

Paris, May 15, 2018

## FIRST-QUARTER 2018 REVENUES

### A new organization with a new sales and marketing approach

- FTTH: Acceleration of connections, with 90,000 new subscribers during the quarter
- Mobile business: 130,000 new subscribers during the quarter – and nearly 250,000 more subscribers on the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers)
- Consolidated revenues up 0.8% year on year to more than €1.2 billion, in a fiercely competitive market
- An increase of more than 7% in Mobile services revenues (excluding incoming texts and calls), driven by positive changes in the subscriber mix
- Deployment of a new sales and marketing approach in the coming weeks to re-boost the Group's growth and accelerate the take-up of Ultra-Fast landline and mobile offerings
- Italy: the commercial launch is imminent!

IFRS 15, Revenue from Contracts with Customers came into effect for accounting periods beginning on or after January 1, 2018. Consequently, Iliad's revenues for the first quarter of 2018 are reported in accordance with this new standard.

## A NEW SALES AND MARKETING APPROACH

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As the Landline business's first-quarter 2018 results were lower than expected, both in terms of net adds and revenues, the Group is deploying **a new sales and marketing approach to re-boost its growth and accelerate the take-up of Ultra-Fast landline and mobile offerings as from the coming quarters.**

This new approach is mainly based on:

- ✓ A better-suited promotional policy, with initiatives such as the *Very Free* deal launched at end-March.
- ✓ Deploying a pro-active loyalty and retention policy.
- ✓ Increasing the segmentation of distribution channels.
- ✓ Pursuing the Group's commitment to accelerating the take-up of Ultra-Fast landline and mobile offerings, with the following goals:
  - Mobile business:
    - Accelerating subscriber migrations from the €2 per month plan (€0 per month for Freebox subscribers) to the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers).
  - FTTH:
    - Increasing the number of FTTH subscribers by between 300,000 and 500,000 in 2018.
    - Increasing the number of FTTH subscribers by around 500,000 per year as from 2019.
    - Reaching a total of 1 million FTTH subscribers by the beginning of 2019.
- ✓ Launching new offers over the next few weeks in order to boost net adds and eventually increase ARPU.
- ✓ Refocusing our strategy on innovation, with new boxes to be launched over the next four months.

## KEY OPERATING PERFORMANCE INDICATORS AT MARCH 31, 2018

### Operating performance indicators

<i>Subscriber numbers (in thousands)</i>	<b>March 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>March 31, 2017</b>
Total mobile subscribers	<b>13,825</b>	<b>13,695</b>	<b>12,940</b>
- Of which 4G	8,300	8,200	6,300
Total Broadband and Ultra-Fast Broadband subscribers	<b>6,501</b>	<b>6,520</b>	<b>6,451</b>
- Of which FTTH	646	556	369
<b>Total number of subscribers</b>	<b>20,326</b>	<b>20,215</b>	<b>19,391</b>

<i>Other indicators</i>	<b>March 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>March 31, 2017</b>
<b>Broadband and Ultra-Fast Broadband ARPU (in €)</b>	<b>32.90**</b>	<b>33.90</b>	<b>34.50</b>
<i>Freebox Revolution ARPU* (in €)</i>	>38.00	>38.00	>38.00
<b>Number of connectible FTTH sockets</b>	<b>6.8m</b>	<b>6.2m</b>	<b>4.8m</b>
<b>Average 4G data usage (in GB per month per subscriber)</b>	<b>9.2 GB</b>	<b>8.4 GB</b>	<b>6.0 GB</b>

\* Excluding promotions

\*\* €32.40 including the adjustments related to IFRS 15 (the new revenue recognition standard)

## CONSOLIDATED FIRST-QUARTER 2018 REVENUES

Including the impact of the first-time application of IFRS 15, which came into effect in 2018, Iliad's consolidated revenues amounted to €1,201 million for first-quarter 2018, up 0.8% year on year. Revenues for the Landline business contracted 1.6% during the period to €672 million, whereas mobile revenues climbed 3.9% to €531 million.

The table below shows the breakdown of consolidated revenues by category for the first quarter of 2018 and 2017 as well as the percentage change between the two periods, both after and before the impact of IFRS 15.

