Société anonyme. Share capital: €12,953,409

Registered office: 16, rue de la Ville l’Evêque – 75008
Paris, France

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1. ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS

KEY CONSOLIDATED FINANCIAL DATA

In € millions	Six months to June 30, 2015	Six months to June 30, 2014	Year ended Dec. 31, 2014
INCOME STATEMENT			
Revenues	2,159.9	2,019.6	4,167.6
EBITDA	***725.0***	***624.2***	***1,283.6***
Profit from ordinary activities	329.7	281.4	569.5
Other operating income and expense, net	(2.1)	(1.7)	(3.6)
Operating profit	327.6	279.7	565.9
Finance costs, net	(30.9)	(31.6)	(63.8)
Other financial income and expense, net	(11.6)	(10.9)	(21.7)
Corporate income tax	(122.3)	(97.3)	(202.0)
Profit for the period	**162.9**	**139.9**	**278.4**
BALANCE SHEET			
Non-current assets	4,410.1	3,971.8	4,269.3
Current assets	874.5	694.6	744.6
Of which cash and cash equivalents	*162.6*	*230.6*	*137.4*
Assets held for sale	27.9	35.8	34.4
Total assets	**5,312.5**	**4,702.2**	**5,048.3**
Total equity	2,454.2	2,158.7	2,310.4
Non-current liabilities	607.3	1,196.1	1,209.1
Current liabilities	2,251.1	1,347.4	1,528.8
Total equity and liabilities	**5,312.5**	**4,702.2**	**5,048.3**
CASH FLOWS			
Cash flows from operations	721.2	614.9	1,236.5
Net cash used in investing activities	(612.9)	(402.0)	(968.3)
Net change in cash and cash equivalents (excluding financing activities and dividends)	(67.2)	99.2	(37.2)
Dividends	(23.0)	(21.6)	(21.7)
Net debt	1,161.9	933.9	1,084.0

1.1 OVERVIEW

Fueled by the success of its broadband offerings marketed under the Free brand, the Iliad Group (also referred to as the "**Group**") has positioned itself as a major player in the French landline telecommunications market. In addition, since 2012 when it first launched its mobile offerings, the Group has become an integrated operator present in the broadband, ultra-fast broadband and mobile segments.

By June 30, 2015, three years after it entered the mobile market, the Group had become the third largest telecom operator in France, with close to 17 million subscribers, of which almost 11 million mobile subscribers and 6 million broadband and ultra-fast broadband subscribers. In the first half of 2015, the Group generated revenues of nearly €2.2 billion, up by almost 7% year on year.

As substantially all of its operations are in France, the Group only has one geographic segment. However, this presentation may change in the future, depending on operating criteria and the development of the Group's businesses.

EBITDA – which corresponds to profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets – is a key performance indicator for the Group and is used throughout this management report.

1.1.1 Breakdown of revenues

(a) Landline offerings

Offerings and services available under the Free and Alice brands

The Group offers its subscribers a number of different Internet access solutions (at prices ranging from €9.99 to €37.97 per month), with a box provided and no installation fees.

Depending on the eligibility of the subscriber's line, the following broadband offers are available:

- **Via ADSL, which** allows subscribers to access the Internet at a speed of at least 2 Mbps and up to 22.4 Mbps in areas where the local loop is unbundled, and 17.6 Mbps in non-unbundled areas, depending on whether a subscriber's line is eligible (IP speeds).

- **Via VDLS2,** which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload.

- **Via optical fiber (FTTH),** which is available in Free rollout areas and provides subscribers with ultra-fast broadband (up to 1 Gbps download and up to 200 Mbps upload in bridge mode).

Through these offerings, subscribers are provided with the services described below:

- **Telephony.** All subscribers are provided with a telephone service under which they can make calls through their modem to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to 60 or 108 landline destinations outside Metropolitan France depending on the terms of their package. Additionally, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France.

- **Free proposes the largest television offering** in the market, comprising around 450 channels (of which some 90 or 200, depending on the type of subscription, are included in the basic packages), with some 100 high definition channels and a 50-channel catch-up TV service.

- **Free also offers its subscribers numerous value added services** including Freebox Replay (its catch-up TV service), video on demand (VOD or S-VOD), subscription to pay-TV channels (Canal+, beIN Sports, etc.) and video games.

When a subscriber signs up to one of the Group's offerings they are provided with a box. Two main boxes are currently available:

- **The Freebox Revolution,** which allows subscribers to connect all of their terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative new services, such as the NAS server which has storage capacity of up to 250 GB accessible from anywhere at any time, a Blu-Ray™ player, and calls to all mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies such as PLC (Power Line Communication), a gyroscopic remote control, a gamepad and loud speakers.

- **The Freebox mini 4K, which is the Group's new** entry-level offering that replaces the Freebox Crystal. The Freebox mini 4K is the world's first triple-play box that has integrated AndroidTV™, the Google™ platform for TV, and is compatible with 4K technology (Ultra High Definition). It has Bluetooth technology and offers many other innovative services, such as a remote control with a voice search function and the possibility of using a mobile phone as the remote control. It is also the most compact box on the market, measuring 11 x 15 cm.

