

# FY 2016 Strategy & Results Presentation

March 7, 2017

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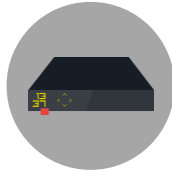
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## FY 2016 Highlights



## Broadband: Free becomes the no. 1 Alternative operator in France and steps up FTTH migration

- Solid recruitment level – 247k net adds in 2016
- New premium offer with TV by CANAL Panorama at €39.99
- 4.4m connectible FTTH sockets and more than 100k new subscribers



## Finance: Effective investments fueling profitable growth

- Re-acceleration of revenue growth (up 7% in 2016 vs 6% in 2015) – Consolidated revenues totaling €4.72bn
- €1.68bn in EBITDA, and EBITDA margin at 35.5% - a record high since the launch of the mobile business
- Net profit topping the €400m mark (+20% year-on-year)



## Mobile: Undisputed leading recruiter for 5 years!

- Best recruiter for 20 successive quarters – 1m net adds in 2016
- 5.9m 4G subscribers with 4.9GB monthly data usage
- 75% of net adds on the €19.99 plan
- 2.4k new 3G sites added / 3.3k sites upgraded to 1,800MHz
- 90% pop. coverage for 3G reached almost 1 year ahead of commitment



## Italy: Strong potential upside with limited risks

- Large and volatile market with each player holding c.30% market share
- Strong remedy package with secured spectrum
- A full set of remedies enabling a smooth migration to a fixed cost base

# Successful Transition to a Very High-Speed Operator *iliad*

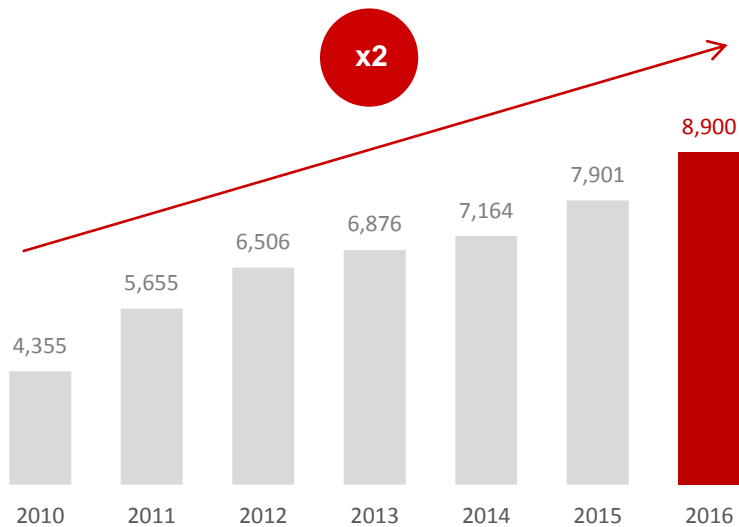
| Subscriber KPIs                      | Dec. 2014    | Dec. 2015     | Dec. 2016    |
|--------------------------------------|--------------|---------------|--------------|
| - Broadband                          | 5.9m         | 6.1m          | 6.4m         |
| <i>FTTH subscribers</i>              | -            | <i>c.200k</i> | <i>310k</i>  |
| - Mobile                             | 10.1m        | 11.7m         | 12.7m        |
| <i>4G subscribers</i>                | <i>1.7m</i>  | <i>3.7m</i>   | <i>5.9m</i>  |
| <i>Average monthly 4G data usage</i> | <i>1.8GB</i> | <i>3.2GB</i>  | <i>4.9GB</i> |
| Total number of subscribers          | 16.0m        | 17.8m         | 19.1m        |

## Other Broadband KPIs (end of period)

|   |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| Broadband ARPU (incl. promos)                 | €35.10             | €34.50             | €34.70             |
| <i>Freebox Revolution ARPU (excl. promos)</i> | <i>&gt; €38.00</i> | <i>&gt; €38.00</i> | <i>&gt; €38.00</i> |
| FTTH connectible sockets                      | -                  | 2.5m               | 4.4m               |

# Strong Hiring Momentum Supporting NGN Rollout Drive

Growth in staff numbers since 2010



## Staff recruitments mainly driven by NGN rollouts

- The Group employed almost 9,000 people at end-December 2016
- Total Group headcount has more than doubled since 2010
- Strong momentum in terms of human resources and capex, particularly for the FTTH and mobile rollouts and customer care
- Significant number of new hires in 2016 to support FTTH rollout (c.1,000 people)

**Iliad has been one of France's leading job creators in recent years**

# An Award-Winning Brand



Innovation

**#1 in the Forbes list of the World's Most Innovative Companies** – Telecommunication Services (Forbes, 2016)



Satisfaction

- #1 Broadband & Mobile Operator** in France (Customer Satisfaction Survey, “60 Millions de Consommateurs”, Nov. 2016)
- #1 Brand for Mobile & Broadband** (Capital, “Palmarès des meilleures enseignes”, Nov. 2016)
- #1 Online Customer Experience, Webshop of the Year** – Telephony sector (2015-2016)
- #1 Retail Chain in France** – Telephony sector (2015-2016)
- #1 Recommended Mobile offer** in France (YouGov Survey Oct. 2016)
- #1 Value for money Mobile offer** (YouGov Survey 2014-2016)



Mobile  
Network  
Experience

- #1 4G score** in 2016 (nPerf Barometer)
- #3 Worldwide operator** in terms of the quality of experience delivered by its mobile data network (MobiNEX, 2016)

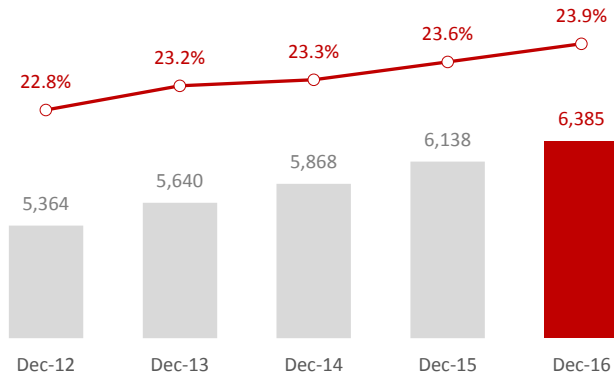
# Broadband Business



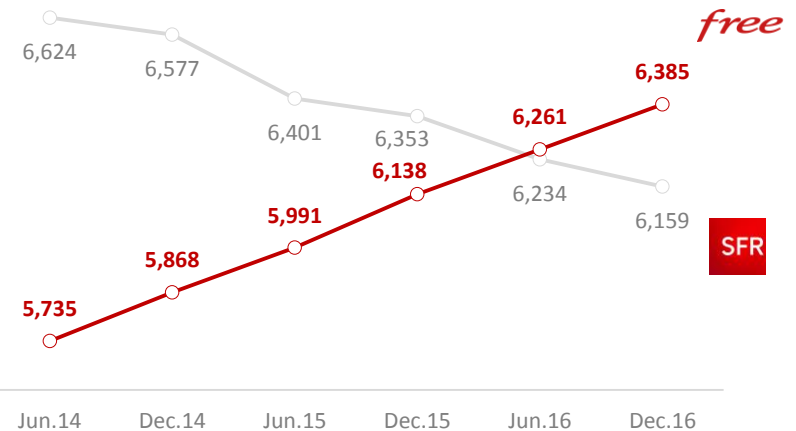
# Taking Back the Leading Alternative Operator Position *iliad*

