innovation

Our Brand Identity Promises Innovation

REMOTE RECORDING by free

IPHONE REMOTE RECORDING APP for free

FREE WIFI by free

More than 650K subs registered

Unbundling: Still Headroom for Growth

- **Unbundling is at the heart of our business**
  - Attracting new profitable subscribers
  - Maximizing customers' experience
  - Enhance loyalty

- **Keep investing to improve the unbundling footprint**
  - Unbundling ratio of 85.4% at end 2009
  - 300 / 400 new Central Offices equipped per year in 2010 & 2011

Unbundling ratio of ~90% in the midterm

Extending On-Demand Concept

2 Value Added Services

CANAL+ À LA DEMANDE with free

SVOD by free

CATCH UP TV by free

FTTH: Very Dense Areas

- **Regulatory framework cleared**
  - Access to the Incumbent's ducts
  - In-building wiring shared:
    - Multiple fiber principle has been agreed
    - Additional fiber installed if asked by third-party operators

- **Rollout process on track**
  - Central Offices' installation well advanced
  - 70% of Paris covered horizontally – Full horizontal coverage of Paris within a year
  - Horizontal pulling through Incumbent's ducts on track
  - 120K plugs delivered through turnkey agreements

- **Subscribers' wiring will speed-up over 2H 2010**
  - Infrastructure sharing is moving forward (tariff, technicalities…)
  - Wholesale tariffs have been released
  - Building owners are reassured (building management agreements to connect 280K homes)

FTTH: Less Dense Zones

Regulatory framework will be defined in 2010

- Technical experiments being run by Free and other operators to define the efficient rollout
- Fiber local loop should be shared in zone 2 (70% of network costs)
- Co-investment will be favored
- Could benefit from the Government's financial support ("Grand Emprunt")

Reality

- Some areas are very dense (similar to some in zone 1);
  Free has already planned to cover a few areas (Valenciennes, etc.)
- Vast majority of the less dense zones are not profitable to service without:
  - Significant CAPEX sharing
  - And / or subsidies
- Asymmetric regulation could also be required

Plan confirmed: covering 4m homes horizontally by end 2012

Why Free Mobile will be a Success?

A clear framework for Free Mobile

- License granted in January 2010 for €240m: 5Mhz in 2.1Ghz + 5Mhz in 900Mz – 20 years
- Access to a roaming agreement as soon as 25% of the population is covered
- Commitment to open commercially in 2012

Free Mobile is “Not the classical new entrant”

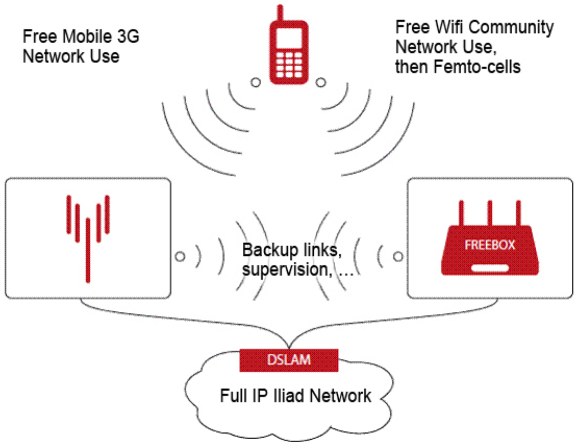
- Drop of MTRs to €3c. in July 2010
- Strong synergies with Free existing business
  - A strong and well-known brand
  - Redeployment of exiting assets (IT, backbone…)
- Rollout issue is well addressed (many sites already identified, subcontractors have already set up 3 networks in France…)

free mobile

Free Mobile's Roadmap

4 Mobile

- **Suppliers have been chosen for their Full-IP solution**
  - **Flexi base station to provide cost effective coverage across France**
  - **Flat Architecture and software upgrade of Flexi BTSs enabling a smooth switchover to LTE**
  - **Packet core solution providing flexible application development possibilities**