Hosting offers and services available under the Online, Dedibox and Iliad Entreprises brands

The Group's hosting business is structured around three service areas, each of which is represented by a brand:

- **Shared hosting services**, marketed under the Online brand, which correspond to website hosting and the purchase and resale of domain names. These services are invoiced to customers based on an annual subscription and are primarily targeted at private individuals and very small businesses that have relatively low data storage requirements.

- **Dedicated hosting services**, marketed under the Dedibox brand, which correspond to the provision of dedicated servers to private individuals and SMEs that wish to secure their data. This offering is invoiced based on a monthly subscription.

- **Server collocation services,** which consist of providing physical space in fully secure and accessible data centers.

(b) Mobile offerings

The Group proposes two simple value-for-money mobile offerings, with 4G included since December 2013:

- **The €2/month plan (€0/month for Freebox subscribers)** which includes 120 minutes of voice calls per month in Metropolitan France and to French overseas departments (*départements d'outre-mer – DOM),* as well as to 100 landline destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, plus unlimited SMS/MMS messages in Metropolitan France, 3G/4G mobile Internet access with 50MB data volume, and unlimited access to the FreeWifi network. This no-commitment plan – which also includes services such as voice mail – caller display and usage monitoring, was primarily designed for subscribers mainly wanting to make voice calls at competitive prices. Under the plan, subscribers can opt for extra minutes and data volume as well as for calls to additional foreign countries and from abroad.

- **The Free Mobile Plan at €19.99/month (€15.99/month for Freebox subscribers)** with unlimited voice calls and SMS and MMS messages as well as Internet access of up to 3 GB for 3G and 20 GB for 4G (fair use policy with speeds slowed in excess of these thresholds). All subscribers to this no-commitment plan can also make unlimited calls to landlines in 100 destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, and have unlimited access to the FreeWifi network. In addition, subscribers can use their Free Mobile Plan, for 35 days per year and per destination, when they are in the French West Indies, Guiana, Canada or Israel as well as in around twenty European countries.

In tandem, the Group offers a selection of the latest mobile phones on the market, including top-of-the-range Apple, Samsung and Nokia phones. With a view to being as transparent as possible, Free sells its phones separately from its subscriptions, which means that subscribers can opt for whichever plan and phone they prefer, or can choose not to purchase a phone at all. Several different solutions are available for subscribers who choose to obtain their phone from Free:

- Purchasing a phone and paying for it upfront.

- Purchasing a phone and spreading the payment (four interest-free installments or 24 installments, depending on the model).

- Renting a phone: subscribers can rent high-end smartphones for 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €9 and €99 and then pays a monthly rental fee of between €9 and €18 (again, depending on the phone) over a period of 24 months. At the end of the 24-month period subscribers can return their phone and get a latest-generation phone under a new rental agreement, or can extend the rental period for their existing phone.

In all cases, the Group recognizes the corresponding revenue when the phone is received by the subscriber.

1.1.2 The Group's main operating costs

(a) Main operating costs of the Group's landline offerings

- **Option 1** (subscribers on an unbundled line), whereby the Group markets services entirely on its own network (excluding the local loop).

Under Option 1, direct costs per subscription and per month, as set out in the basic incumbent operator unbundling offer, were as follows at June 30, 2015:

Operating costs (partial unbundling)

- Rental of the copper pair and the ADSL splitter: €1.77

Operating costs (full unbundling)

- Rental of the copper pair: .... €9.05[1]

- **Option 5** (subscribers not on an unbundled line), representing a wholesale offer proposed by the incumbent operator that is sold on to subscribers by Free.

Under Option 5, for a subscription that is sold at the same price, costs per subscription and per month are made up of access costs and the costs of the IP transit service.

Access costs

- The respective monthly fees for the "DSL Access" and "DSL Access Only" services are €4.79 and €12.53 (since April 1, 2015).

IP transit service costs

Option 5 costs also include IP transit service costs which vary depending on the bit rate used by all Option 5 subscribers. The price terms applicable in first-half 2015 were as follows:

- Usage fee per Mbps: €7.00
- Access fees: €5.40

Option 1 gross margin and EBITDA margin are therefore significantly higher than Option 5 margins. Consequently, the Group's objective is to maximize the proportion of Option 1 subscribers or, where technically feasible, by directly offering Option 1 to new subscribers living in an area where the local loop has been unbundled.

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[1] *Prior to April 1, 2015 the cost of renting the copper pair was €9.02*

- **The Group also offers its subscribers in eligible areas the possibility of migrating to an FTTH offering.**

  Gross margin and EBITDA margin on FTTH offerings are much higher than Option 1 margins as the Group no longer has to pay the operating costs related to renting the copper pair from the incumbent operator.

The Group's objective is therefore to maximize the proportion of FTTH subscribers in eligible areas where technically feasible.

