

iliad



2005 Results Presentation

March, 2006

2005 Key Performance Indicators

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As of December 31, 2005

ADSL Subscribers

1,595,000

Unbundled Subscribers

1,120,000

Voice over IP users

1,304,000

Equipped TV Users (incl. Multiposte)

1,100,000

Broadband ARPU (4th Quarter)

€ 32.2

2005 Key Financial Highlights

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Revenues

+ 47 %

€ 724.2 million

EBITDA

+ 99 %

€ 224.3 million

Net Income

+ 69 %

€ 68.9 million

Proposed Dividend

€ 20 cents

- **Only alternative broadband operator in Europe with :**
 - Positive net income
 - Positive operating Free Cash Flow

- **Clear growth drivers :**
 - ADSL subscriber growth
 - Continuous increase in usage and revenues from Freebox value-added services
 - Unbundling ratio improvement
 - Financial leverage on operating expenses

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 **Internet Sector**

- **2005 was 3rd out of 3 key years in French broadband “landgrab”**
 - 8.9 million ADSL lines out of 30 million FT lines
- **More growth ahead towards 100% ADSL penetration**
 - PC penetration at over 50%
 - New non-PC applications gaining ground
 - VoIP
 - TV over ADSL
 - Full Unbundling

Total-freebox

Freebox: #1 Home Multi-Media Gateway

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As of December 31, 2005

1,595,000
ADSL Subscribers

1,304,000
Phone Users

1,100,000
TV enabled Subscribers

195,000
Pay TV Subscribers



€ 29.⁹⁹/ month

2005 Key Innovations



● Unquestionable leadership in broadband innovation



First operator to offer ADSL2+ 20 Mbps speed



January 2005



Freeplayer mediacenter



June 2005



Video-on-Demand on Freebox with Canalplay



December 2005



Free International phone calls to 14 countries



First TV operator to broadcast DTTV channels



First operator to offer multi-device TV viewing



Creating a New TV Experience

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- Since 2003, Free has changed the way households watch TV

freebox TV

First TV over ADSL offer in France



November 2003

HD
First HDTV trial on Freebox



December 2004

DOLBY
Dolby sound on Freebox



June 2005



Video on Demand



December 2005

Canal+ Group channels available on Freebox



Freebox offer includes DTTV channels



Radio channels on Freebox



First operator to offer multi-device TV viewing

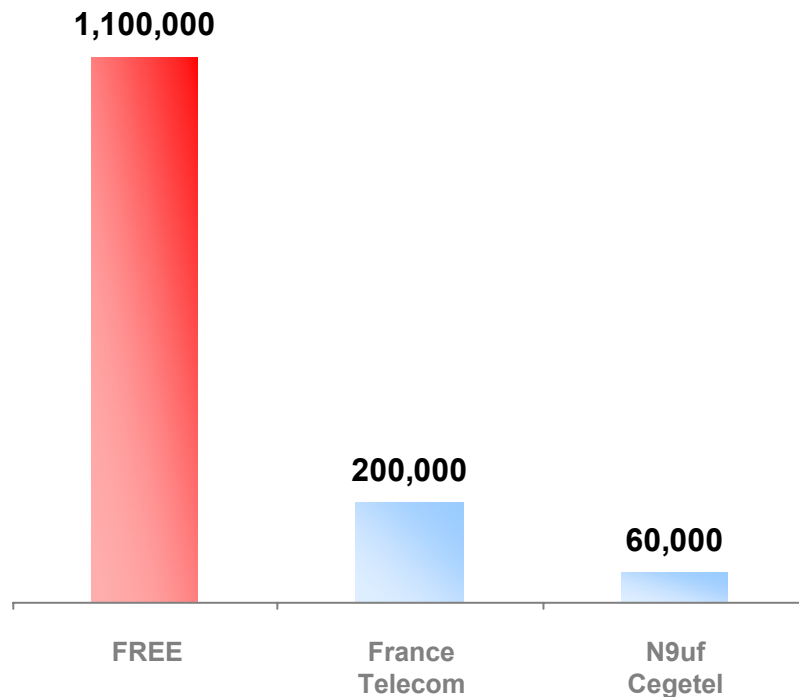


Leading TV over ADSL Platform in France



As of December 31, 2005

Equipped TV Users



- Only mass-market TV over ADSL platform in France and Europe
- Leverage usage across the entire subscriber base instantly
 - Demonstrated ability to manage rights and billing
- Strong position to strike strategic content deals

- **Freebox offers the “standard” TV experience**
 - **Basic TV Package** 81 channels
 - including DTTV
 - **A la carte offering** 63 channels
 - **Packages** 14 various packages
 - Movies
 - Arabic content
 - Hispanic content
 - Indian content
 - Music
 - Adult
 - **Canal +**
 - **CanalSat DSL**

- **Freebox empowers the user by offering new TV interaction**

- **Freeplayer**

- A mediacenter on the Freebox
- Computer based content viewable on the TV
- Developed in-house by Freebox R&D

- **“Multiposte”**

- Ability to watch traditional TV on PC screen
- Ability to watch different channels on different devices
- Developed in-house by Freebox R&D

- **Video-on-Demand**

- First full VoD offering in France with Canalplay
- Launched in December 2005
- Technical platform by Freebox R&D



- Launched on December 15, 2005
- Over 350,000 movies purchased since inception

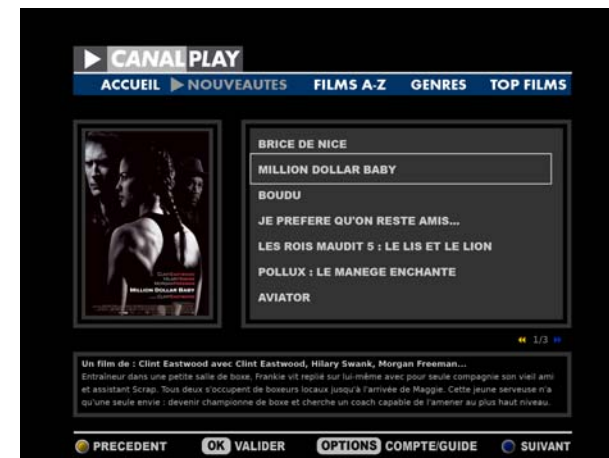
Today

- One universe on channel 100
- Agreement with Canalplay
- Over 600 referenced movies

Tomorrow

- Various universes
 - Kids
 - Mangas
 - Sitcoms & series
 - Adult
- Thousands of movies

- **DVD features**
 - Play, Pause, FF, RWD
- **Availability**
 - Instantaneous
 - 24 hours
- **Single billing**
 - Catalogue movies €1.99
 - New releases €2.99/€3.99
- **Bonus**
 - Trailer, movie info
 - Language
- **Secured Platform**
 - Child access
 - Piracy



- First broadband TV operator to release its real-time viewership data on audiences.free.fr



Audience15Live - Les 15 meilleures audiences Ensemble Freebox TV en instantané

Tue Jan 24 16:55:32 2006

Position	Tendance	Chaine	Graphs	Part	Programme
1	-0.06% ↓	France 2	France 2	6.44%	Autre 16:45 - 17:20 Des chiffres et des lettres
2	+0.06% ↑	Gulli	Gulli	5.34%	Autre 16:30 - 16:55 Gulli Gang - Les Baskerville
3	+0.02% ↑	AB 1	AB 1	5.25%	Série 16:35 - 17:05 Arnold et Willy
4	+0.02% ↑	France 3	France 3	4.85%	Magazine 16:35 - 17:30 France Truc
5	+0.01% ↑	France 5	France 5	3.39%	Documentaire 16:45 - 17:50 Documents - Madagascar, grandeur nature