No. of subscribers ('000s)

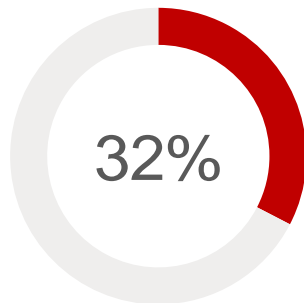
Market share<sup>(1)</sup> (%)



No. of subscribers since June 2014 ('000s)<sup>(2)</sup>



Iliad 2016 net add market share<sup>(1)</sup>



## Sustainable market share growth

- 247k subscribers added in 2016 in a very competitive market
- Launch of TV by CANAL Panorama for Freebox Revolution subscribers in 4Q 2016
- New price of €39.99/month
- No mass market promotions

**Leading alternative broadband operator in France, with a 24% market share**

<sup>(1)</sup> Company estimate for Dec-16

<sup>(2)</sup> As of Sep-16 for SFR

# Broadest TV Offer in the Market

iliad

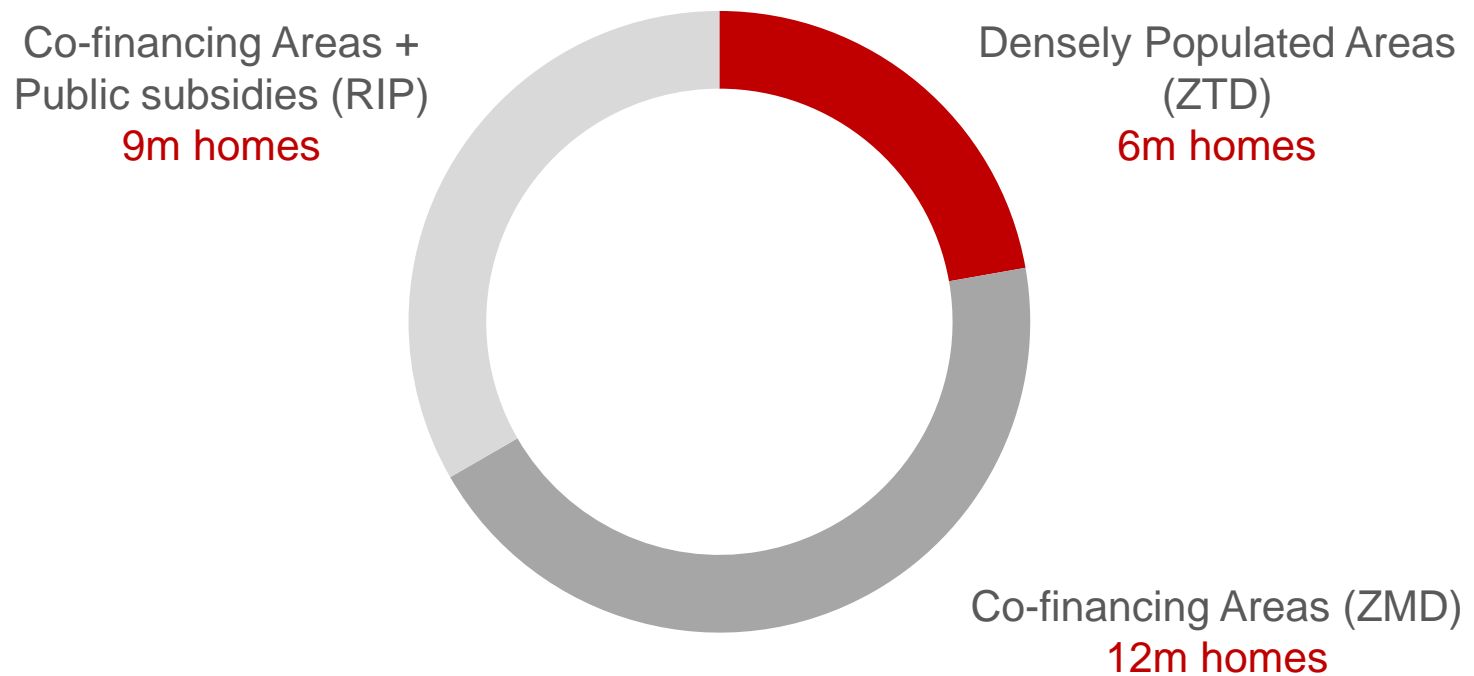


- Strong partnership with Canal Group
- Leading innovation: TV by CANAL Panorama anywhere, anytime on mobile, tablet and smartphone with **my CANAL**
- The largest smart TV offer: more than 180 HD channels and over 100 channels available on catch-up platforms

**Leading distributor of Canal Group offers with more than 3m subscriptions**

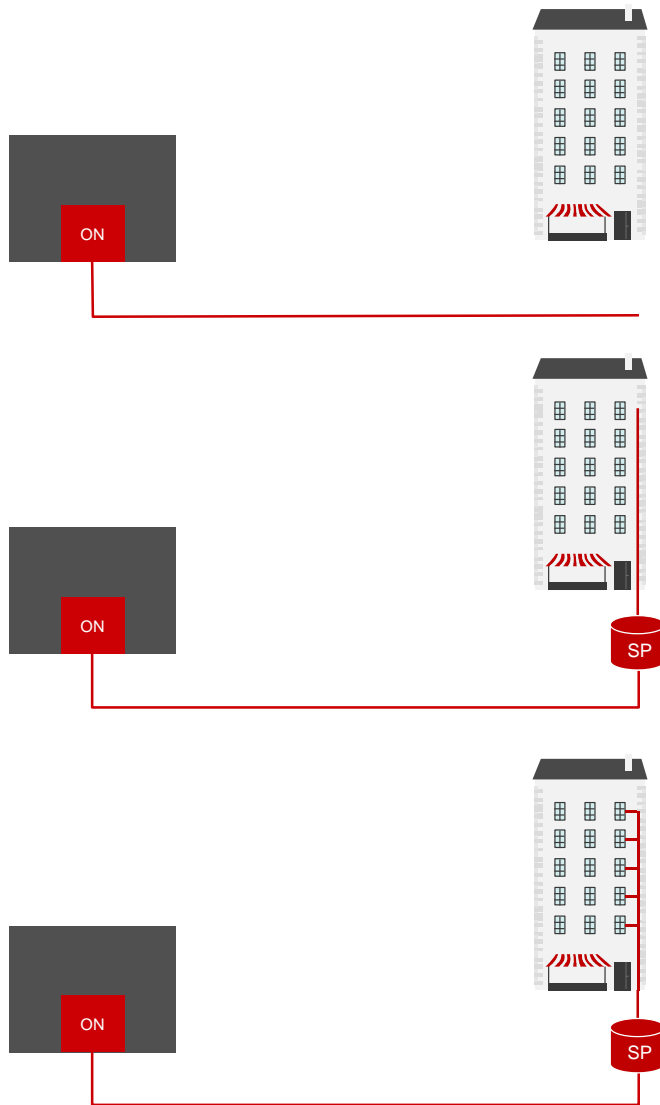
Focus on FTTH

# FTTH: Overview of 2022 Rollout Plan



**Targets – 9m connectible homes by end-2018  
& 20m by end-2022**

# Overview of Iliad's FTTH Rollout



ON: Optical Node  
SP: Sharing Point

## Horizontal rollout

- Fiber is drawn from the optical node to the foot of the buildings, through ducts
- **Almost 8m lines passed horizontally by end-2016**