- **Rollout is our top priority**
  - **Rollout plan**

	2011	2015	2018
Total number of sites to be rolled out	2,000	8,000	11,000
Population coverage	27%	75%	90%

  - **Critical path: access to radio sites (one-stop shop companies, sites sharing…)**
  - **Implementation companies under tender process**
  - **Advanced discussions with the 3 existing operators on the roaming agreement**

Strong Financial KPIs

(€ million)

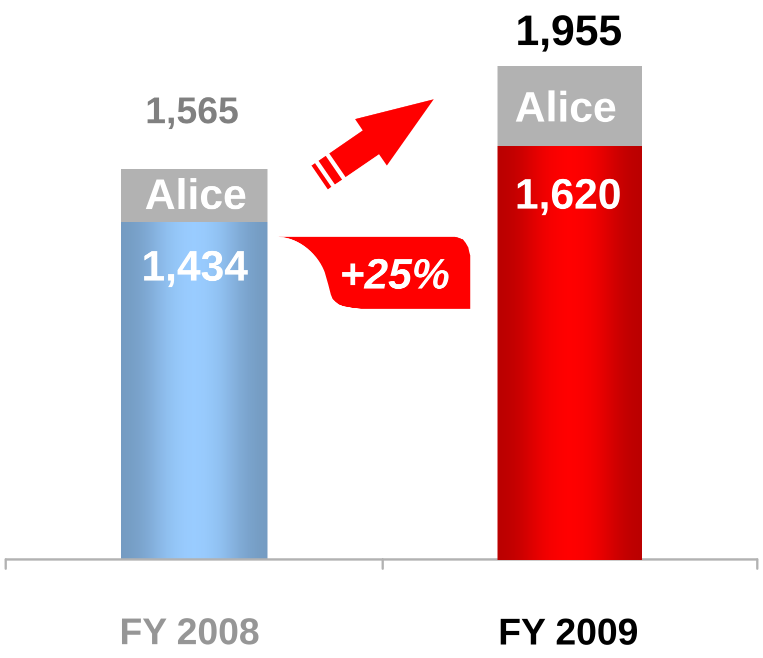
	Dec. 2008 Incl. Alice	Dec. 2009 Incl. Alice	VAR.	Dec. 2009 Excl. Alice
Revenues	**1,565.0**	**1,954.5**	*+24.9%*	**1,619.7**
EBITDA	**524.7**	**661.4**	*+26.1%*	**637.6**
EBITDA Margin	*33.5%*	*33.8%*		**39.4%**
EBIT	**172.3**	**332.9**	*+93.2%*	**416.5**
EBIT Margin	*11.0%*	*17.0%*		*25.7%*
Net profit	**100.4**	**175.9**	*+75.2%*	**-**
ADSL FCF	**157**	**328**	*x2*	**376**
Dividend	**€0.34**	**€0.37**	-	**€0.37**

Strong Growth in 2009

(€ million)

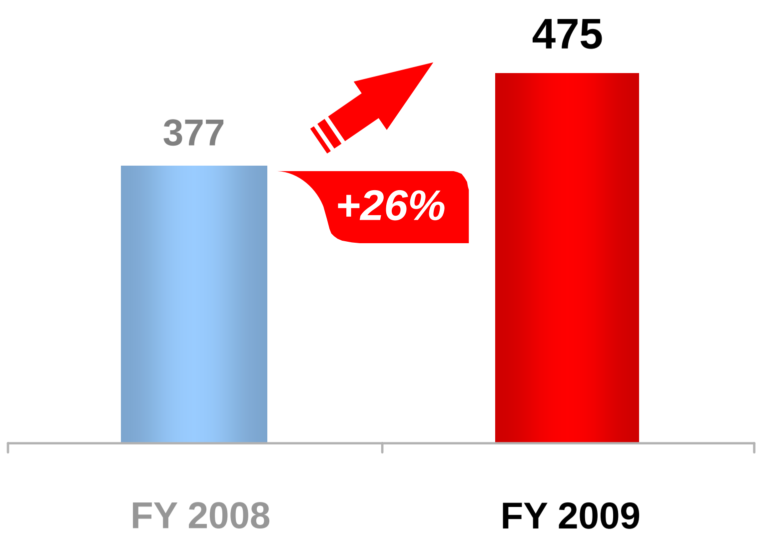
Revenues(1)