Dependable Net Adds Growth Every Quarter

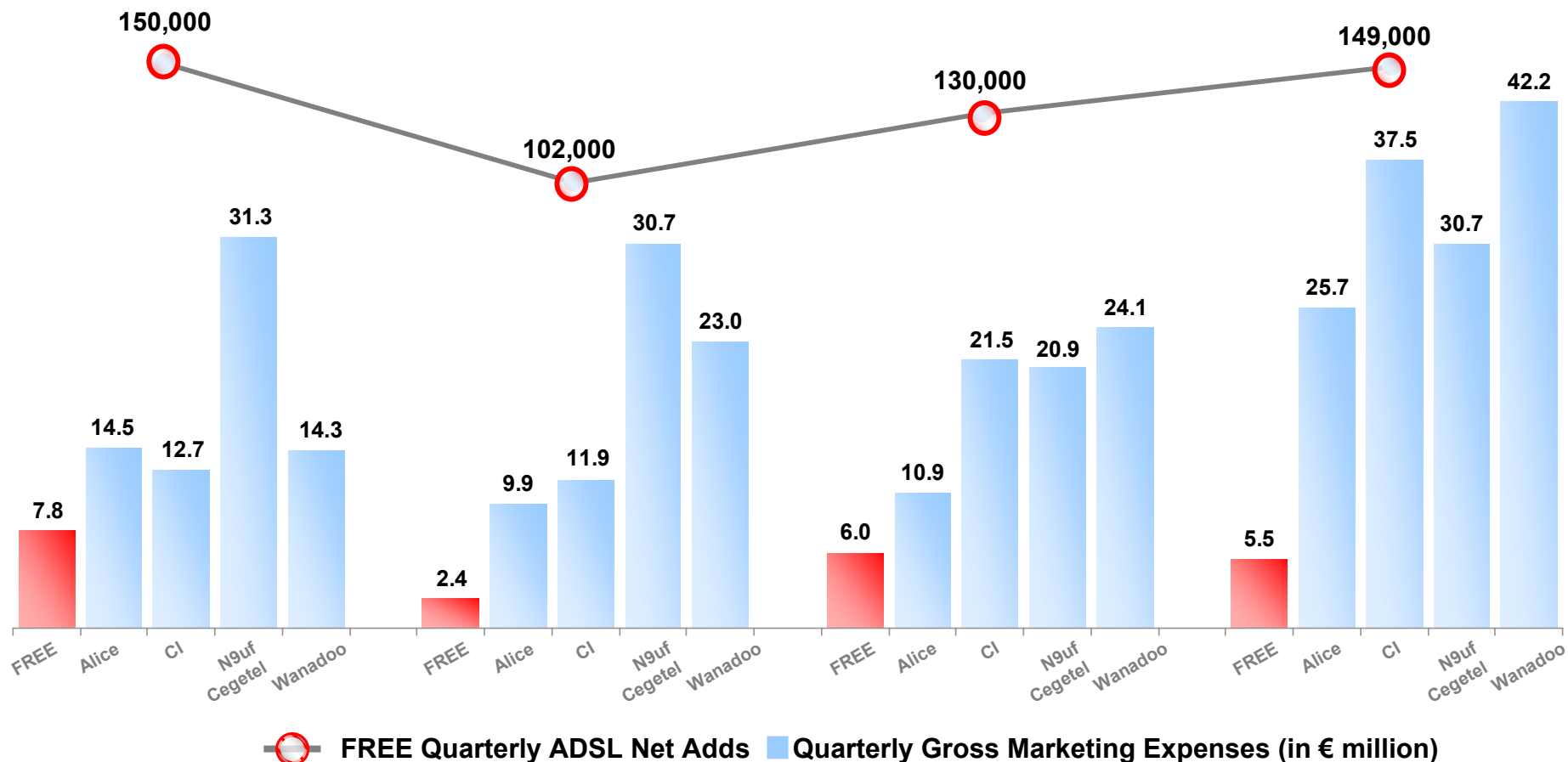


Q1 2005

Q2 2005

Q3 2005

Q4 2005



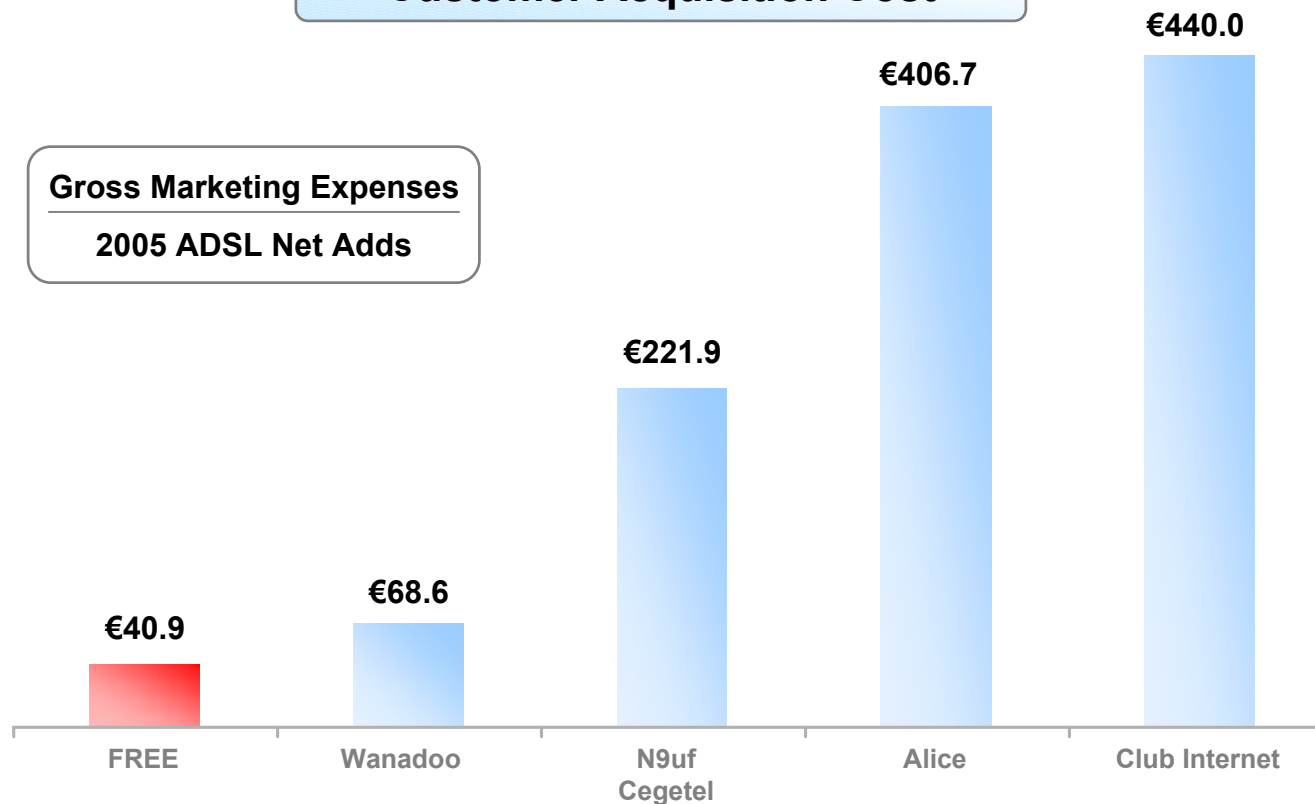
○ FREE Quarterly ADSL Net Adds ■ Quarterly Gross Marketing Expenses (in € million)