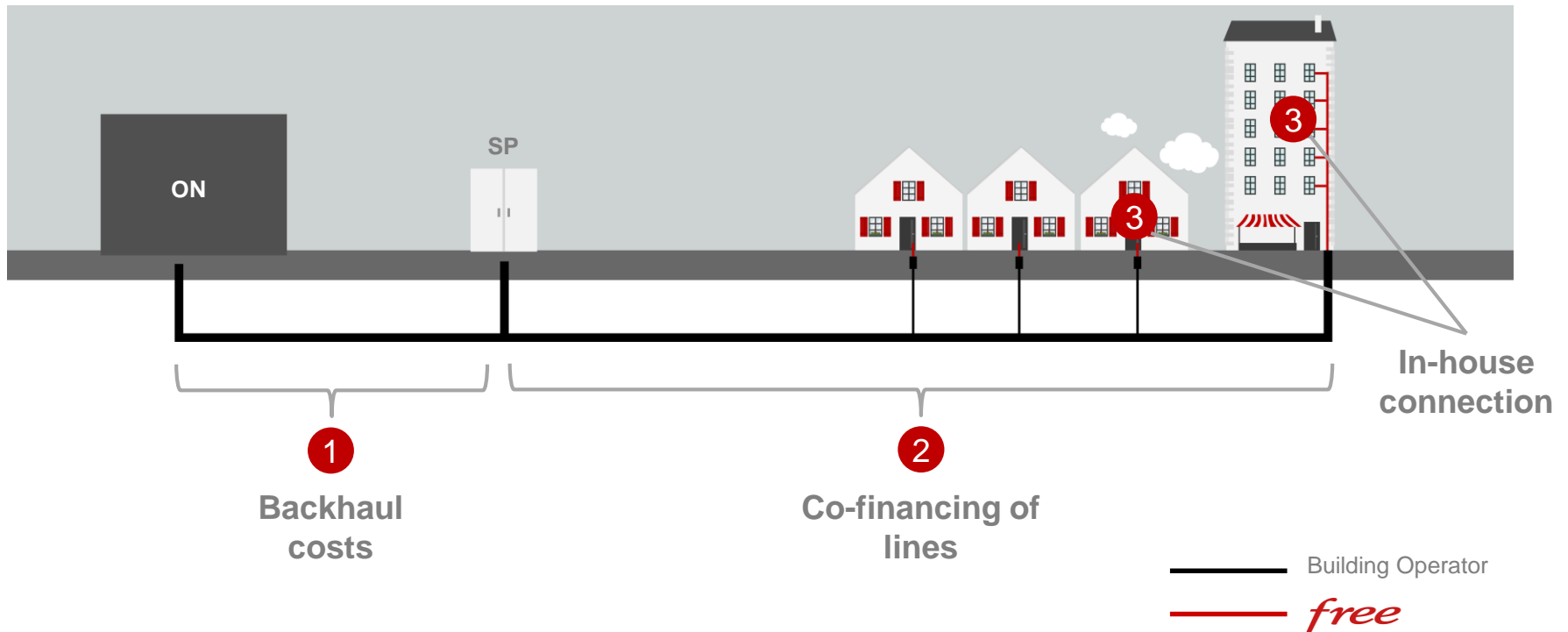
## Connectible FTTH socket

- Horizontal rollout and in-building wiring has been completed
- **c.4.4m connectible FTTH sockets by end-2016**
- **9m sockets by end-2018 and 20m by end-2022**

## FTTH connected subscribers

- A connectible FTTH socket becomes a connected subscriber when the in-home installation has been made
- **310k subscribers connected by end-2016**
- **>200k new subscribers in 2017, 300k to 500k per year thereafter**

# Focus on the Co-financing Scheme in Medium Density Area



**A total rollout cost for Iliad of less than €1,000 per subscriber<sup>(1)</sup>**

<sup>(1)</sup> Based on Iliad's FTTH target market share in co-financing areas as of today  
ON: Optical Node  
SP: Sharing Point

# Mobile Business

# Still 2 Mobile Plans 5 Years after Launch!

**Offer in 2012**

Free Mobile Plan  
**€ 19.<sup>99</sup>**/month  
no commitment

- **Unlimited calls**  
(Landline: 40 destinations)
- **Unlimited SMS**
- **Unlimited MMS**
- **3GB of 3G Internet**

Freebox Subscriber  
1 Free Mobile Plan  
**€ 15.<sup>99</sup>**/month  
no commitment



**Offer now**

Free Mobile Plan  
**€ 19.<sup>99</sup>**/month  
no commitment

- **Unlimited calls**  
(Landline: 100 destinations)
- **Unlimited SMS**  
from Europe & French overseas departments
- **Unlimited MMS**
- **50GB of 4G Internet**
- **Roaming** included in the EU, USA,  
French overseas departments, South Africa, Australia,  
Canada, Iceland, Israel, Norway & New Zealand <sup>(1)</sup>

Freebox Subscriber  
**Up to 4**  
Free Mobile Plans  
**€ 15.<sup>99</sup>**/month  
no commitment

**Constantly giving more value for the same price**

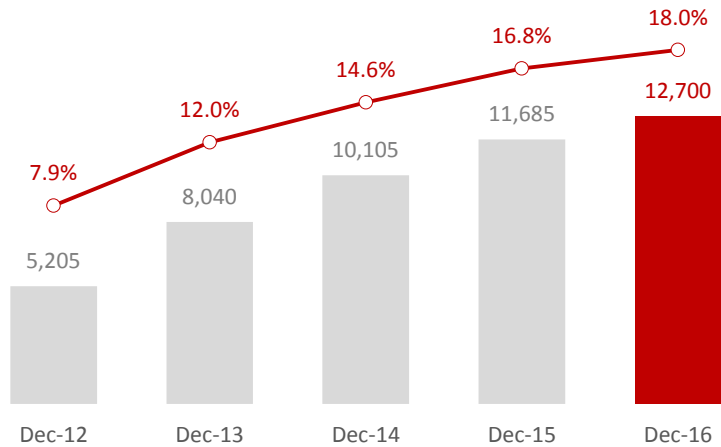
<sup>(1)</sup> 35 days per year and per destination



# Growth Driven by Subscriber Gains & a Better Mix

No. of subscribers ('000s)

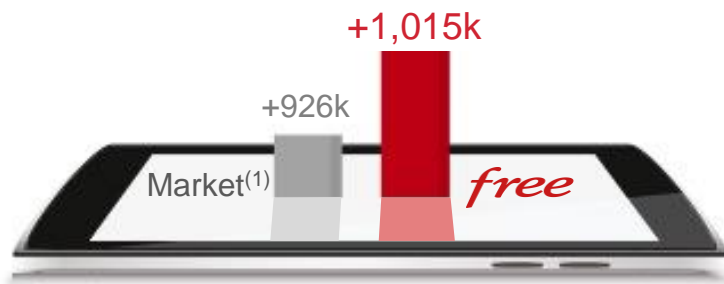
Market share<sup>(1)</sup> (%)