- A double digit growth on Historic Perimeter (+13%)



Group VAS revenues

- Broadband ARPU of €36.5 in Q4 2009
- Free: 8.5m VOD & S-VOD features purchased in 2009 (+31% vs. 2008)

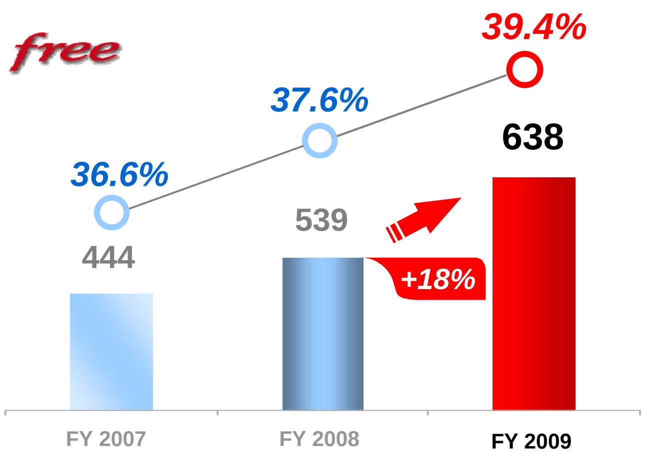


(1) Excluding inter-segments

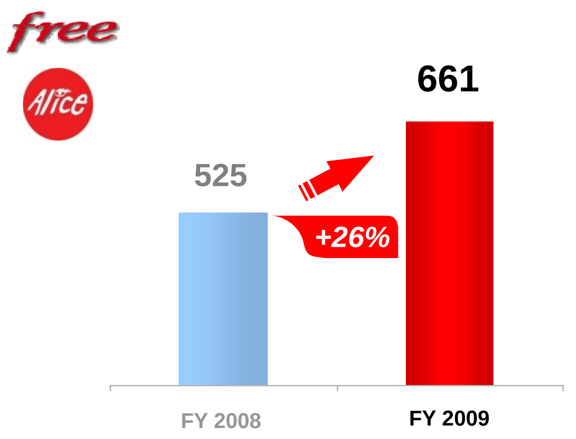
EBITDA: Record Margin (>40% in 2H 2009) on Historic Perimeter

(€ million)

Historic Perimeter



Consolidated Perimeter

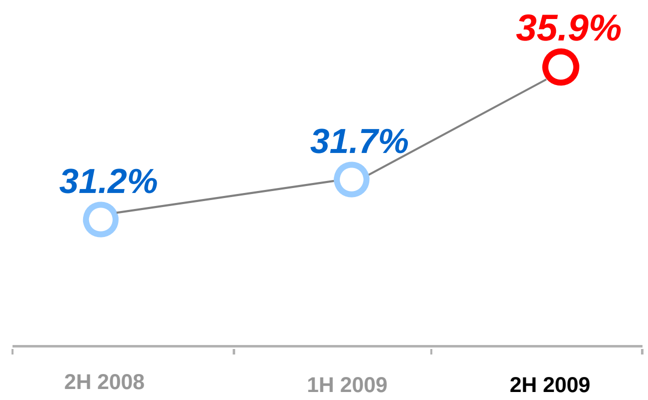


- **EBITDA up by +18% on Historic Perimeter:**
  - ++ Unbundling ratio increase
  - \+ Tight cost control
  - \+ Decrease in non-unbundled tariffs
  - \- Implementation of the French public TV Tax