Most Effective Marketing Strategy Year After Year



Customer Acquisition Cost

Gross Marketing Expenses
2005 ADSL Net Adds



2005 ADSL
Net Adds

531,000

1,509,000

512,000

150,000

190,000

Dec. 31, 2005
Market Share

17.9%

49.5%

13.2%

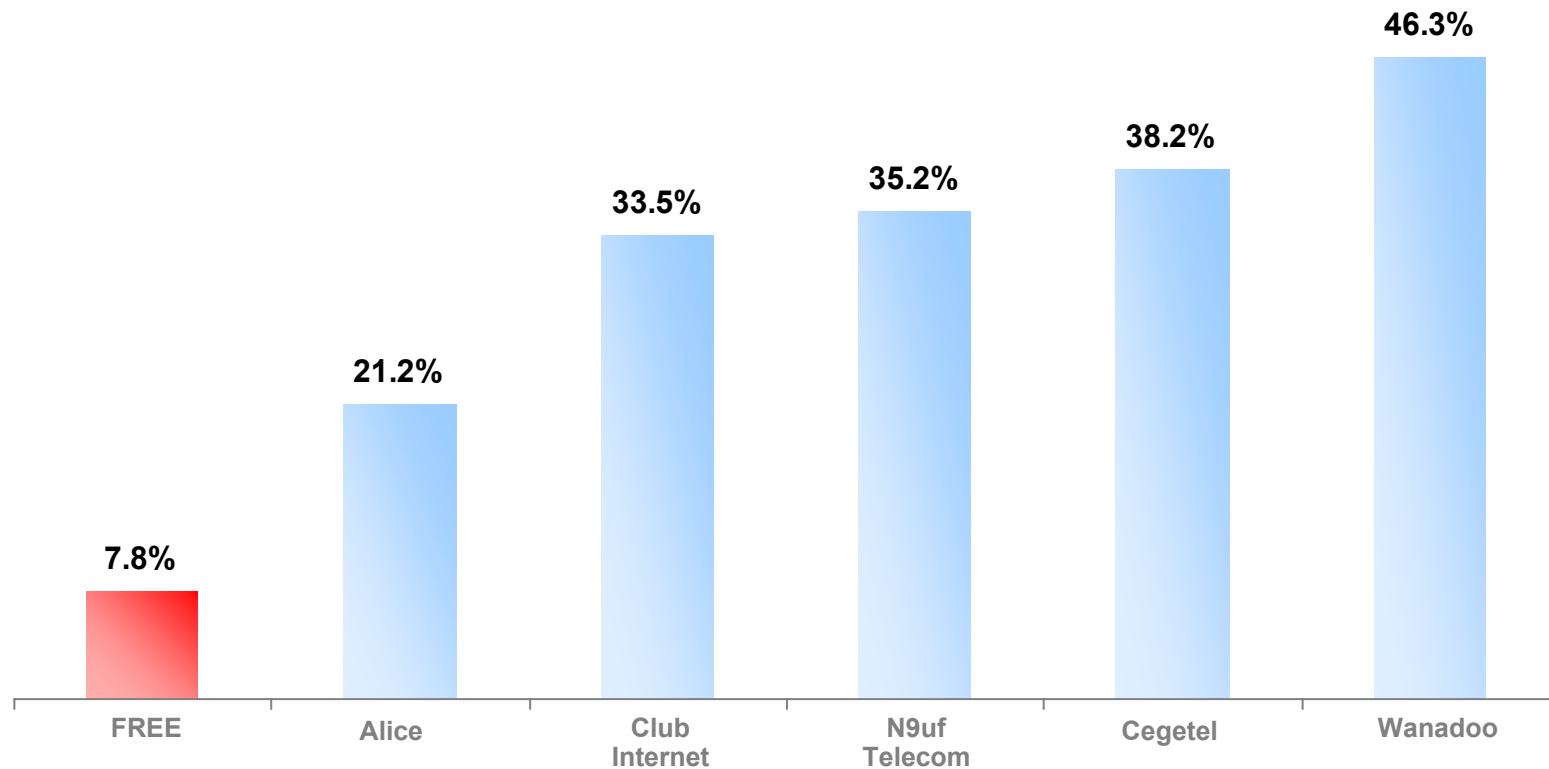
6.1%

4.4%

Lowest Churn in the Industry

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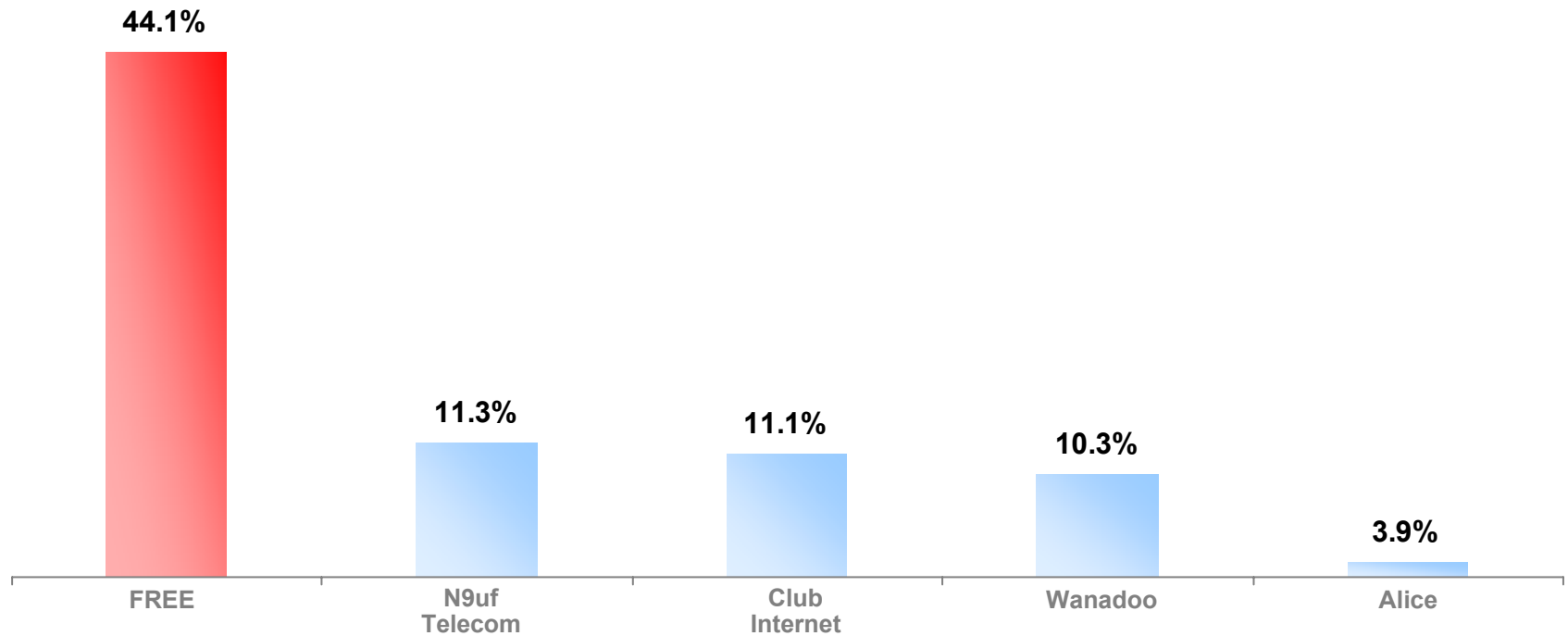
Do you intend to change Broadband operator?