## More than 1 million new subscribers

- Free Mobile's market share has reached 18%, with 12.7m subscribers
- Leading recruiter for 20 quarters in a row
- Free Mobile subscriber base still growing faster than the market

2016 net adds (Free vs. market)



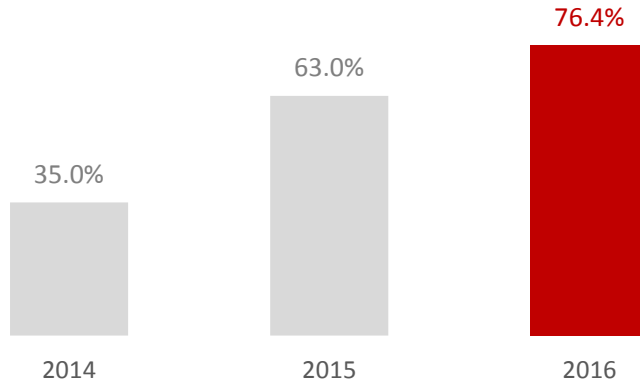
## Subscriber mix still improving in favor of the €19.99 plan

- 4G is encouraging 75% of new subscribers to sign up the €19.99 plan

<sup>(1)</sup> Total subscribers excl. overseas and M2M  
Source: Operators & ARCEP

# Network Rollout Progressing Well

% of population covered by Free Mobile 4G network<sup>(1)</sup>



## Significant increase in coverage

- 90% pop. coverage for 3G reached almost 1 year ahead of commitment
- Target of more than 12k 3G sites by end-2017
- Free had exceeded its 4G population coverage target by end-2016, covering more than 76% of the population
- 7.6k 4G sites at end-2016
- The Group has already met its 2,600MHz coverage commitments (60% by Oct. 2019 and 75% by Oct. 2023)

No. of mobile subscribers per MHz ('000s)



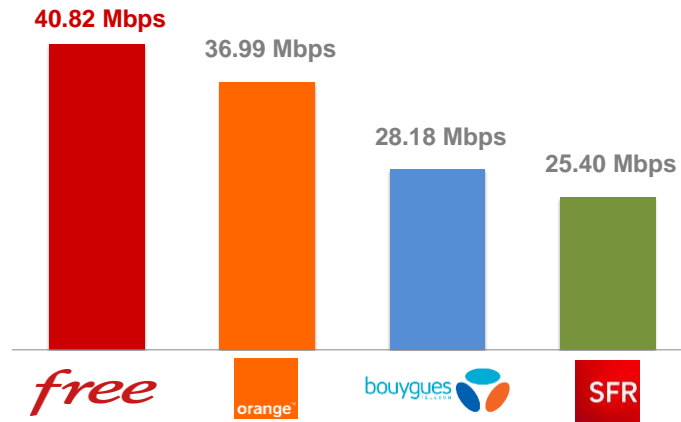
## Enriched frequency portfolio

- A total of 55MHz (duplex), of which 45MHz (duplex) dedicated to 4G
- 3.3k sites migrated to 1,800MHz in 2016
- Free Mobile is the first carrier to have started rolling out 700MHz-ready sites (236 sites mainly in Paris area)

<sup>(1)</sup> As of end-December

# Well-Known and Reliable 4G Network

4Q 2016 average download bitrates<sup>(1)</sup>

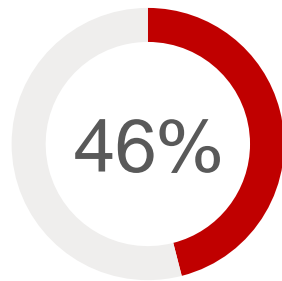


## A multi-award winning network

- 95% satisfaction rate according to the latest “60 millions de consommateurs” survey – No. 1 in France
- Leading 4G speeds for 7 quarters in a row: Free no. 1 for best 4G average download bitrates
- Leading 4G score for 7 quarters in a row according to nPerf barometer

% of Free subscribers with 4G

Average data usage



## A state-of-the-art network enhancing customer experience

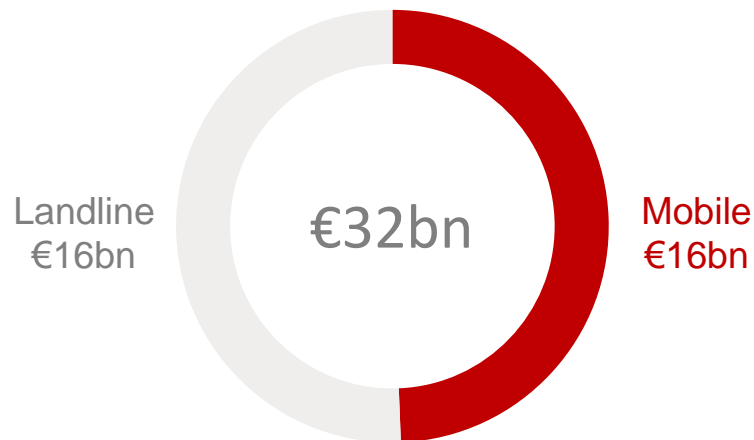
- 46% of our subscribers now use 4G – 5.9m 4G subscribers (up 60% year-on-year)
- Best-in-class average monthly data usage per 4G subscriber at 4.9GB/month (up 53% year-on-year)

<sup>(1)</sup> nPerf barometer of mobile internet connections in Metropolitan France – 4Q 2016

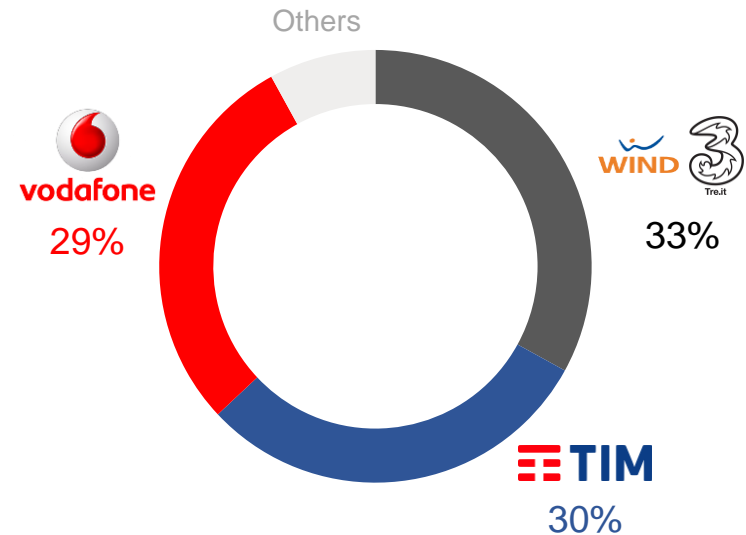
## Update on Italy

# Italy: A Significant Growth Opportunity

Telecommunication revenues in Italy in 2015



Italian mobile market share as of Sept. 2016 (%)