  ➔ **EBITDA margin > 40% in 2H 2009**

  ➔ **An attractive brand enabling low recruitment costs**

- **EBITDA margin increased by 470bps:**

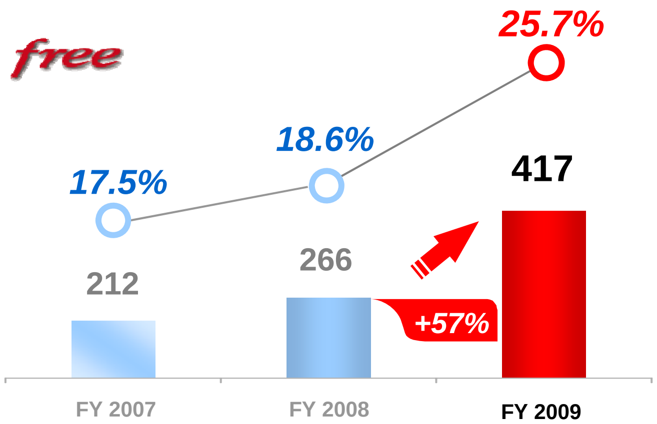


EBITDA Margin

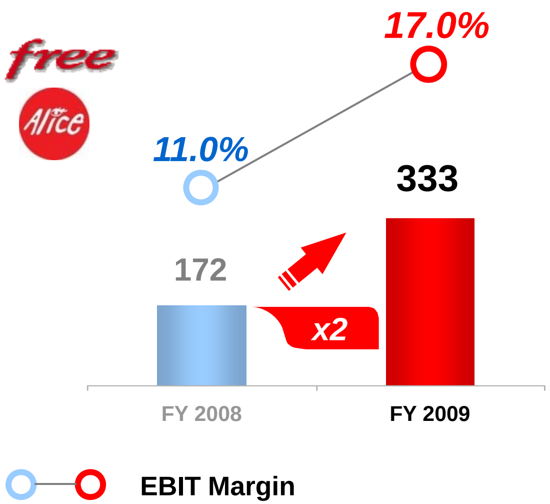
EBIT up by +57% on Historic Perimeter

(€ million)

Historic Perimeter



Consolidated Perimeter



- **EBIT drivers:**
  - + Increase in EBITDA margin
  - + Amortization policy reviewed
  - + Price of Freebox maintained at €180

- **-€84m dilutive impact of Alice:**
  - + +€24m positive EBITDA contribution
  - - Amortization: -€81m
  - - Provision for restructuring costs: -€27m