Tapping Competitors' Churn

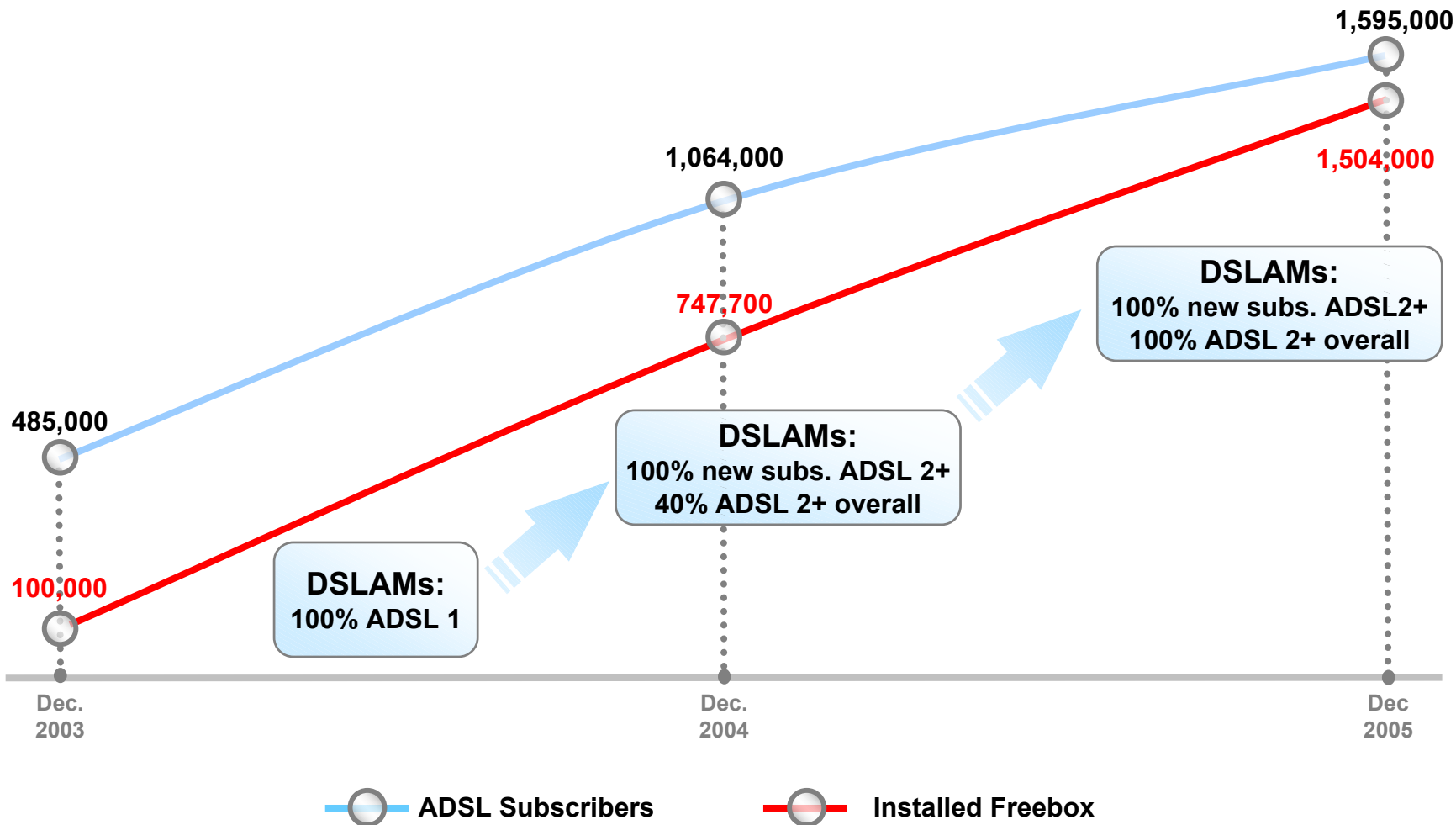


Which operator would you choose next?

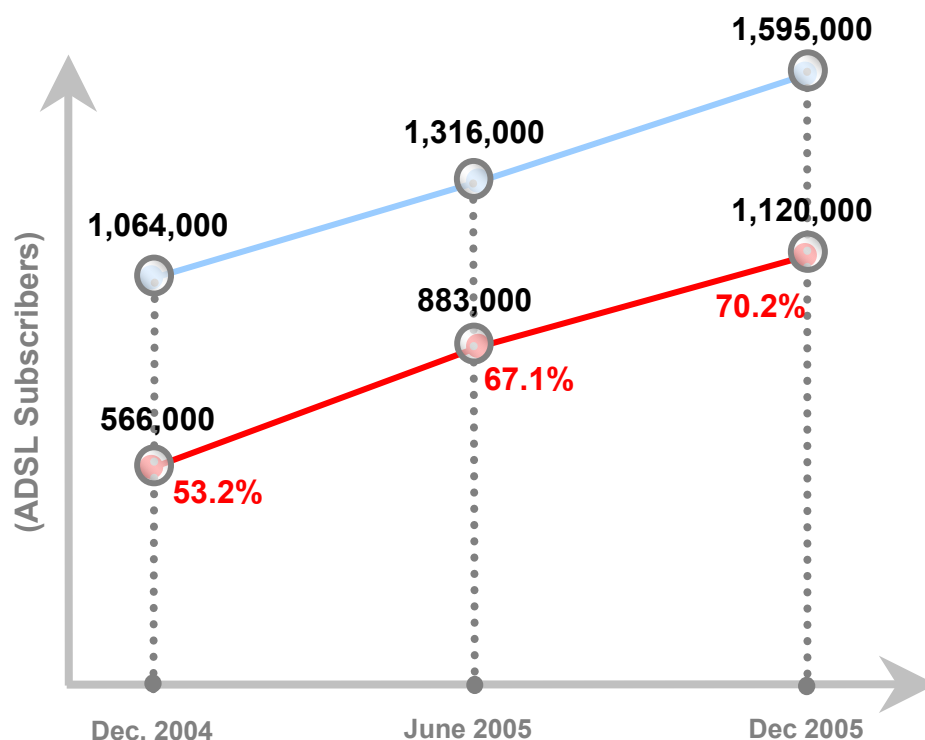


Network : Most Powerfully Equipped Subscriber Base in France

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Network: Increasing the Unbundling Ratio



- ADSL Subscribers
- Unbundled Subscribers (Partial and Full ULL)

- 22,600 kms of fiber optic network
- 675 Central Offices equipped with DSLAMs
 - 100% with ADSL2+ DSLAMs
- Additional 1,000 COs under processing currently
- € 150 million in new projects in 2006 and 2007
- France Telecom fiber rental offer under review

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 **Financials**

Strong Results and Getting Better...

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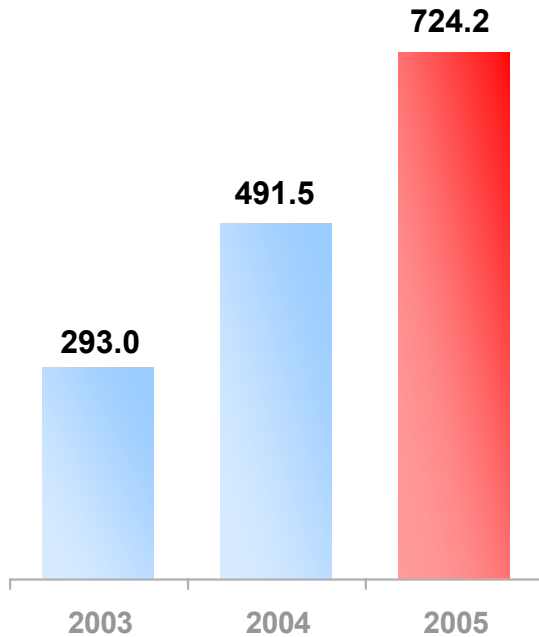
<i>In € '000</i>	FY 2004	FY 2005	Var.
Revenues	491,446	724,201	+ 47.4%
EBITDA	112,818	224,313	+ 98.8%
EBITDA Margin	22.9%	31.0%	-
Profit from Ordin. Act.	55,666	107,686	+ 93.5%
Operating Margin	11.9%	14.9%	-
Net Income	40,718	68,898	+ 69.2%

Delivering Growth and Profitability since IPO

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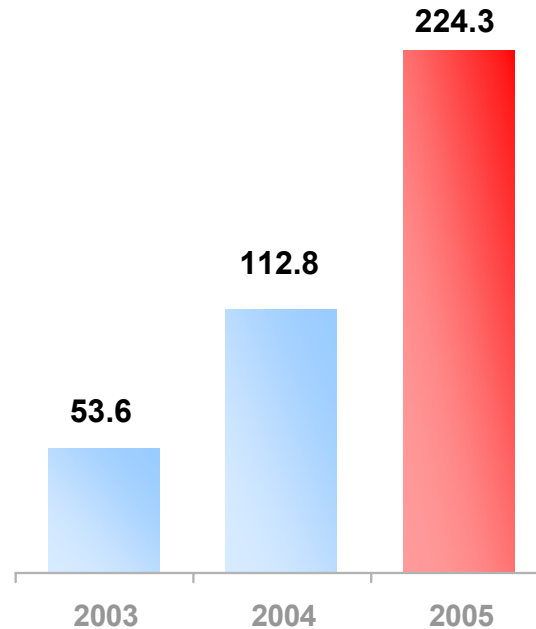
In € million