## Italy: an attractive market

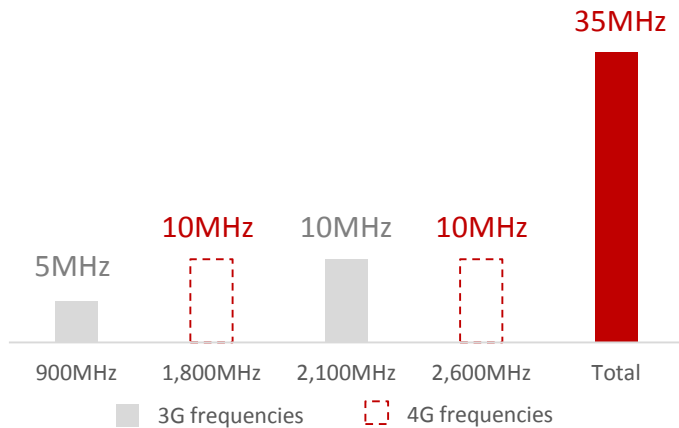
- One of the largest European mobile markets, with almost €16bn in revenues in 2015
- A total market of 97m SIM cards
- A volatile market: 75% of the market is prepaid

## A unique market structure

- An evenly split market between 3 players – each of them holding a c.30% market share
- A very concentrated market with an HHI Index<sup>(1)</sup> of more than 2,900

# Italy: Leveraging a Strong Remedy Package

## A large and balanced 3G & 4G spectrum portfolio



## A 5+5 years roaming agreement securing a smooth transition to a full fixed cost base

- All technologies covered
- Roaming on Wind / Combined network

## A secured network rollout

- Access to a large number of decommissioned sites
- More than 10,000 sites available on the main Towercos
- RAN Sharing option on Wind/Tre network for the last 25% of the population

## Getting ready for launch

- Backbone of more than 9,000km of fiber secured
- Key suppliers have been chosen
- Core network installed & interconnection under way

**All necessary assets secured to move smoothly towards a full fixed cost base model**

# Financial Performance

# Very Solid Annual Growth

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**+7.0%**



REVENUES  
**€4.72bn**

**+12.5%**



EBITDA  
**€1.68bn**

**+20%**

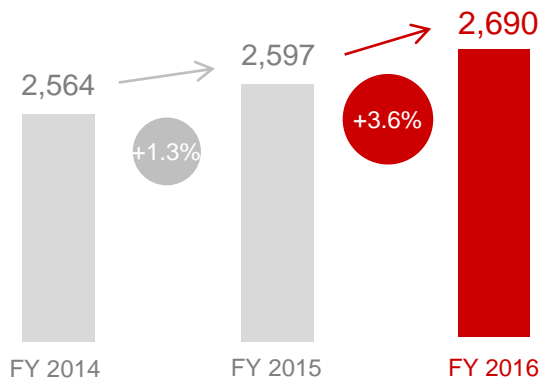


GROUP PROFIT  
**€403m**



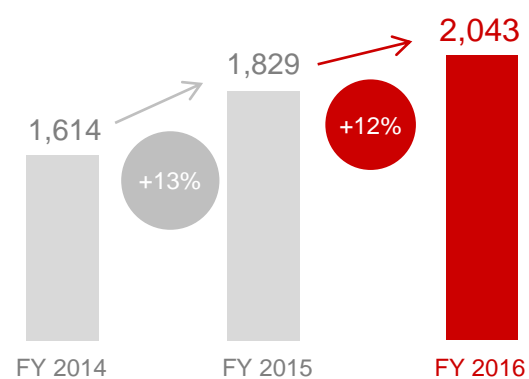
# Re-acceleration of the Group's Growth Profile

## Broadband revenues

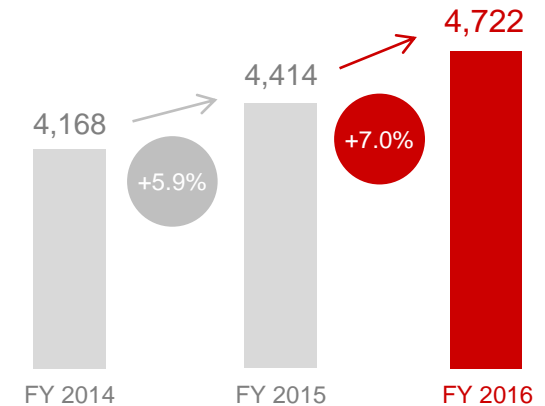


## Mobile revenues

**+13%** Service revenues



## Group revenues



### Re-acceleration of Broadband revenue growth in 2016

- + 3.6% growth in Broadband revenues, up sharply on 2016 (up 5.3% in 4Q 2016)
- + Growing subscriber base with 247k net adds
- Negative impact of promotional offerings

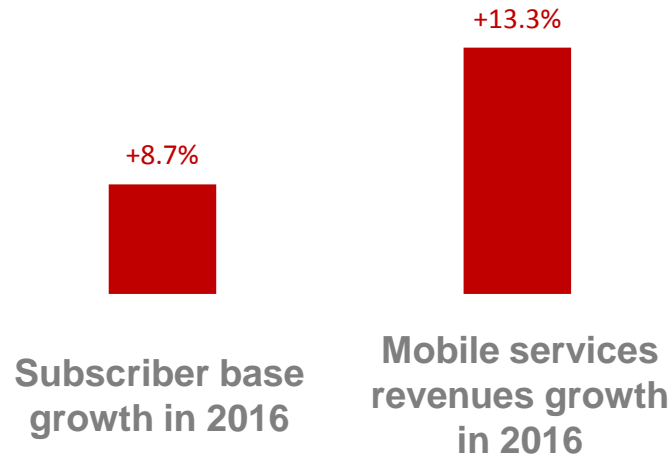
### Sustainable growth in Mobile revenues, up by 12%

- + More than 1m new subscribers
- + Higher-value subscriber mix driving services revenues up by more than 13%
- + Success of 4G with 5.9m 4G subscribers (+60% year-on-year)

### 7% growth in consolidated revenues in 2016

- + Market share gains both in Broadband and Mobile
- + Higher growth in 2016 than in 2015
- + 8.6% revenue growth in 4Q 2016

# High Growth Potential in Mobile



## 2016 marked a turning point in the subscriber mix

- Strong net adds momentum in 2016
- Mobile services revenues rose by more than 13% year-on-year vs an 8.7% increase in the subscriber base