(b) Mobile call termination charges

Since July 1, 2013, Free Mobile has no longer been able to apply asymmetric call termination charges. Consequently, these charges amounted to 0.78 euro cents in first-half 2015 compared with 0.8 euro cents in the first six months of 2014.

(c) Roaming charges

The Group has to pay roaming charges for the services it is provided, which are defined in a roaming agreement signed with France's incumbent operator during the first half of 2011. The agreement has a six-year term commencing from the commercial launch of the Group's mobile offerings and applies to 2G and 3G technologies. It has been amended since it was first signed – notably in relation to interconnection capacity – to take into account the increase in mobile subscriber numbers.

The roaming agreement allows the Group to:

- offer a service to subscribers with a 2G phone.
- add to its expanding network coverage.

The charges provided for in the roaming agreement include (i) a fixed portion corresponding to the purchase of a right of use for the period (which is recognized as capital expenditure in accordance with IFRS), and (ii) a variable portion based on volumes used (minutes, SMS, MMS, Internet, etc.). The volume-based variable portion represents the majority of the roaming charges paid by the Group.

Both gross margin and EBITDA margin are significantly higher for Free Mobile's own-network traffic than for roaming traffic. Margin levels also depend on (i) changes in subscriber usage patterns, particularly in relation to data, and (ii) the proportion of subscribers on the €19.99/month Free Mobile Plan (or €15.99/month for Freebox subscribers).

The Group's objective is therefore to maximize the amount of traffic carried directly on its own network, by pursuing the rollout targets described in section 1.1.3.c below, and to increase the proportion of subscribers on the €19.99/month Free Mobile Plan (or €15.99/month for Freebox subscribers), notably by migrating subscribers on the €2/month plan (or €0 for Freebox subscribers) to the €19.99/€15.99 plan. Achieving this objective should be helped by the fact that people are increasingly using mobile Internet on a daily basis.

In accordance with the new powers assigned on August 6, 2015 to the French electronic communications regulatory authority (A*utorité de régulation des communications électroniques et des postes* – ARCEP) under the "Macron Act" (France's new economic reform law), ARCEP plans to analyze the mobile network sharing agreements in place (roaming and RAN-sharing agreements). As part of this process, ARCEP will examine the Group's roaming agreement with a view to organizing a gradual phase-out of 3G roaming. Work has just begun to define the timing and conditions of the phase-out.

1.1.3 Capital expenditure and depreciation

(a) Broadband

(i) Transmission network and unbundling the local loop

Having laid over 80,000 km of fiber in less than 15 years, Iliad has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. The Group draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. Since the beginning of 2015 the Group has continued to extend its coverage by opening around 900 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to some 7,600 at June 30, 2015 and gave Free a network coverage rate of over 87% of the French population. This means that Free is now France's leading unbundler.

The optical fiber used in the transmission network is depreciated over periods ranging between 10 and 27 years. The equipment installed in the subscriber connection nodes (Freebox DSLAMs) is depreciated over 5 or 6 years.

(ii) Operating costs and capital expenditure by subscriber

Just as operating costs differ significantly between Option 1 and Option 5, so do levels of capital expenditure.

The main costs that the Group capitalizes for Option 1 relate to the following:

- The boxes provided to subscribers. In first-half 2015, the cost of a Freebox ranged from a few dozen euros (for the Freebox Crystal) to €180 for the Freebox mini 4K and €290 for the Freebox Revolution. The depreciation of the euro against the US dollar during the period had a negative impact on the cost of the Freeboxes, as their components are mainly purchased in US dollars.

- Fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees), which amount to €56 per subscriber for full unbundling and €66 per subscriber for partial unbundling.

- Logistics and modem dispatch costs.

All of the above items (Freebox modems, access fees and logistics costs) are depreciated over a period of five or seven years.

Under Option 5, total capital expenditure is lower as the majority of new subscribers are provided with Freebox Crystal modems, which only cost a few dozen euros.

The main capitalized costs correspond to access fees billed by the incumbent operator, breaking down as follows:

- Fees for access to the DSL Access service: €56.00
- Fees for access to the DSL Access Only service: €61.00
- Fees for access to the DSL Access Only service (where operator access was already in place): €17.00

Capitalized access fees are also depreciated over a period of seven years as from when the related services are provided.

(b) Rollout of ultra-fast networks

(i) Migration of the landline network to VDSL2 technology

In line with its pioneering image, in the second half of 2013 the Group launched a large-scale plan for migrating its network equipment (Freebox DSLAMs) to VDSL2 technology.

During 2014 and the first half of 2015 the Group stepped up its drive to complete this equipment migration plan, which is aimed at offering a maximum number of subscribers faster Internet speeds. At June 30, 2015 the Group had some 7,600 subscriber connection nodes equipped with VDSL2 technology, enabling over 20% of Freebox subscribers to increase their Internet speeds.

(ii) Rollout of an FTTH network

To support the rollout of its FTTH (fiber-to-the-home) optical fiber network, the Group is making fresh investments in network infrastructure through its subsidiaries Free, Free Infrastructure, IRE and Immobilière Iliad.