Alice: Priority Given to Quick Financial Turnaround

Acquisition of Alice

Marketing reduced

IT & billing migrated

Commercial offers streamlined

Network migrated

Aug. 28, 2008 | Dec. 31, 2008 | Dec. 31, 2009 | 2H 2010

EBITDA << 0
FCF << 0

EBITDA > 0

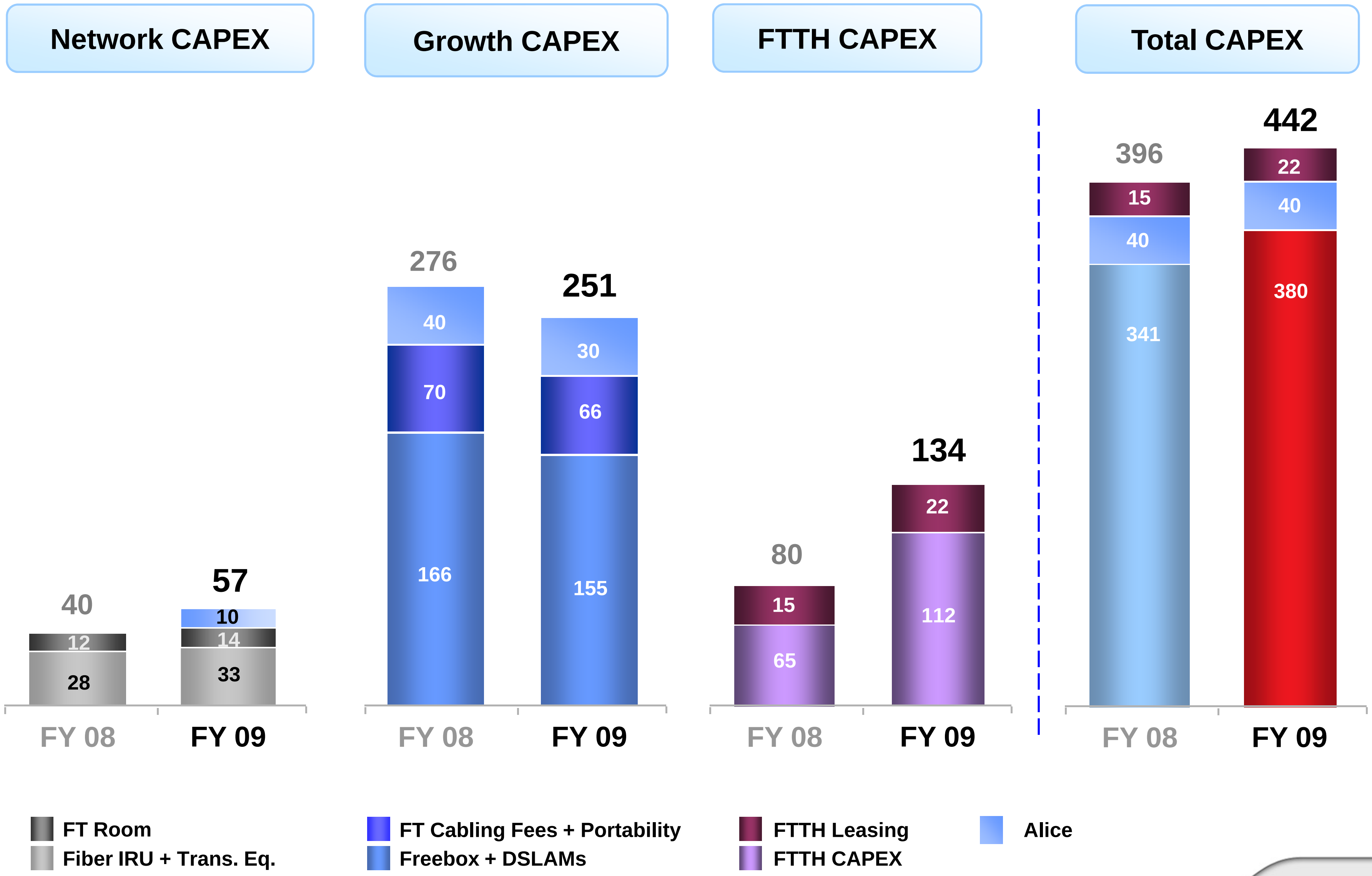
EBITDA >> 0
FCF ~ 0

EBITDA >>> 0
FCF > 0

EBITDA contribution of €24m in 2009
Incremental EBITDA of €90m for Alice
(on a full year basis) as of 2H 2010

FY 2009 CAPEX Breakdown

(€ million)