In € millions	After IFRS 15			Before IFRS 15		
	Q1 2018	Q1 2017	% change	Q1 2018	Q1 2017	% change
<b>Landline</b>	<b>672.0</b>	682.6	-1.6%	<b>683.7</b>	697.8	-2.0%
<b>Mobile</b>	<b>531.1</b>	511.2	+3.9%	<b>547.8</b>	528.6	+3.6%
Intra-group sales	(2.2)	(2.5)	-	(2.2)	(2.5)	-
<b>Total consolidated revenues</b>	<b>1,200.9</b>	1,191.4	+0.8%	<b>1,229.3</b>	1,223.9	+0.4%

#### Landline revenues

In an operating environment marked by numerous promotions, the Group's Landline revenues decreased by 1.6% year on year to €672 million. The significant events of the first quarter of 2018 for the Landline business were as follows:

- **A contraction in revenues caused by (i) fierce market competition, (ii) a slight reduction in the subscriber base, (iii) the impact of promotions, and (iv) the negative effect of the higher VAT rate on audiovisual offerings in France.** Despite a highly competitive market characterized by numerous promotions, the Group remained by far France's leading alternative landline Broadband and Ultra-Fast Broadband operator in first-quarter 2018, with over 6.5 million subscribers and a 24% market share, despite a slight decline in the total number of Broadband and Ultra-Fast Broadband subscribers by 19,000 over the quarter.
- **Broadband and Ultra-Fast Broadband ARPU amounting to €32.90**, reflecting the negative effect of promotions and the higher VAT rate on audiovisual offerings. ARPU for the Freebox Revolution offer once again exceeded €38<sup>1</sup>.

During the first quarter of 2018, the Group consolidated its position as a solid challenger to the incumbent operator for FTTH by continuing to accelerate its switch from ADSL to fiber, with:

- **A continued brisk pace of installing new connectible FTTH sockets**, with 400,000 installed during the quarter, bringing the Group's total to 6.8 million at March 31, 2018.
- **An acceleration in FTTH subscriber connections with 90,000 new subscribers added during the quarter.** At March 31, 2018, the Group had some 650,000 FTTH subscribers, representing nearly 280,000 more than one year earlier.

<sup>1</sup>Excluding promotions.

## Mobile revenues

In the first quarter of 2018, overall revenues for the Mobile business rose 3.9% year on year to €531 million (with Mobile services revenues excluding incoming texts and calls up by more than 7%). The significant events of the quarter were as follows:

- **Another good level of net adds, with 130,000 new subscribers for the Group's mobile offerings.** This was accompanied by a further improvement in the subscriber mix, with nearly 250,000 new subscribers for the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) during the quarter. This trend reflects the positive impacts of (i) the fact that the Group's own network can now carry a higher volume of data traffic, (ii) the Group's strategy of constantly enriching its offers, and (iii) one-off promotional sales. At March 31, 2018, the Group had 13.8 million mobile subscribers, representing a market share of over 19%<sup>2</sup>.
- **A further improvement in the subscriber mix, with another decrease in subscribers on the €2/month plan** (€0 for Freebox subscribers) and an increase in those on the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers).
- **A rise of more than 7% in Mobile services revenues (excluding incoming texts and calls).** The main reason why growth in Mobile revenues overall (services and handsets combined) was only 3.9% was that incoming revenues are being adversely affected by a decrease in the use of texting as mobile data usage rises.
- **Continued success of the Group's 4G offering, with a base of 8.3 million 4G subscribers,** representing an increase of 100,000 in the three months ended March 31, 2018. 4G data usage increased by almost 10% during the period, with average monthly data usage per 4G subscriber reaching 9.2 GB. The quality of the 4G experience offered by Free Mobile is once again demonstrated by the nPerf mobile connections performance survey, with average 4G download speeds of nearly 40 Mbps.
- **Ongoing deployment of 4G frequencies, with 835 sites newly equipped for 1,800 MHz and more than 300 for 700 MHz,** following the gradual application of licenses to use spectrum in new areas. The Group's network now covers 94.5% of the French population for 3G and 88% for 4G.

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<sup>2</sup> Metropolitan France excluding M2M

## GROUP OBJECTIVES

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- Landline business:
  - Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term.
  - Increase the FTTH subscriber base by between 300,000 and 500,000 subscribers in 2018 and then by some 500,000 subscribers per year as from 2019.
  - Reach a total of 1 million FTTH subscribers by the beginning of 2019.
  - Have 9 million connectible FTTH sockets by end-2018 and 20 million connectible FTTH sockets by end-2022.
  