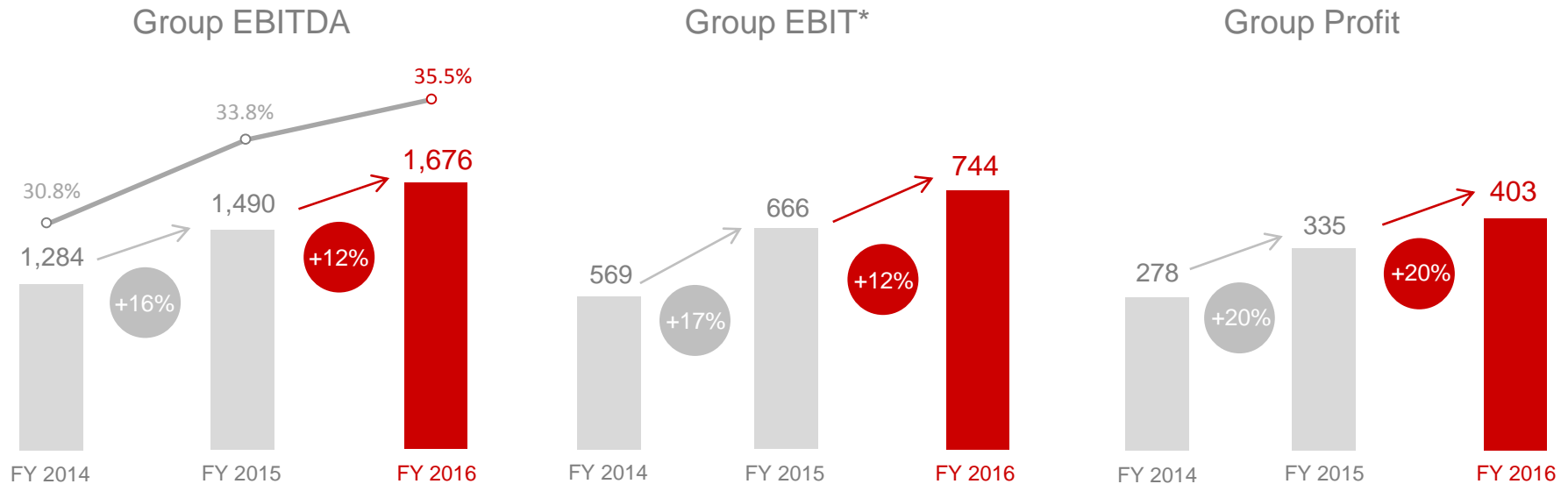


Proportion of subscribers

## An improved subscriber mix, driving growth and profitability

- Increasingly moving towards a fixed cost business, where an additional €1 in revenues almost entirely turns into additional margin
- Migrating subscribers represents significant potential for profitable growth

# Continued High-Pace of Growth for Profitability



## EBITDA margin up by nearly 5 pp in only 2 years

- + EBITDA margin tops 35%
- + More traffic on Free Mobile's own network
- + Scale effect on the fixed cost base
- Dilutive impact of opportunistic flash sales
- Negative impact of taxes, CanalSat contract and ULL fee

## A 12% year-on-year increase in Group EBIT

- Higher D&A due to new assets in both Broadband and Mobile
- Depreciation of the new frequencies (1,800MHz and 700MHz)

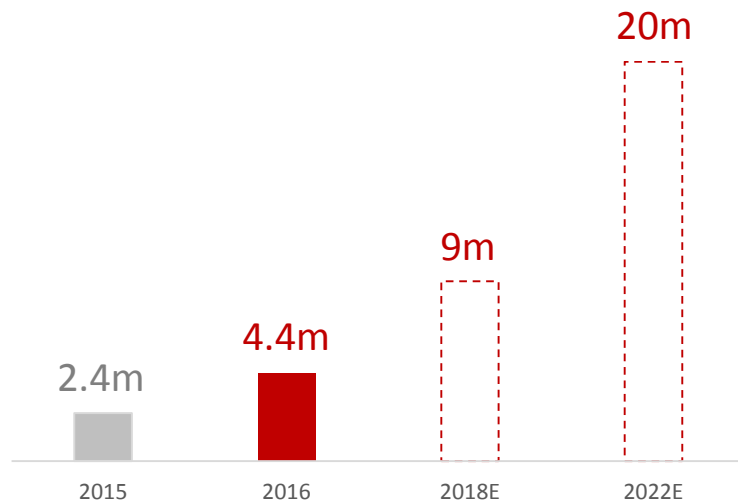
## A further 20% increase in Group profit

- + Lower interest payments during the year (new 7-year bond issued with a 2.125% coupon)
- + Positive impact of decrease in corporate tax rate (end of the additional 3.6 pp corporate tax)

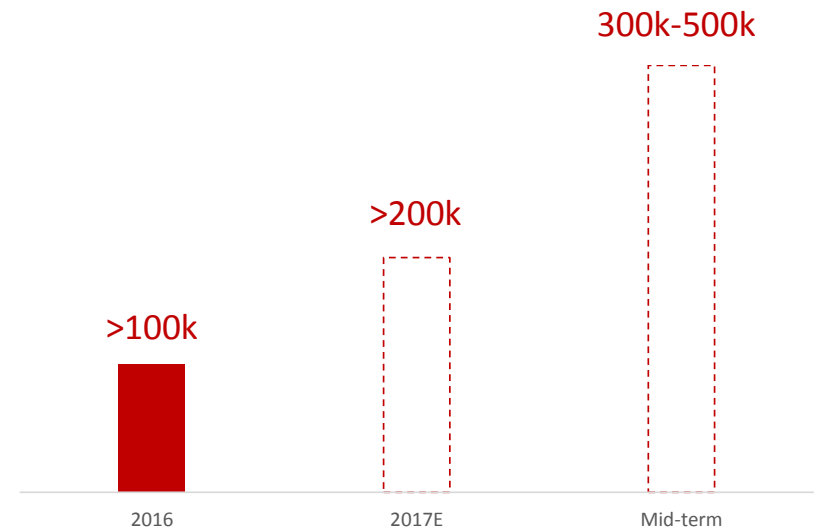
(€ millions)  
\*Excl. other operating income and expenses

# FTTH: Switching Gear on Connecting Lines

Change in the number of connectible sockets



Newly-connected FTTH subscribers per year



## Industrial rollout phase reached

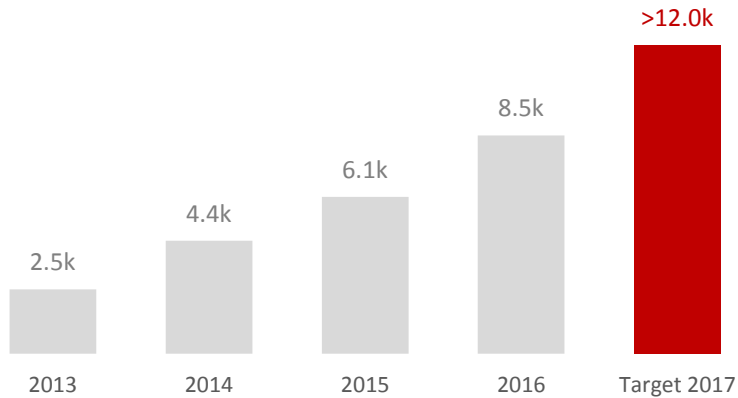
- 2m new connectible sockets delivered in 2016
- Target: 2m to 3m new connectible sockets delivered per year between 2017 and 2022

## 4Q 2016: A turning point in terms of subscriber migration

- More than 100k new subscribers connected in 2016
- FTTH subscriber base up by more than 50% in 2016
- 45k new lines connected in 4Q 2016 vs 20k on average during the first 3 quarters of the year

# Record Year for the Mobile Rollout Process

No. of mobile sites ('000s)



## Target of more than 12k sites by end-2017

- 8.5k sites at end-December 2016 (including shared sites in non-densely populated areas)
- 3,300 sites migrated to 1,800MHz and 700MHz rollout begun
- Going forward, the Group plans to rollout more than 3.5k sites in 2017
- Favoring fiber backhauling from mobile sites