By rolling out its own optical fiber local loop, the Group directly owns all of its fiber-to-the-home infrastructure and is therefore totally independent from the incumbent operator. This means that it has complete control over its service quality and subscriber relations, and can provide its subscribers with access to a technology that fully meets their growing bandwidth requirements.

The FTTH rollout is a logical extension of Iliad's strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability.

There are two distinct geographic rollout zones, each subject to different deployment processes:

Very densely populated areas. At June 30, 2015, the Group had 230 sites (optical nodes) in very densely populated areas, representing potential coverage of around 3.4 million FTTH plugs. During the first half of 2015, the Group stepped up the pace of its vertical connections and increased the number of migrations of eligible subscribers within these areas.

Other areas. In August 2012, the Group was the first operator to take up Orange's third-party operator access offer for the FTTH lines rolled out by the incumbent operator, by undertaking to co-finance the FTTH network in certain urban areas. This offer enables each operator to co-finance the rollout only to the extent of the lines required to serve its subscribers in the local area concerned. By pooling resources to create a single network shared among the fiber optic providers and subscribers the service can be expanded to a wider population. At June 30, 2015, the Group had given network co financing commitments covering more than 4.5 million homes in these areas which will be provided with FTTH coverage by 2020, and it already had coverage of 700,000 connectable FTTH plugs. The Group also plans to partner the incumbent operator in any future rollouts.

(c) Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license in January 2010, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see section 1.1.3.a above) and putting in place a specific organizational structure to effectively manage and oversee the network rollout process (seeking out sites, undertaking discussions with all types of lessors, carrying out administrative and regulatory procedures, performing installation works and ensuring compliance with the related safety rules, and monitoring the operation and maintenance of radio equipment at sites where it has been installed).

Despite the more restrictive regulatory framework now applicable in France for the installation of mobile masts (following the introduction of the “Abeille Act” and the “ALUR Act”), the Group managed to step up the rollout of its mobile network in the first half of 2015, with over 800 new sites deployed during the period compared with 604 in the first six months of 2014. At June 30, 2015 the Group had a total of almost 5,300 3G sites in service, giving it a direct 3G mobile coverage rate of around 80% of the French population.

In addition to its rollouts, in order to offer the best possible subscriber experience for users of mobile data, the Group has significantly increased the number of migrations of its sites to 4G technology. The Group's mobile network was designed from the outset to use the latest technologies (an all-IP NGN) and it was therefore able to open some 1,900 new 4G sites during the period (compared with 587 in first-half 2014). At June 30, 2015, the Group had a total of almost 4,000 4G sites in service (versus 1,411 one year earlier), bringing its 4G coverage rate to over 50% of the French population.

In parallel with its large-scale rollout process, during the period the Group continued to invest in extending its core network and information systems as well as in mobile site interconnection links.

In view of the progress achieved in its mobile rollout process and in order to keep up a sustained pace of deployment in the coming years, the Group is standing by its objectives (i) to focus its deployment efforts on densely populated areas, with more than 1,500 new sites planned for 2015, in order to maximize the volume of traffic carried directly on its own network, and (ii) to accelerate the conversion of existing sites to 4G in order to achieve a 4G coverage rate of around 60% of the French population by the year-end.

The Group is also standing by the coverage commitments it made to ARCEP in connection with its 3G and 4G licenses:

- 3G license: 90% of the French population covered by 2018.

- 4G license: 25% of the French population covered by October 2015, 60% by October 2019 and 75% by October 2023.

On January 1, 2015, the Group's frequency portfolio was increased by 5 MHz within the 1,800 MHz frequency band as part of the refarming process defined by ARCEP in its decision of December 16, 2014. The frequencies concerned gradually became available during the first half of 2015 and have been fully available throughout France since July 1, 2015. On July 30, 2015, ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies, which should free up 10 MHz within this band for Free Mobile on May 25, 2016. An annual fee is payable for the frequencies.

Furthermore, 30 MHz (six 5 MHz frequencies) within the 700 MHz frequency band will be sold at auction before the end of the year. The Group will participate in the auction.

The depreciation/amortization periods applied for the main assets brought into service are as follows:

- Licenses: 18 years.

- General equipment: 10 years.

- Technical and mobile equipment: 6 to 18 years.

- Other equipment: 3 to 5 years.

- Other assets: 2 to 10 years.

(d) Rollout of the distribution network: stores and dispensers

During the first six months of 2015 the Group significantly strengthened its physical presence in France by:

- Opening five new stores, bringing the total number of Free Centers to 48 at end-June 2015.

- Continuing to roll out France's first self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser, in partnership with the Maison de la Presse and Mag Presse store network. At June 30, 2015, the Group had already set up around 1,600 such kiosks across France, both in Free Centers and via its partnership network.