Revenues



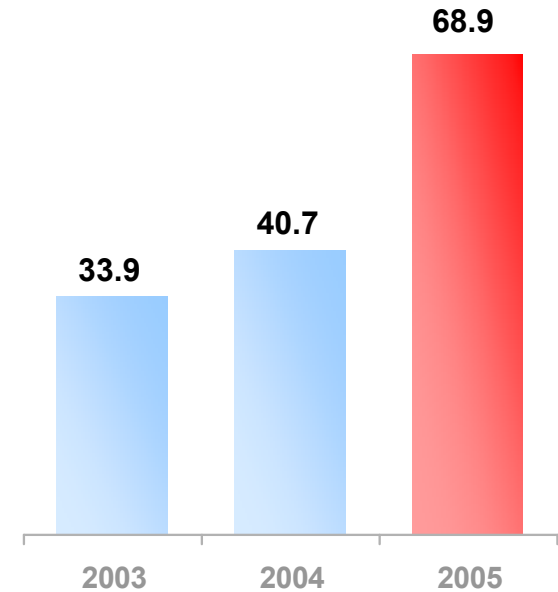
CAGR: + 57.2 %

EBITDA



CAGR: + 104.6 %

Net Income



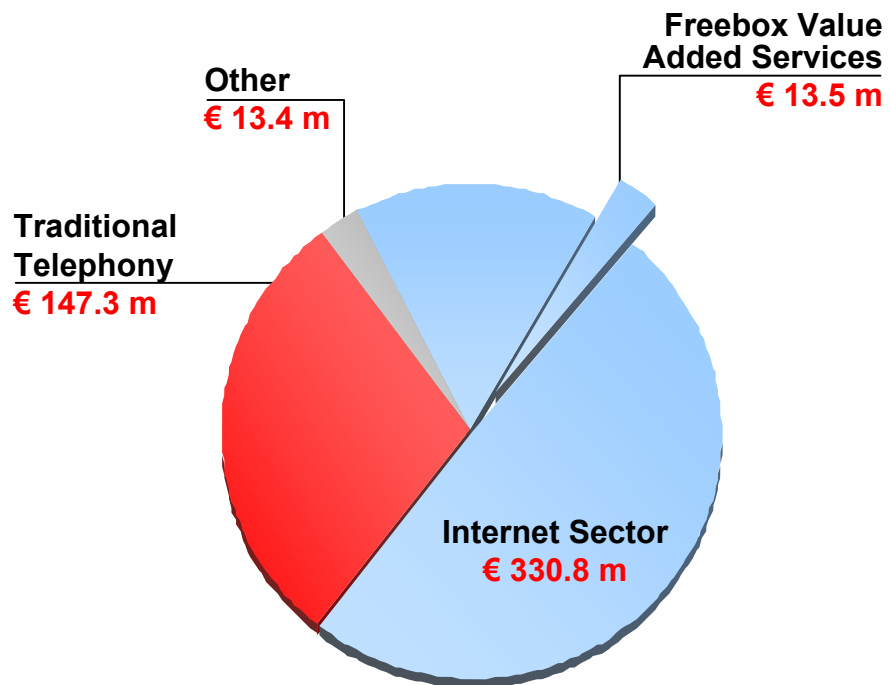
CAGR: + 42.6 %

Broadband and Triple-Play Services Fuelling Growth

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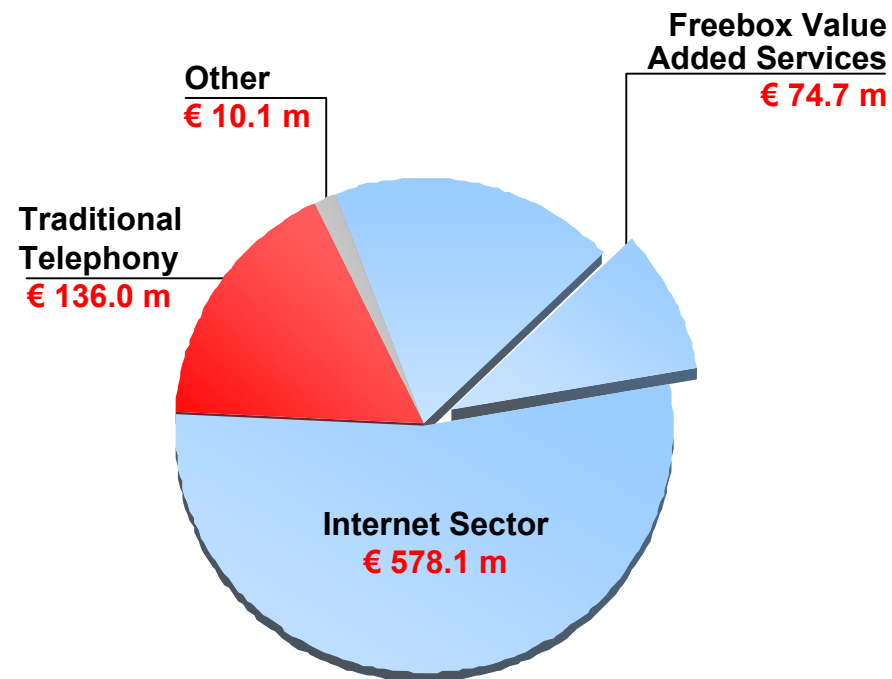
2004 Revenues

€ 491.5 m



2005 Revenues

€ 724.2 m

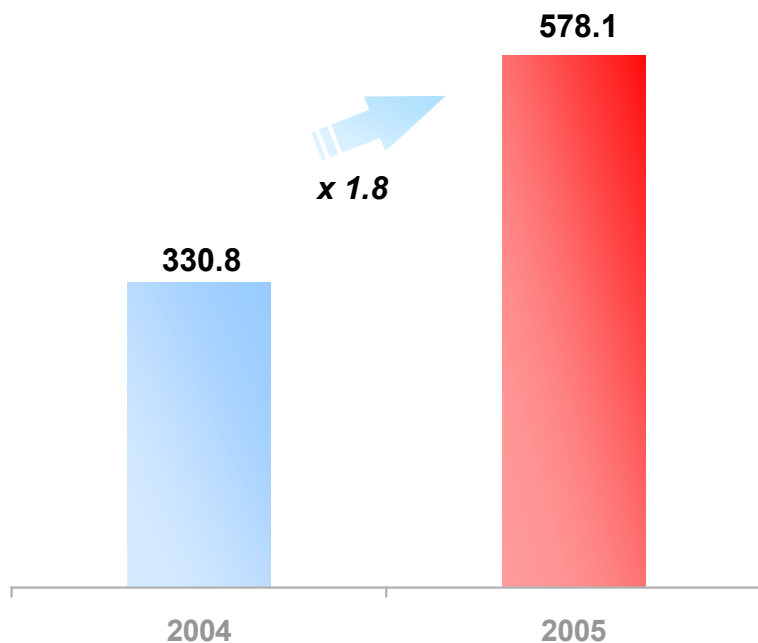


Internet Revenues

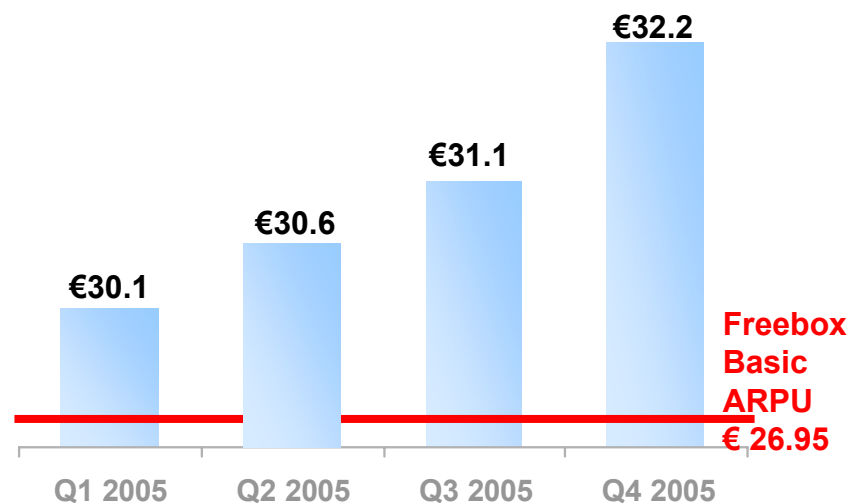


In € million

Revenues⁽¹⁾



2005 Broadband ARPU



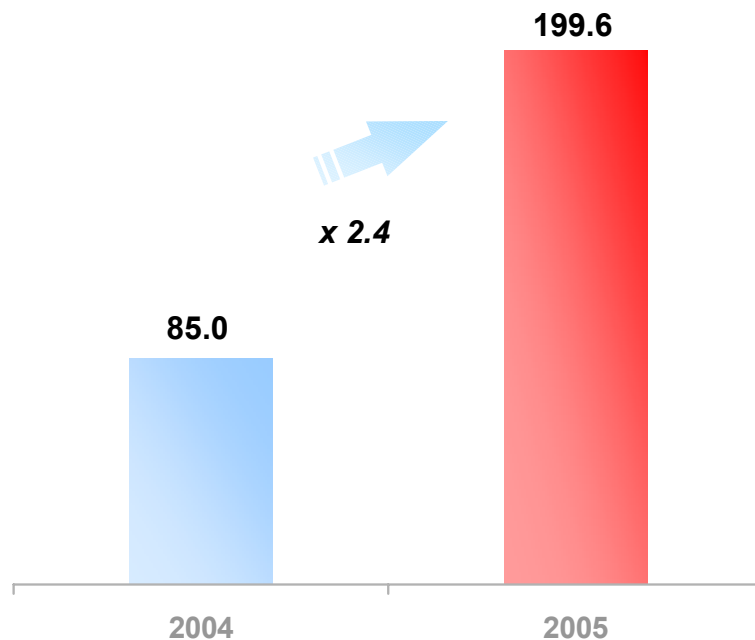
- 2004 VAS Revenues at € 13.5 m
- 2005 VAS Revenues at € 74.9 m