FCF Generation Above Expectations

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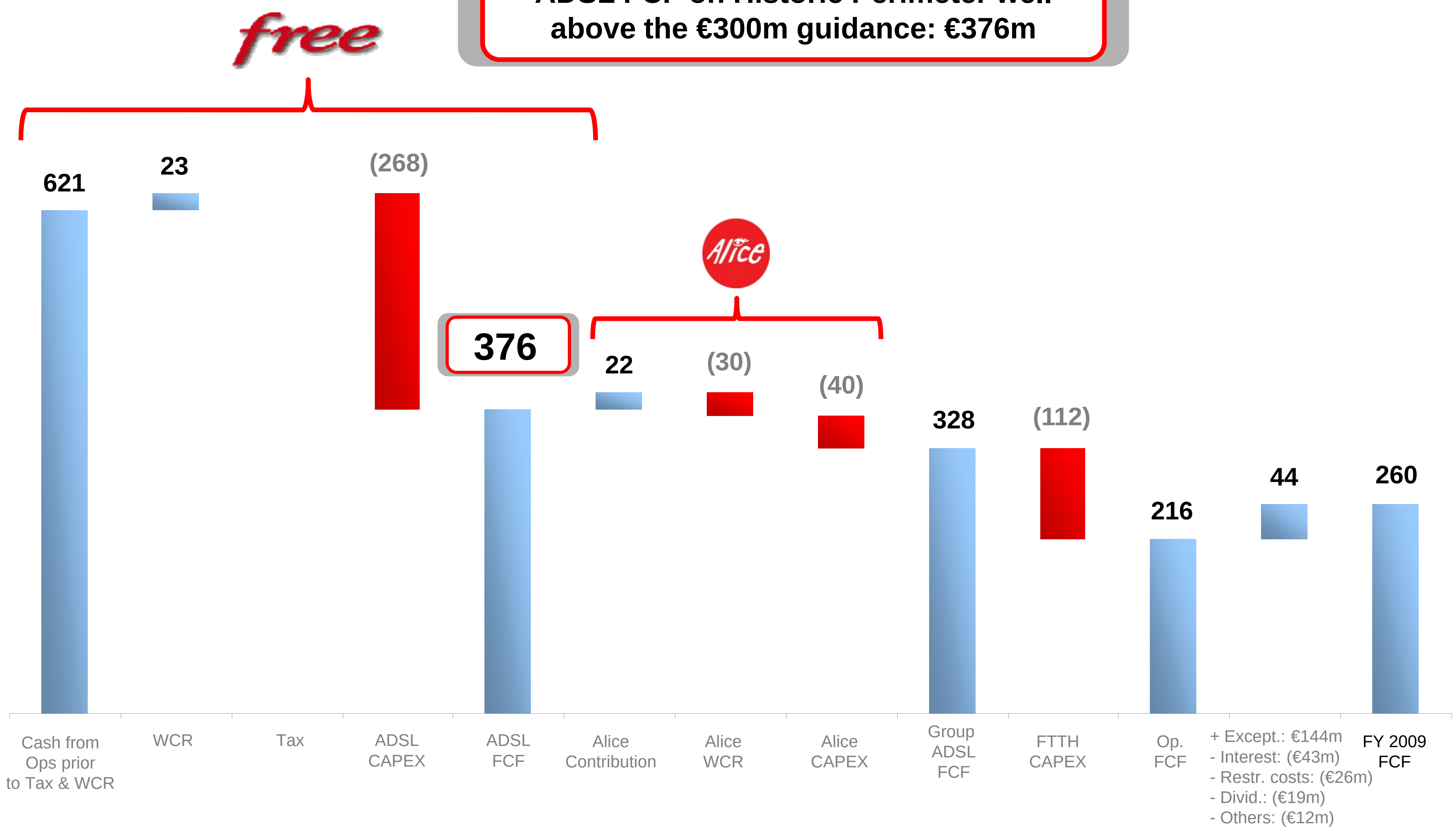
(€ million)