1.2 SIGNIFICANT EVENTS OF THE PERIOD

In € millions	**Six months to June 30, 2015**	**Six months to June 30, 2014**	**Change**
Consolidated revenues	**2,159.9**	**2,019.6**	**+6.9%**
- *Landline*	*1,285.2*	*1,279.3*	*+0.5%*
- *Mobile*	*880.4*	*745.7*	*+18.1%*
- *Intra-group sales*	*(5.7)*	*(5.4)*	*+5.2%*
Consolidated EBITDA	**725.0**	**624.2**	**+16.2%**
Profit from ordinary activities	**329.7**	**281.4**	**+17.2%**
Profit for the period	**162.9**	**139.9**	**+16.4%**
Free Cash Flow from ADSL operations	**317.8**	**371.9**	**-14.6%**
Leverage ratio	**0.8x**	**0.8x**	**-**

In the first half of 2015 the Group saw continued solid growth, with over 900,000 new subscribers (landline and mobile combined) and a near-7% year-on-year increase in consolidated revenues to nearly €2.2 billion.

The most significant events of the period were as follows:

- **Landline business: 123,000 net adds** for landline broadband and ultra-fast broadband offerings, representing a net add market share of 36%[2]. The Group kept up its high subscriber recruitment level despite a fiercely competitive environment thanks to Free's assertive action, (i) launching the Freebox mini 4K to refresh the Group's entry-level offering, and (ii) implementing a pro-active commercial strategy, which boosted new subscriptions through promotional offers. These measures had an automatic dilutive impact on ARPU, which edged back to €34.50, but this contraction was more than offset by the effect of new subscriptions, and overall landline revenues increased by 0.5% to almost €1.3 billion.

- **Mobile business: 820,000 net adds during the first six months of 2015,** making Free France's leading recruiter of mobile subscribers for the 14th consecutive quarter. This success is due to the Group's policy of constantly enriching its mobile offerings (nine new roaming destinations included in the Free Mobile Plan). Thanks to its outstanding sales performance during the period, at June 30, 2015 the Group had a total of almost 11 million mobile subscribers and a market share of 16%, which means that it had already exceeded its initial long-term market share target for the Mobile business just over three years after its first offerings were launched. Revenues generated by the Mobile business advanced by more than 18% to €880 million in first-half 2015, led by a 23% year-on-year jump in services revenues.

- **A step up in the pace of ultra-fast landline and mobile networks rollouts.** During the first six months of 2015, the Group stepped up its fiber rollout and accelerated its subscriber migrations to ultra-fast networks (VDSL2 and FTTH) in line with its pro-active strategy of investing in new generation networks. It also focused on investing in ultra-fast mobile, and at June 30, 2015 had 2.4 million 4G users with average data usage of 2.2GB per month.

- **Sharp rise in the Group's profitability.** Consolidated EBITDA climbed by more than 16% to €725 million over the period and the EBITDA margin advanced by 270 basis points to 33.6% at June 30, 2015. This strong rise in profitability was driven by favorable developments in the Mobile business and the economies of scale achieved in terms of the Group's fixed cost base. The year-on-year increase in EBITDA drove up profit for the period by 16% to almost €163 million.

- **A solid financial structure, enabling the Group to step up its investments in ultra-fast networks.** The Group's pro-active capital expenditure strategy for both its landline and mobile infrastructure will enable it to become more independent and to further enhance its profitability for the coming years. Capital spending in the first half of 2015 totaled €613 million, notably due to (i) the launch of the Freebox mini 4K and building up the requisite inventories, (ii) the sustained pace of the landline network rollout and (iii) the opening of more than 800 3G sites and nearly 1,900 4G sites. Despite this outlay, the Group's financial structure remains strong, with a leverage ratio that is still under 1 (0.8x at June 30, 2015).

[2] *Company estimates*

1.3 COMPARISON OF RESULTS FOR FIRST-HALF 2015 AND FIRST-HALF 2014

In € millions	Six months to June 30, 2015	Six months to June 30, 2014	Change
Revenues	**2,159.9**	**2,019.6**	**+6.9%**
Purchases used in production	(1,100.7)	(1,121.8)	-1.9%
Gross profit	**1,059.2**	**897.8**	**+18.0%**
as a % of revenues	***49.0%***	***44.5%***	***+4.5 pts***
Payroll costs	(109.6)	(102.0)	+7.5%
External charges	(138.8)	(114.2)	+21.5%
Taxes other than on income	(35.1)	(17.3)	-
Additions to provisions	(39.9)	(35.4)	+12.8%
Other income and expenses from operations, net	(10.7)	(4.7)	-
EBITDA	**725.0**	**624.2**	**+16.2%**
as a % of revenues	***33.6%***	***30.9%***	***+2.7 pts***
Share-based payment expense	(1.8)	(2.9)	-37.9%
Depreciation, amortization and provisions for impairment of non-current assets	(393.5)	(339.9)	+15.8%
Profit from ordinary activities	**329.7**	**281.4**	**+17.2%**
Other operating income and expense, net	(2.1)	(1.7)	+23.9%
OPERATING PROFIT	**327.6**	**279.7**	**+17.1%**
Finance costs, net	(30.9)	(31.6)	-2.1%
Other financial income and expense, net	(11.6)	(10.8)	+6.6%
Corporate income tax	(122.3)	(97.3)	+25.6%
PROFIT FOR THE PERIOD	**162.9**	**139.9**	**+16.4%**