- More VAS users
- More usage per subscriber

(1) Excluding intersegment

In € million

EBITDA



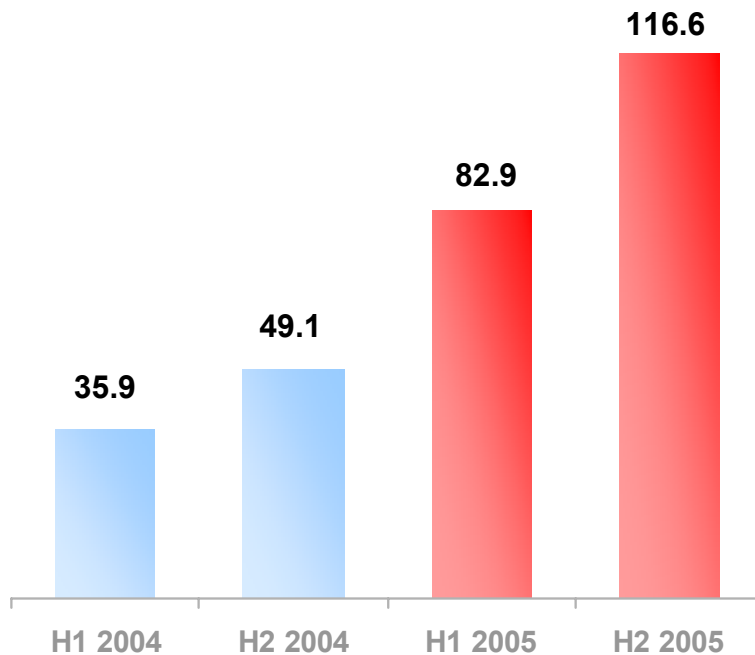
- **EBITDA growth accelerated in 2005**
- **Gross margin per unbundled subscriber exceeded € 20 in H2 2005**
 - Contribution of Freebox value added services
 - Significant ratio of fully unbundled subscribers
- **Over 1.1 million unbundled subscribers as of december 31, 2005**
 - Better usage of colocation facilities

Internet EBITDA Margin at New High

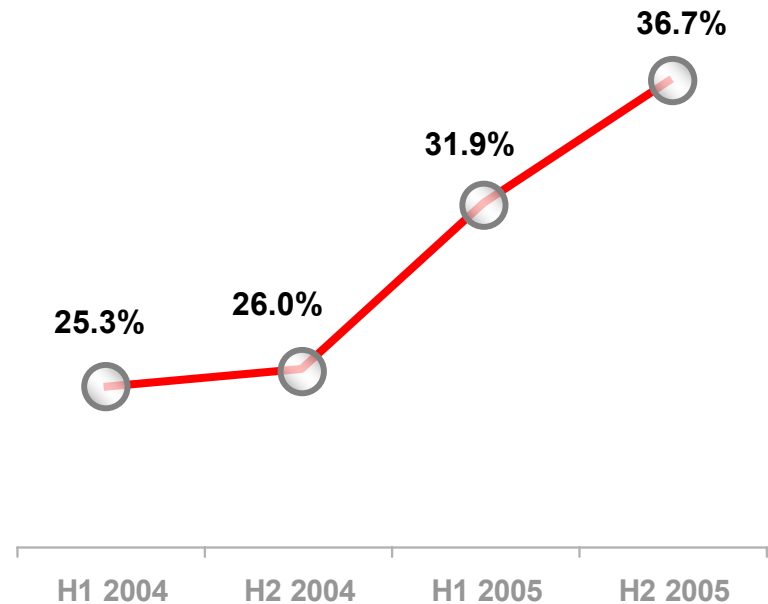


In € million

EBITDA



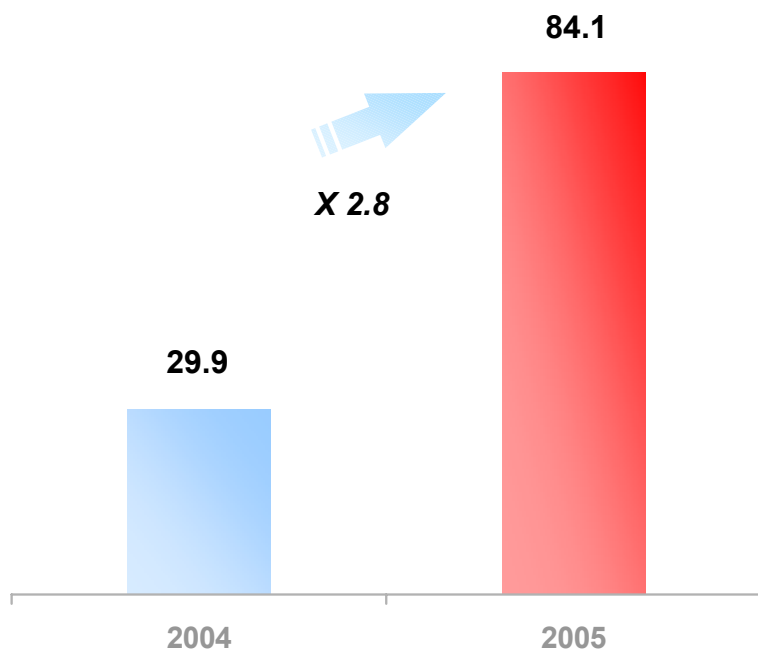
EBITDA margin⁽¹⁾



(1) On revenues excluding intersegment

In € million

EBIT



- **Significant improvement in EBIT margin**
 - 14.6% in 2005
 - 9.0% in 2004
- **Doubling of depreciation charges in 2005 at € 115.5 million**
 - Peak depreciation charges not reached