## 3G Coverage obligations have always been met<sup>(1)</sup>

|              |     |                  |
|--------------|-----|------------------|
| 31 Jan. 2012 | 27% | ✓                |
| 12 Jan. 2015 | 75% | ✓                |
| 12 Jan. 2018 | 90% | ✓<br>Already met |

## The Group has always met its coverage obligations

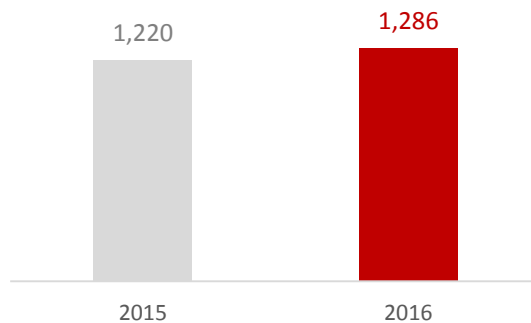
- Iliad is the only French carrier that has met all of its coverage commitments both for 3G and 4G

<sup>(1)</sup> As a percentage of population

# France: The Benefits of Moving to a Fixed Cost Model *iliad*

## Capex excl. frequencies (€m)

Slight increase in 2016 capex expected vs 2015 ✓



### Capex expected to come in at €1.4bn-€1.5bn per year in 2017 and 2018, fueling profitable growth

- Mobile targets: more than 3.5k new sites in 2017, completion of the 1,800MHz upgrade in 2018 and 700MHz rollout
- FTTH targets: 9m connectible lines by end-2018 and increased uptake for subscriber migrations

### The 2016 capex level reflects the Group's extensive rollout

- 2m FTTH connectible sockets added in 2016
- 2,400 new 3G sites added in 2016 (incl. shared sites)
- 4G rollout pursued with more than 3,300 sites newly-equipped with 1,800MHz technology
- Expanding DSL footprint with c.1.2k new unbundled central offices

### Strong drivers of cash generation

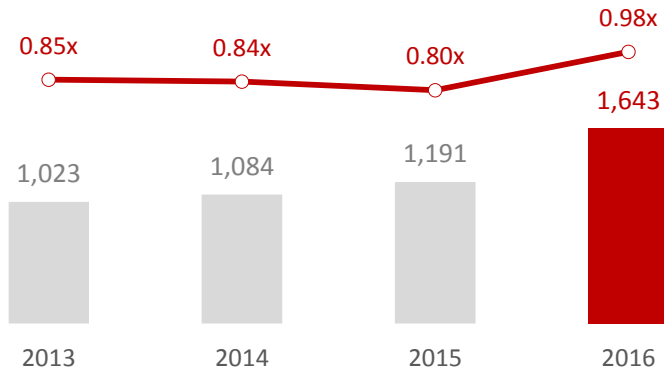
- Growth of mobile subscriber base and improving mix
- Decrease in national roaming costs
- Good visibility & initial benefits of FTTH investments
- Normalization of the Mobile capex-to-sales ratio post completion of the network rollout

**2020 target for EBITDA-capex in France: over €1bn**

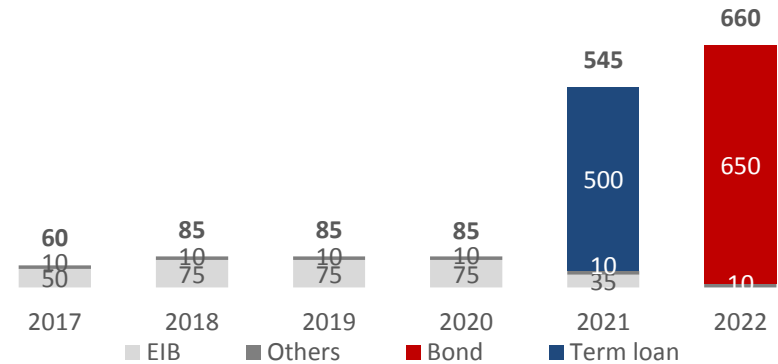
# A Strong Financial Structure

Net Debt (€m)

Leverage (Net Debt / EBITDA)



Debt Maturity Profile – excl. treasury bills (€m)



## A very solid financial structure, backing the Group's strategy

- Total equity of €3.0bn
- Increase in net debt following the first two instalments of the 700MHz purchase price, amounting to €472m
- Leverage kept below 1x EBITDA
- Strong liquidity position (>€2.2bn)

## Optimizing the Group's financing profile

- New €500m 5-year term loan
- New €200m loan from EIB, final maturity 2030
- Average debt maturity extended to c.5 years
- Average cost of debt totaled 2.8% in 2016

**Low leverage, secured and diversified sources of financing, long maturities and low average cost of debt**

## Building an efficient cost base

- In-depth expertise in network rollouts and a state-of-the art network architecture
- High level of in-housing enabling significant savings: network management, IT billing etc. account for less than 1% of revenues for Iliad
- Economies of scale with Iliad's existing suppliers and assets
- Strong remedy package allowing a smooth transition to a fixed cost model
- Ambition to achieve an EBITDA break-even with less than 10% market share

## Progressive investment and a sound business plan

|  | Amount booked<br>in the B/S | Payment                                 |               |
|--|-----------------------------|---|---------------|
| Portfolio of frequencies: 35MHz  | €450m                       | €50m in 2017 and c.€200m in 2018 & 2019 | Wind/H3G      |
| Extension of the 1,800MHz frequencies up to 2029                                     | c.€240m                     | Expected in 2H 2017                     | Italian state |
| NPV <sup>(1)</sup> of the estimated yearly fee for the 900MHz & 2,100MHz frequencies | c.€230m                     | Over 2021-2029                          | Italian state |

<sup>(1)</sup> Net Present Value



## Broadband

- Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term
- Increase the FTTH subscriber base by more than 200,000 in 2017, then by 300,000 to 500,000 subscribers per year over the medium term
- 9m connectible FTTH sockets by end-2018 and 20m by end-2022

## Mobile

- Targeting a mobile network of more than 12,000 sites by end-2017
- Finalize the migration of mobile sites to 1,800 MHz in 2018
- 4G coverage rate of around 85% of the French population by end-2017
- Achieve a 25% mobile market share in the long term

## Group

- Achieve consolidated EBITDA margin for France of over 40% by 2020
- Set capital expenditure levels for France (excluding purchases of frequencies) at between €1.4 billion and €1.5 billion per year for 2017 and 2018
- Generate more than €1 billion in EBITDA less capex in France as from 2020 thanks to:
  - Lower charges on roaming agreements
  - An improved mobile subscriber mix
  - A national mobile network in 2020

# Consistently Delivering on Promises

## Operational Guidance - Broadband

|   |      |   |
|---|------|---|
| - 4m connectible FTTH sockets by end-2016                         | 2016 | ✓ |
| - Pursue FTTH rollout and step-up the pace of net subscriber adds | 2014 | ✓ |
| - Pursue FTTH rollout and co-financing agreements                 | 2013 | ✓ |
| - Target of c.100,000 FTTH subs by end-2011                       | 2010 | X |
| - Mid-term unbundling ratio > 90% of the population               | 2010 | ✓ |