1.3.1 Analysis of consolidated results

(a) Key indicators

	June 30, 2015	June 30, 2014	June 30, 2013
Total mobile subscribers	**10,925,000**	9,095,000	6,795,000
Total broadband subscribers	**5,991,000**	5,735,000	5,518,000
Total number of subscribers	**16,916,000**	14,830,000	12,313,000

ARPU at end-June (in €)	2015	2014	2013
Broadband ARPU	**34.50**	**35.80**	**35.90**
*Freebox Revolution ARPU**	*>38.00*	*>38.00*	*>38.00*

** Excluding promotions*

(b) Revenues

In the first half of 2015 the Group once again reported year-on-year growth, with revenues up by €140 million, or 6.9%, to nearly €2.2 billion. This solid showing was primarily driven by two factors: (i) the expansion of the Mobile business, and particularly the sharp 23% increase in services revenues, although this positive effect was partially offset by a decline in sales of phones due to a more selective sales policy and a repositioning of the range of phones offered; and, to a lesser extent, (ii) the slight 0.5% increase in revenues generated by the Landline business.

The table below shows the breakdown of revenues by category for first-half 2015 and first-half 2014 as well as the percentage change between the two periods.

In € millions	Six months to June 30, 2015	Six months to June 30, 2014	Change
Landline	**1,285.2**	**1,279.3**	**+0.5%**
Mobile	**880.4**	**745.7**	**+18.1%**
Intra-group sales	(5.7)	(5.4)	+5.2%
Total consolidated revenues	**2,159.9**	**2,019.6**	**+6.9%**

Landline revenues

Although the competitive backdrop remained tough, the Group managed to keep up the growth momentum for its Landline business, whose revenues climbed by 0.5% year on year to €1,285 million. The significant events of first-half 2015 for the Landline business were as follows:

- **The Group recruited 123,000 new broadband subscribers,** representing a net add market share of nearly 36%[3]. In response to the competitive environment, the Group managed to grow its market share by (i) launching the new Freebox mini 4K, (ii) implementing an assertive sales policy through promotional offers, (iii) drawing on the strong reputation of the Free brand, (iv) reaping the benefits of the major efforts undertaken in recent years to improve subscriber service quality, and (v) pursuing its innovation drive. At June 30, 2015, the Group had a total of almost 6 million broadband and ultra-fast broadband subscribers.

- **Broadband ARPU decreased to €34.50** as an automatic result of the pro-active commercial strategy of promotional offers that was applied during the period in response to the fiercely competitive environment. However this unfavorable impact was partially offset by the strong performance of the Freebox Revolution, whose ARPU came in at over €38 (excluding promotions).

Mobile revenues

The Group's Mobile business once again delivered an excellent showing in first-half 2015, with 820,000 net adds, making Free France's leading recruiter of mobile subscribers for the 14th consecutive quarter. The Mobile business now accounts for over 40% of total consolidated revenues and in the first six months of 2015 its revenue figure came to €880 million. The significant events of first-half 2015 for the Mobile business were as follows:

- **A commercial strategy focused on innovation and constantly-enriched offers.** During the first half of 2015 the Group pursued its strategy of (i) enriching its offers by increasing the number of roaming destinations included in the Free Mobile Plan (adding Belgium, Canada, Croatia, Denmark, Estonia, Ireland, Latvia, Lithuania and Sweden), and (ii) rolling out its mobile phone installment payment and rental offers launched in December 2013. Although these new offers may weigh on short- and medium-term profitability they enable the Group to keep up its excellent sales momentum by making the Free Mobile offering unique in the market.

- **The continuation of an innovative commercial distribution strategy**, with the rollout of self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser. At June 30, 2015 the Group had already set up around 1,600 such kiosks in its Free Centers and the Maison de la Presse and Mag Presse partner store network.

- **16% market share.** In first-half 2015 the Group was once again France's leading recruiter of mobile subscribers, with 820,000 net adds. Thanks to this excellent showing, at June 30, 2015 the Group had almost reached the 11 million mark in terms of total mobile subscribers and had a market share of 16%. Revenues generated by the Mobile business advanced by 18% to €880 million in first-half 2015, led by a 23% year-on-year jump in services revenues.

- **An improved subscriber mix within net adds and continued migration** of subscribers from the €2/month plan (or €0 for Freebox subscribers) to the €19.99/€15.99 plan.

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[3] *Company estimates*

Intra-group sales

Intra-group sales correspond to sales between companies from the Group's two different businesses and mainly consist of billings of interconnection operations. They are eliminated in consolidation.

(c) Gross profit

At €1,059 million, consolidated gross profit was €161 million higher than in first-half 2014, representing a year-on-year increase of 18%.

As a percentage of revenues it was also up, climbing 4.5 percentage points to 49.0%, due to higher profitability levels for the Mobile business (although gross margin is still lower for the Mobile business than for the Landline business), reflecting an improved subscriber mix and an increase in direct traffic volumes.