- Mobile business:
  - Open around 2,000 new sites in 2018, with a 4G coverage of close to 90% and a 3G coverage of 95%.
  - Achieve a 25% share of the mobile market in the long term.
  - Complete the migration of 4G sites to 1,800 MHz during the course of 2018.
  
- Group:
  - Achieve EBITDA margin growth in France in 2018.
  - Generate consolidated EBITDA margin in France of over 40% by 2020.
  - Have capital expenditure in France (excluding purchases of frequencies but including the launch of new boxes) of approximately €1.55 billion in 2018.
  - Generate more than €1 billion in EBITDA less CAPEX in France as from 2020 thanks to:
    - *Lower charges related to the roaming agreement.*
    - *An improved mobile subscriber mix.*
    - *A national mobile network in 2020.*
  - Achieve EBITDA break-even in Italy with a market share of less than 10%.

*A slideshow will be available on Iliad's website at 8:30am (CET).*

## GLOSSARY

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**Alternative operator:** An operator that entered the market subsequent to the incumbent State operator losing its monopoly.

**Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Broadband and Ultra-Fast Broadband User):** Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), divided by the total number of Broadband and Ultra-Fast Broadband subscribers invoiced for the period.

**Broadband and Ultra-Fast Broadband subscribers:** Subscribers who have signed up for the Group's ADSL, VDSL or FTTH offerings.

**Connectible FTTH socket:** A socket for which the link between the shared access point and the optical splitter has been put in place by the building operator, which the Group can access in accordance with its co-financing commitments, and for which the connection to the Group's network has been completed or is in progress.

**Freebox Revolution ARPU (Average Revenue Per Freebox Revolution Subscriber, excluding promotions):** Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), divided by the total number of Freebox Revolution subscribers invoiced for the period.

**FTTH (fiber-to-the-home):** Data delivery technology that directly connects subscribers' homes to an optical node (ON).

**M2M:** Machine to machine communications.

**Mobile services revenues:** Mobile revenues excluding sales of handsets.

**Mobile services revenues (excluding incoming texts and calls):** Mobile revenues excluding (i) sales of handsets and (ii) revenues generated by calls and texts received.

**Net adds:** Represents the difference between total subscribers at the end of two different periods.

**Total Broadband and Ultra-Fast Broadband subscribers:** Represents, at the end of a period, the total number of subscribers, identified by their telephone lines, who have signed up for a Free or Alice Broadband or Ultra-Fast Broadband offering, excluding those recorded as having requested the termination of their subscription.

**Total mobile subscribers:** Represents, at the end of a period, the total number of subscribers, identified by their telephone lines, who have subscribed to a Free mobile offering, excluding those recorded as having requested the termination of their subscription.

**Unbundled subscribers:** Subscribers who have signed up for the Group's ADSL, VDSL or FTTH offerings through a telephone exchange unbundled by Free.

## About Iliad

*Iliad is the parent company of Free, the inventor of the Freebox, the first multiservice box on ADSL. Free is behind numerous innovations in the Broadband and Ultra-Fast Broadband access segment (VoIP, IPTV, flat-rate calling plans to multiple destinations, etc.) and provides straightforward and innovative offerings at the best prices. The Freebox Revolution, the 6th generation of Freebox units, notably includes an NAS and a Blu-Ray™ drive. Free also offers the Freebox mini 4K, the first Android TV™ and 4K box on the French market. Free was the first operator to include calls from landlines to mobile phones in its offerings and also calls to French overseas departments (DOM). Since January 2012, Free has brought mobile phone usage within everyone's reach with straightforward, no-commitment offerings at very attractive prices. The Free Mobile Plan includes roaming communications all year round from more than 35 countries (unlimited calls, texts and MMS as well as 25GB/month of 3G mobile Internet from these destinations). Free also includes unlimited 4G in its €15.99 plan for Freebox subscribers. As at March 31, 2018, Free had over 20 million subscribers (6.5 million Broadband and Ultra-Fast Broadband subscribers and 13.8 million mobile subscribers).*

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Member of **Euro Stoxx, SBF 120, CAC Next 20, CAC Mid 100**