## Operational Guidance – Mobile

|   |      |   |
|---|------|---|
| - Deploy more than 1,500 sites in 2016  | 2015 | ✓ |
| - Reach a 4G coverage rate of around 75% of the French population by end-2016                   | 2015 | ✓ |
| - Deploy more than 1,500 sites in 2015  | 2014 | ✓ |
| - Reach a 4G coverage rate of around 60% of the French population by end-2015                   | 2014 | ✓ |
| - Deploy more than 1,500 sites in 2014  | 2013 | ✓ |
| - Reach obligatory 3G coverage rate of 90% of the French population by Jan. 2018 <sup>(1)</sup> | 2010 | ✓ |
| - Reach obligatory 3G coverage rate of 75% of the French population by end-2014                 | 2012 | ✓ |
| - Reach obligatory 3G coverage rate of 27% of the French population by Jan. 2012                | 2010 | ✓ |
| - Achieve a 15% market share in the mid-term  | 2012 | ✓ |

## Financial Guidance

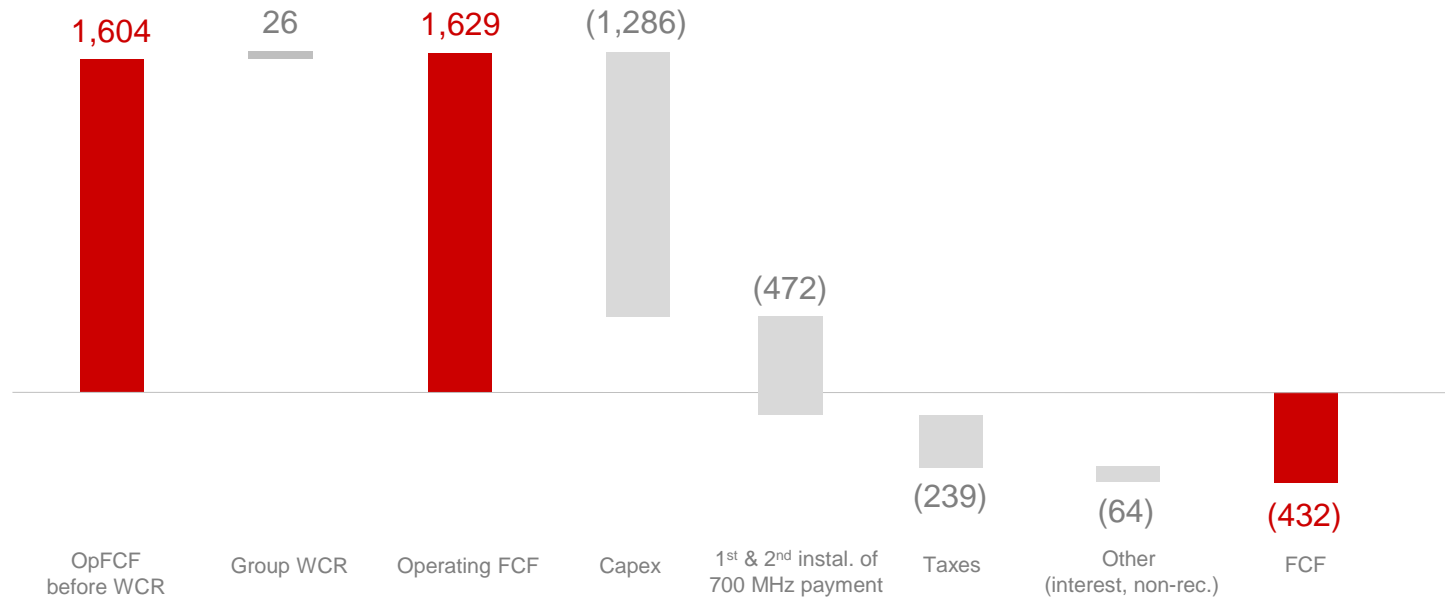
|  |      |   |
|--|------|---|
| - Slight increase in 2016 capex (excl. spectrum) vs 2015             | 2015 | ✓ |
| - Achieve more than 10% growth in consolidated EBITDA in 2015        | 2014 | ✓ |
| - Achieve robust revenue growth in 2012                              | 2011 | ✓ |
| - Generate revenues of over €4bn by 2015                             | 2010 | ✓ |
| - Grow Broadband revenues by more than 5% in 2013                    | 2012 | ✓ |
| - Grow Broadband revenues by more than 5% in 2012                    | 2011 | ✓ |
| - FCF from ADSL operations in excess of €1.1bn between 2010 and 2012 | 2010 | ✓ |

<sup>(1)</sup> Already reached

## Q&A

# Appendices

# Strong Investments Backed by Solid OpFCF



- Operating Free Cash Flow before capex up 12% year-on-year, reaching €1.6bn
- Payment of the first two instalments for the acquisition of 700MHz frequencies: €472m
- Capex of €1.29bn, in line with the Group's guidance and supporting the rollout of next-generation networks

# Balance Sheet Movements

| <b>Assets</b>                        |              |              |
|--------------------------------------|--------------|--------------|
| <i>in €m</i>                         | <u>2015</u>  | <u>2016</u>  |
| Goodwill                             | 215          | 215          |
| <b>1</b> Intangible assets           | 2,253        | 3,242        |
| <b>2</b> Property, plant & equipment | 3,229        | 3,761        |
| Other non-current assets             | 58           | 44           |
| <b>Non-current assets</b>            | <b>5,755</b> | <b>7,262</b> |
| Inventories                          | 26           | 14           |
| Trade & other receivables            | 684          | 674          |
| Other current assets                 | 3            | 21           |
| <b>3</b> Cash & cash equivalents     | 720          | 239          |
| <b>Current assets</b>                | <b>1,433</b> | <b>948</b>   |
| Assets held for sale                 | 26           | 21           |
| <b>Total assets</b>                  | <b>7,214</b> | <b>8,232</b> |

| <b>Equity &amp; Liabilities</b>           |              |              |
|---|--------------|--------------|
| <i>in €m</i>                              | <u>2015</u>  | <u>2016</u>  |
| <b>4</b> Total equity                     | <b>2,637</b> | <b>3,002</b> |
| <i>o/w minority interests</i>             | 3            | 4            |
| <b>5</b> Long-term financial liabilities  | 965          | 1,391        |
| <b>6</b> Other non-current liabilities    | 934          | 1,491        |
| <b>Non-current liabilities</b>            | <b>1,899</b> | <b>2,882</b> |
| Short term provisions                     | 99           | 49           |
| <b>7</b> Short-term financial liabilities | 947          | 490          |
| Trade & other payables                    | 1,626        | 1,805        |
| Other current liabilities                 | 5            | 3            |
| <b>Current liabilities</b>                | <b>2,678</b> | <b>2,348</b> |
| <b>Total equity &amp; liabilities</b>     | <b>7,214</b> | <b>8,232</b> |

- 1** Increase in intangible assets mainly due to the frequencies in Italy (€920m)
- 2** Increase in PP&E due to mobile and FTTH network rollouts
- 3** Decrease in cash & cash equivalents reflecting the €472m payment for the 700MHz frequencies

- 4** Increase in equity reflecting growth in profit
- 5** €500m term loan included in long-term financial liabilities
- 6** Increase in other non-current liabilities mainly due to the acquisition of frequencies in Italy
- 7** Decrease in short-term financial liabilities as a result of the reimbursement of the €500m bond in June 2016

Thank You