(d) Payroll costs

The Group created 399 jobs in France during the period, raising its total headcount to 7,795 at June 30, 2015.

This increase mainly reflects the intensified rollout of the Group's landline and mobile networks as well as the extension of its distribution network.

In view of these developments, payroll costs (excluding employee benefits and capitalized costs) rose to €110 million.

(e) External charges

The Group's external charges increased by 21.5% to €139 million from €114 million in first-half 2014. This item mainly includes the costs of network maintenance, equipment hosting, insurance, advertising and sub-contracting.

(f) Taxes other than on income

Taxes other than on income rose by more than €17 million to €35 million in first-half 2015. This sharp increase was mainly due to the growth of the Mobile business and the resulting rise in the IFER tax levied on network operators for mobile base stations and the UMTS tax. It also reflects to a lesser degree, the Group's application of IFRIC 21, as it is now required to recognize certain taxes as from the "obligating event" (the activity that triggers the payment of the levy) rather than deferring recognition over the full year. The majority of these obligating events occur in the first half of the year.

(g) Additions to provisions

Additions to provisions – which include provisions for bad debts, impairment of inventories and contingencies and charges – totaled €40 million in first-half 2015, up €4.5 million on the first six months of 2014.

(h) Other income and expenses from operations, net

This item represented a net expense of €11 million compared with €5 million in first-half 2014.

(i) *EBITDA*

Consolidated EBITDA surged by more than 16% to €725 million in first-half 2015 and EBITDA margin was also up year on year, coming in nearly three percentage points higher at 33.6%. This wider margin was notably due to the strong performance of the Landline business and the higher weighting of mobile services within consolidated revenues.

The main factors affecting EBITDA during the period were as follows:

- **Better mobile network coverage.** Thanks to the Group's extension of its mobile network coverage in the second half of 2014 and first half of 2015 it was able to increase the volume of traffic carried directly on its own network.

- **A wider EBITDA margin for the Mobile business,** despite the inclusion of additional European countries in the roaming offering.

- **A solid EBITDA margin for the Landline business.** The Group managed to maintain its robust EBITDA margin despite the fiercely competitive environment and the promotional offers put in place during the period.

- **Ongoing measures to optimize the Group's landline networks (unbundling, completed migration to VDSL2 technology and rollout of the FTTH network).** During first-half 2015, the Group pursued its measures to (i) extend its ADSL network and increase its unbundling rate to 96.90%, by opening some 900 subscriber connection nodes, (ii) complete the migration of its network equipment to VDSL2 technology, and (iii) continue the rollout of its directly-owned FTTH network and the FTTH networks deployed in accordance with co-financing arrangements with the incumbent operator.

- **Critical mass reached, with 16% market share for the Mobile business,** enabling the Group to optimize fixed costs due to its status as an integrated operator (landline/mobile) and to achieve economies of scale for other costs. The increase in the total number of subscribers during the period also resulted in further economies of scale in terms of the Group’s fixed cost base (advertising costs, administrative costs, etc.).

(j) Profit from ordinary activities

Profit from ordinary activities amounted to €330 million, up 17% on the first-half 2014 figure due to the above-described rise in EBITDA.

Depreciation/amortization expense increased to €394 million, reflecting the beginning of depreciation/amortization for network components brought into service during the period as a result of the Group's pro-active capital expenditure strategy. As a percentage of revenues, depreciation/amortization expense rose only slightly year on year.

(k) Profit for the period

Profit for the period climbed more than 16% year on year to €163 million from €140 million in the first half of 2014.

1.3.2 Cash flows and capital expenditure

In € millions	Six months to June 30, 2015	Six months to June 30, 2014	Change
Consolidated cash flows from operations	**721.2**	**614.9**	**+17.3%**
Change in working capital requirement	(46.5)	9.6	-
Operating Free Cash Flow	**674.7**	**624.5**	**+8.0%**
Net cash used in investing activities	(612.9)	(402.0)	+52.5%
Income tax paid	(79.9)	(105.6)	-24.3%
Other	(48.7)	(17.7)	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	**(67.2)**	**99.2**	**-**
Free Cash Flow from ADSL operations	**317.8**	**371.9**	**-14.6%**
Dividends	(23.0)	(21.6)	+6.5%
Cash and cash equivalents at period-end	**160.6**	**224.2**	**-28.4%**

Consolidated Free Cash Flow

Consolidated Free Cash Flow totaled a negative €67 million in first-half 2015, reflecting the Group's pro-active capital expenditure strategy and higher working capital requirement, mainly resulting from the continuation of the Group's mobile phone rental offerings. The year-on-year change in Consolidated Free Cash Flow reflects the following:

- A 17% increase in consolidated cash flows from operations to €721 million.
- A negative €47 million change in working capital requirement, due in particular to the adverse impact of new offers for mobile phones (rental and payment installments) and roaming offers.
- An acceleration of the Group's capital expenditure drive, with net cash used in investing activities reaching €613 million. The year-on-year increase in this figure was attributable to both the Mobile and Landline businesses and reflected (i) the launch of the Freebox mini 4K and building up the requisite inventories, (ii) the negative impact of the euro/dollar exchange rate, and (iii) the continued high pace of the mobile network rollout and the acceleration of the fiber network deployment.