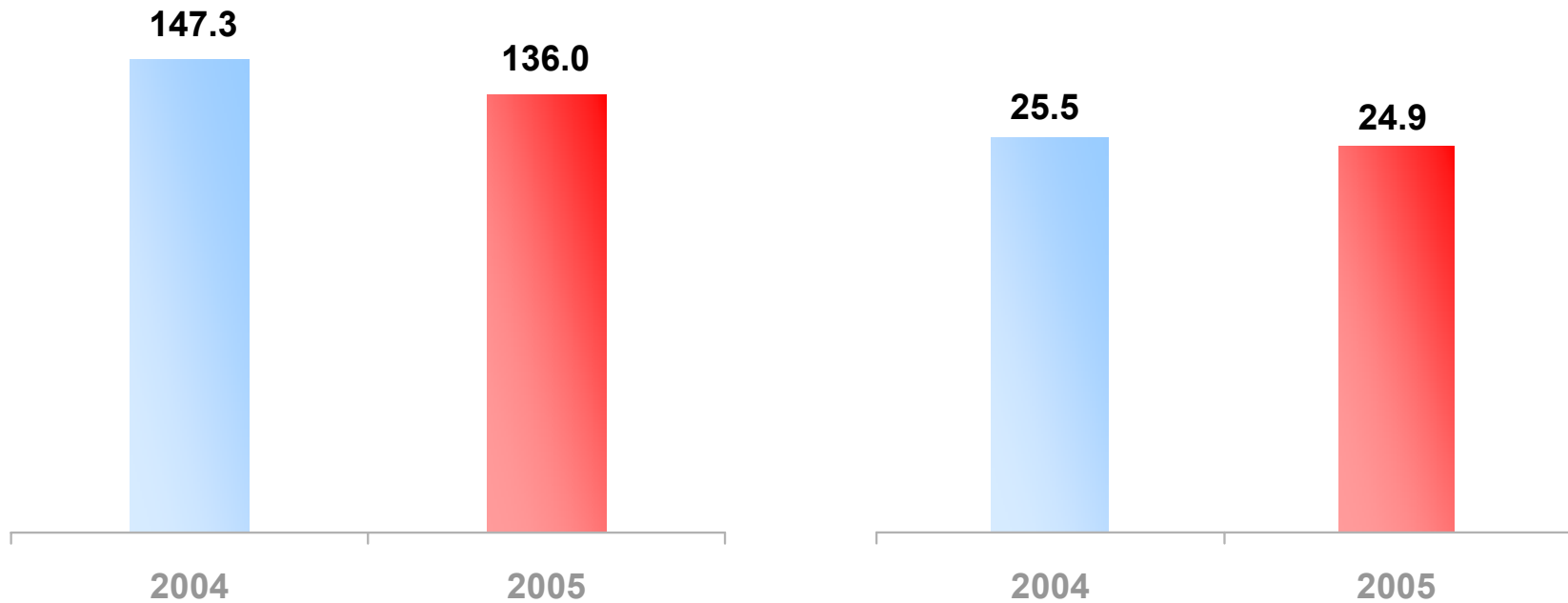
Traditional Telephony: Declining

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In € million

Revenues¹

EBITDA

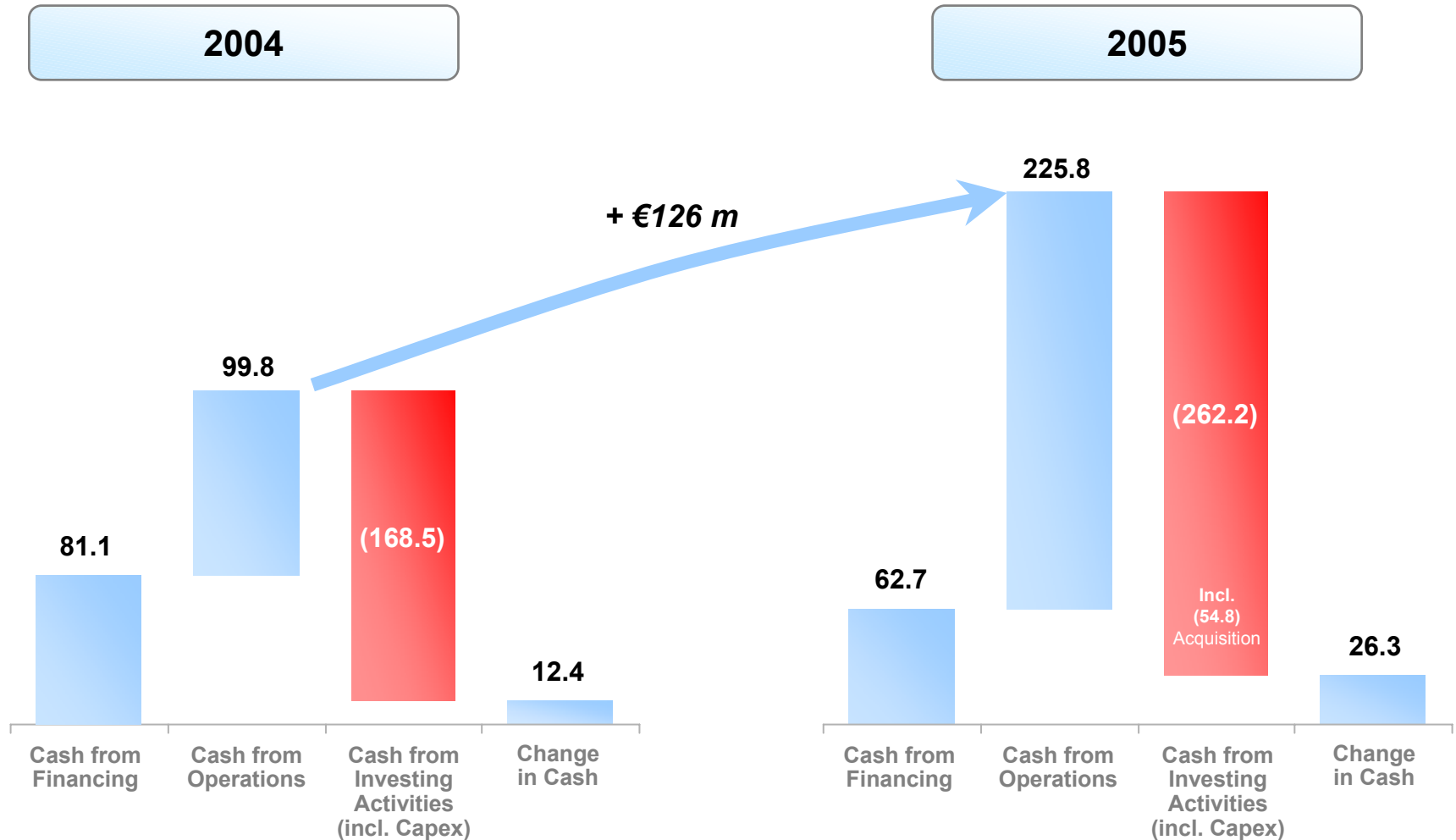


(1) excluding intersegment

Cash Flow From Operations More than Doubled in 2005

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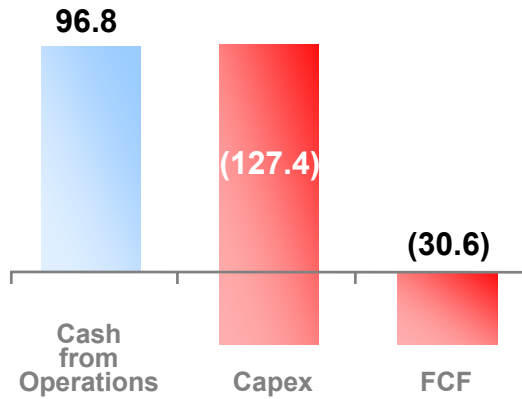
In € million



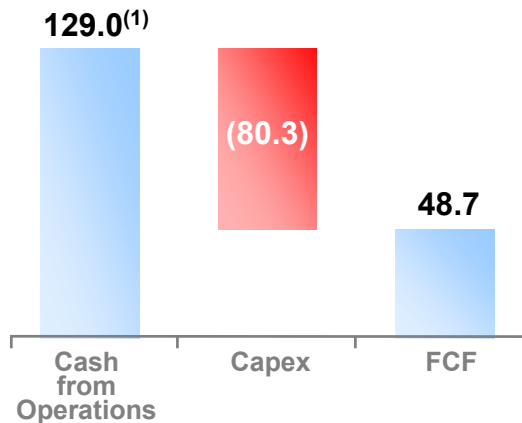
Generating Positive Free Cash Flow in 2005

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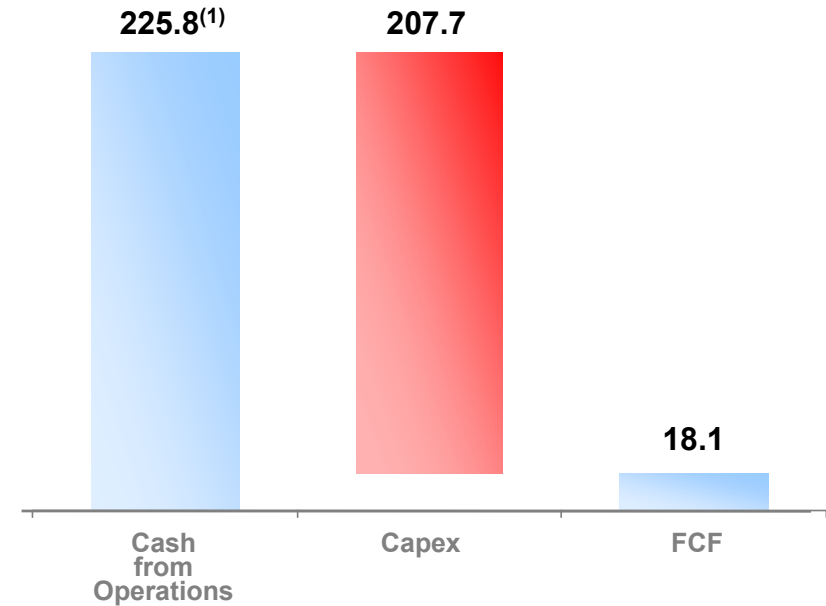
H1 2005