ADSL FCF on Historic Perimeter well above the €300m guidance: €376m



Improved & Robust Financial Profile

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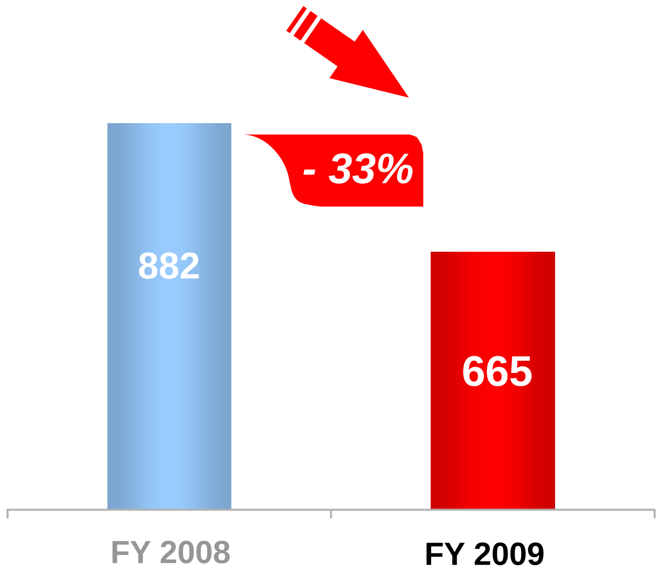
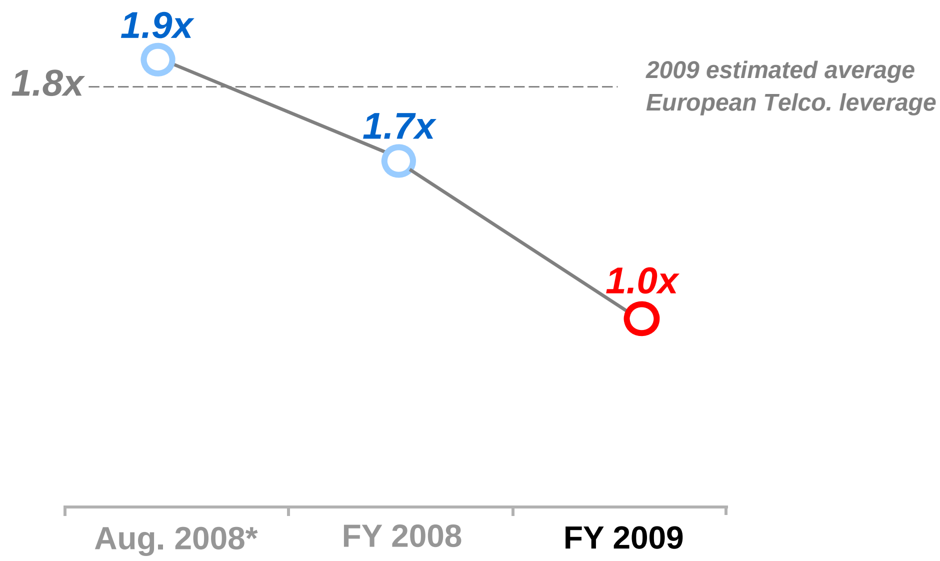
€217m net debt reduction

- **€630m cash at end 2009**



Headroom to gear balance sheet



**Estimated leverage of Iliad after the acquisition of Alice on August 26, 2008*

Free Mobile: Key Financial Facts

- **Operational**
  - A business model that minimize fixed costs
  - Strong synergies derived from existing assets
  - Low breakeven point

- **CAPEX**
  - 3G license acquired in January 2010 for €240m
  - A total CAPEX plan of €1bn to roll out the network
  - 2010 - 2011 cumulative network CAPEX need of around €200m
  - “Pay-as-you-grow” formula for the equipment

Strong visibility on breakeven point
Enhancing Iliad’s growth and profitability

Outlook

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Operational

- c. 5 million broadband subscribers by end 2011
- Mid-term unbundling ratio of ~90%
- Ramp-up of FTTH subs in 2011
- Mobile: commercial launch in 2012
- Major innovations to come in 2010…

Financials

- A cumulative ADSL FCF > €1.1bn 2010-2012
- A double digit EBITDA growth in 2010
- Another year of strong increase of the net profit

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