- A year-on-year decrease in Free Cash Flow from ADSL operations to €318 million as a logical result of the above-described factors, and particularly the Freebox mini 4K launch. However, the ADSL flow-through rate remained very solid, at nearly 25%.

- €80 million in income tax paid.

Net change in cash and cash equivalents

The Group ended the first half of 2015 with €161 million in available cash and cash equivalents. Excluding the operating items presented above, the main changes in cash and cash equivalents during the period related to the payment of the 2014 dividend amounting to €23 million.

1.3.3 Consolidated debt

As far as Iliad is aware, the Group is not subject to any liquidity risk as a result of acceleration clauses contained in loan agreements entered into by Group companies or as a result of any breaches of financial covenants (ratios, targets, etc.).

At June 30, 2015, the Group had gross debt of €1,324 million and net debt of €1,162 million. The Group maintained its solid financial structure during the period and its leverage ratio at June 30, 2015 was once again well below the 1x mark at 0.8x. This enabled Iliad to retain its position as one of the European telecom operators with the least amount of debt.

The Group's gross debt primarily comprised the following at June 30, 2015:

An €800 million short-term commercial paper program

As part of the annual renewal process for its commercial paper program, the Group increased the size of the program from €500 million to €800 million. At June 30, 2015, €400 million of this program had been used.

A €1,400 million syndicated credit facility

On November 28, 2013, the Group refinanced its €1,400 million syndicated credit facility with a pool of 12 international banks. The new facility – whose entire amount is in the form of a revolving credit – has an initial maturity of five years, expiring in 2018, with an option to extend it to seven years (expiring in 2020).

The applicable interest rate is based on Euribor plus a margin of between 0.60% and 1.35% per year depending on the Group's leverage ratio.

None of the facility had been drawn down at June 30, 2015.

A €150 million loan granted by the European Investment Bank (EIB) in 2010

The EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks between 2010 and 2012. The loan is repayable in installments with a final maturity in July 2020. It had been fully drawn down at June 30, 2015.

A €200 million loan granted by the European Investment Bank (EIB) in 2012

Following on from the loan granted in 2010, the EIB extended its partnership with Iliad in 2012 by granting it another loan (€200 million) to help finance the Group's capital expenditure between 2012 and 2014. The loan – also repayable in installments and which matures in July 2022 – had been fully drawn down at June 30, 2015.

At June 30, 2015 all of the covenants on the Group's credit facilities were respected.

Finance lease commitments

The Group uses finance leases to finance (i) the purchase of premises required to roll out its FTTH network and (ii) a portion of the technical equipment in its datacenters.

At June 30, 2015, the Group's total obligations under finance leases amounted to €85 million.

A €500 million bond issue

On May 26, 2011, the Group issued €500 million worth of bonds paying interest at 4.875% per year.

The bonds will be redeemed at face value at maturity on June 1, 2016.

1.3.4 Ownership structure at June 30, 2015

At June 30, 2015, Iliad's share capital was made up of 58,538,775 ordinary shares, held by the following shareholders:

- Executive Management: 33,953,382 shares, representing 58% of the share capital.
- Public: 24,585,393 shares, representing 42% of the share capital.

At June 30, 2015, there were seven Iliad stock option plans in place with a total of 897,394 shares under option.

1.4 ADDITIONAL INFORMATION

1.4.1 Strategic objectives

With a view to continuing to implement its strategy of achieving profitable growth, the Group has set itself the following objectives:

- Landline business:
  - Achieve a 25% share of the landline broadband market in the long term.
  - Step up the pace of FTTH rollouts.

- Mobile business:
  - Deploy more than 1,500 sites in 2015.
  - Reach a 4G coverage rate of around 60% of the French population by end-2015.
  - Achieve a 25% market share in the long term.

- Group:
  - Achieve more than 10% growth in consolidated EBITDA in 2015.
  - Maintain similar capital expenditure levels in second-half 2015 as in the first six months of the year.
  - Achieve consolidated EBITDA margin of over 40% by the end of the decade.

1.4.2 Glossary

The definitions of the main terms used by Iliad are set out below:

Broadband ARPU (Average Revenue Per 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 subscribers invoiced for the period.

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

Free Cash Flow from ADSL operations: Represents EBITDA plus or minus changes in working capital requirement and minus investments made in connection with property, plant and equipment and intangible assets acquired for the Group's ADSL operations.

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

Gross profit: Corresponds to revenues less purchases used in production.

Leverage ratio: Represents the ratio between net debt (short- and long-term financial liabilities less cash and cash equivalents) and EBITDA.

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

Total broadband subscribers: Represents, at the end of a period, the total number of subscribers identified by their telephone lines who have signed up for Free's or Alice's broadband service, 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 broadband offering through a telephone exchange unbundled by Free.