H2 2005



2005 at Constant Scope



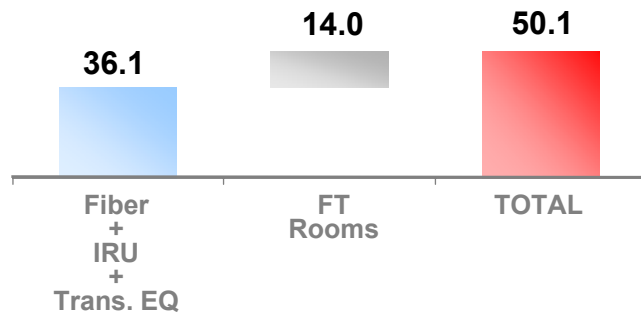
(1) Including France Telecom Litigation

2005 Capex Breakdown

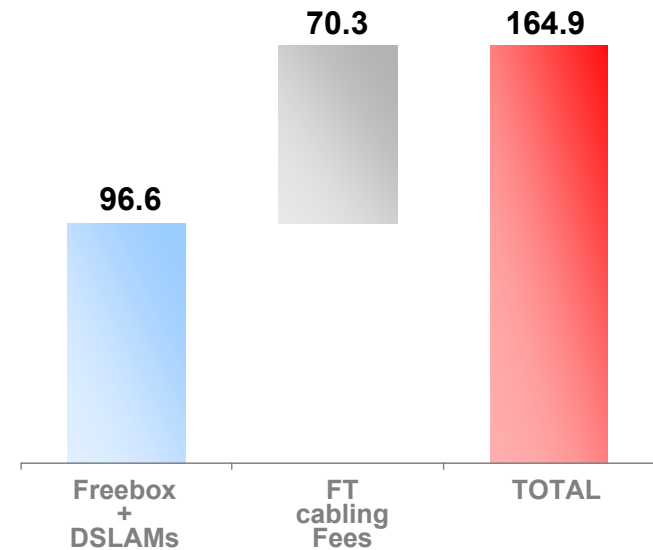


In € million

Network Capex



Growth Capex

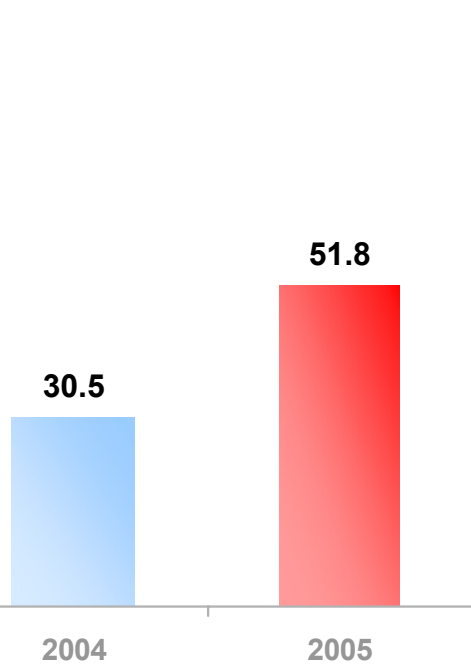


Strongest Balance Sheet by Industry Standards

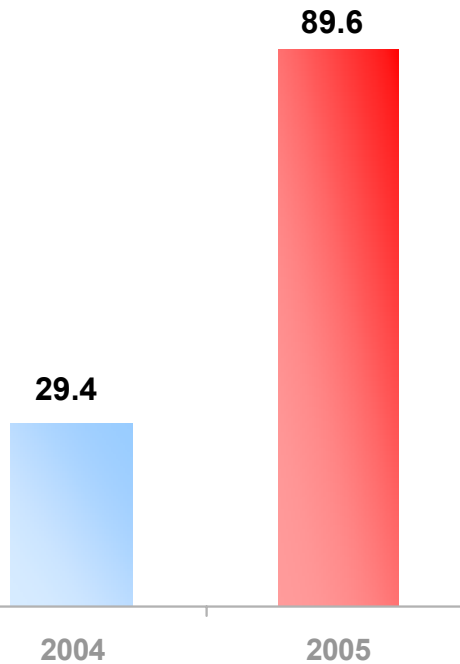


In € million

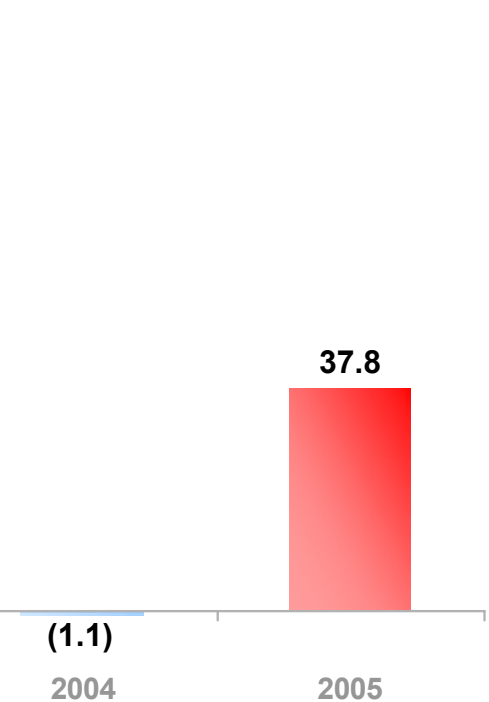
Cash & Equivalent



Financial Debt



Net Financial Debt



- Altitude acquisition financed exclusively through bank debt
- Net debt to EBITDA less than 0.2 x

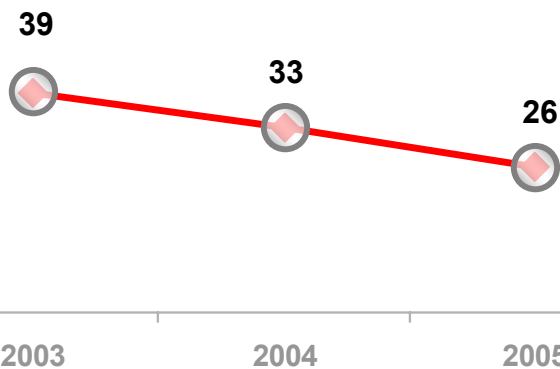
Rigorous Working Capital Management



In days

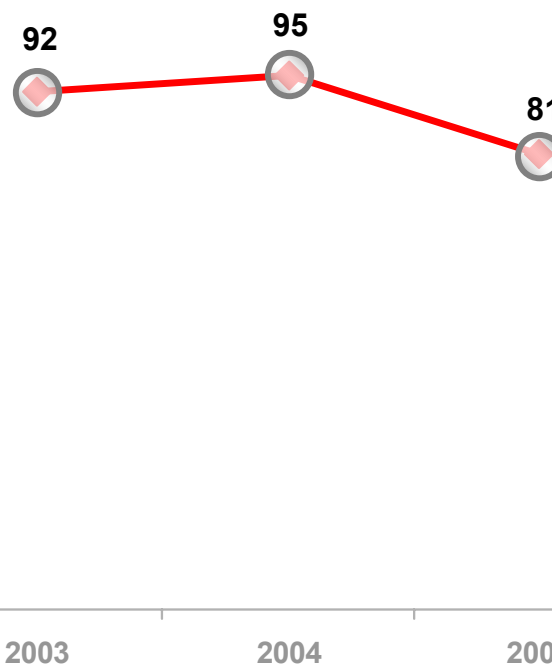
Accounts Receivable

Accounts Receivable excl. VAT
(Revenues) / 360 days



Accounts Payable

Accounts Payable excl. VAT
(Cost of Sales + Capex) / 360 days



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 **Outlook**

Over 2 million subscribers by end 2006

75% unbundled subscribers by end 2006

€ 20 average gross margin per ULL subscriber

Reinvest free cash flow in organic growth

Strengthen Iliad's Unique Position in French Broadband

- **Total ADSL Subscribers** at the end of a period consists of the total number of customers identified by their individual “phone lines” who have signed up for Free’s ADSL service excluding those for whom an unsubscription notice has been registered.
- **Net Adds** consist of the difference between Total ADSL Subscribers at the end of two different periods.
- **Unbundled Subscribers** are ADSL subscribers who have signed up for Free’s ADSL service on a Central Office unbundled by Free.
- **Broadband ARPU (Average Revenue per User)** includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g. migration from one offer to the other or unsubscription fee) divided by the total number of ADSL subscribers invoiced for the period.

