ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2016

CONTENTS

INTERIM CONSOLIDATED INCOME STATEMENT

In € thousands	Six months to June 30, 2016	Six months to June 30, 2015
Revenues	**2,296,934**	**2,159,887**
Purchases used in production	(1,134,899)	(1,100,704)
Payroll costs	(119,510)	(109,641)
External charges	(164,464)	(138,806)
Taxes other than on income	(49,072)	(35,099)
Additions to provisions	(21,495)	(39,939)
Other income and expenses from operations, net	1,046	(10,663)
EBITDA[(1)]	***808,540***	***725,035***
Share-based payment expense	(1,180)	(1,830)
Depreciation, amortization and provisions for impairment of non-current assets	(447,174)	(393,509)
Profit from ordinary activities	**360,186**	**329,696**
Other operating income and expense, net	(2,982)	(2,119)
Operating profit	**357,204**	**327,577**
Income from cash and cash equivalents	92	539
Finance costs, gross	(26,209)	(31,427)
Finance costs, net	**(26,117)**	**(30,888)**
Other financial income and expense, net	(22,270)	(11,564)
Corporate income tax	(118,552)	(122,256)
Share of profit of equity-accounted investees	183	0
Profit for the period	**190,448**	**162,869**
Profit for the period attributable to:		
▪ *Owners of the Company*	***189,266***	***162,826***
▪ *Minority interests*	***1,182***	***43***
Earnings per share attributable to owners of the Company (in €):		
▪ *Basic earnings per share*	***3.23***	***2.78***
▪ *Diluted earnings per share*	***3.16***	***2.72***

(1) See definition on page 8.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Six months to June 30, 2016	Six months to June 30, 2015
PROFIT FOR THE PERIOD	**190,448**	**162,869**
➢ Items that may be subsequently reclassified to profit		
▪ Fair value gains on interest rate and currency hedging instruments	3,032	1,269
Tax effect	(1,044)	(482)
	1,988	**787**
➢ Items that will not be reclassified to profit		
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	(3,176)	0
Tax effect	1,094	0
	(2,082)	**0**
Total comprehensive income for the period	**190,354**	**163,656**
Total comprehensive income for the period attributable to:		
▪ Owners of the Company	**189,184**	**163,672**
▪ Minority interests	**1,170**	**(16)**

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At June 30, 2016	At Dec. 31, 2015
Goodwill	5	214,818	214,818
Intangible assets	5	2,462,441	2,253,356
Property, plant and equipment	5	3,380,348	3,229,231
Investments in equity-accounted investees		14,183	24,000
Other long-term financial assets		13,857	8,371
Deferred income tax assets		25,546	25,496
TOTAL NON-CURRENT ASSETS		**6,111,193**	**5,755,272**
Inventories		20,527	25,628
Current income tax assets		62	2,542
Trade and other receivables		671,393	684,318
Other short-term financial assets		138	138
Cash and cash equivalents	4	329,364	720,068
TOTAL CURRENT ASSETS		**1,021,484**	**1,432,694**
ASSETS HELD FOR SALE		**24,459**	**26,035**
TOTAL ASSETS		**7,157,136**	**7,214,001**

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At June 30, 2016	At Dec. 31, 2015
Share capital	6	13,013	12,999
Additional paid-in capital		409,720	405,848
Retained earnings and other reserves		2,370,330	2,218,351
TOTAL EQUITY		**2,793,063**	**2,637,198**
Attributable to:			
. Owners of the Company		***2,789,638***	***2,634,572***
. Minority interests		***3,425***	***2,626***
Long-term financial liabilities	7	1,424,535	964,786
Other non-current liabilities	9	1,158,264	934,310
TOTAL NON-CURRENT LIABILITIES		**2,582,799**	**1,899,096**
Short-term provisions	8	96,649	99,299
Taxes payable		0	5,285
Trade and other payables		1,376,855	1,626,413
Short-term financial liabilities	7	307,770	946,710
TOTAL CURRENT LIABILITIES		**1,781,274**	**2,677,707**
TOTAL EQUITY AND LIABILITIES		**7,157,136**	**7,214,001**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
Balance at January 1, 2015	12,953	392,564	(3,050)	69,084	1,840,782	**2,312,333**	2,894	**2,315,227**
Movements in first-half 2015								
▪ Profit for the period					162,826	**162,826**	**43**	162,869
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				846		**846**	**(59)**	787
✓ Impact of post-employment benefit obligations								
Total comprehensive income for the period				***846***	***162,826***	***163,672***	***(16)***	***163,656***
▪ Capital increase	19	5,231				**5,250**		5,250
▪ Dividends paid by Iliad SA					(22,822)	**(22,822)**		(22,822)
▪ Dividends paid by subsidiaries							(189)	(189)
▪ Purchases/sales of own shares			819	499		**1,318**		1,318
▪ Impact of stock options				1,816		**1,816**	13	1,829
▪ Impact of changes in minority interests in subsidiaries				(9,951)		**(9,951)**	(164)	(10,115)
▪ Other movements								
Balance at June 30, 2015	12,972	397,795	(2,231)	62,294	1,980,786	**2,451,616**	2,538	**2,454,154**

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
Balance at January 1, 2016	12,999	405,848	(2,455)	65,309	2,152,871	**2,634,572**	2,626	**2,637,198**
Movements in first-half 2016								
▪ Profit for the period					189,266	**189,266**	**1,182**	190,448
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				1,988		**1,988**		1,988
✓ Impact of post-employment benefit obligations					(2,070)	**(2,070)**	**(12)**	(2,082)
Total comprehensive income for the period				***1,988***	***187,196***	***189,184***	***1,170***	***190,354***
▪ Capital increase	14	3,872				**3,886**		3,886
▪ Dividends paid by Iliad SA					(24,062)	**(24,062)**		(24,062)
▪ Dividends paid by subsidiaries							(196)	(196)
▪ Purchases/sales of own shares			(1,452)	(711)		**(2,163)**		(2,163)
▪ Impact of stock options				1,166		**1,166**	14	1,180
▪ Impact of changes in minority interests in subsidiaries				(12,945)		**(12,945)**	(189)	(13,134)
▪ Other movements								
Balance at June 30, 2016	13,013	409,720	(3,907)	54,807	2,316,005	**2,789,638**	3,425	**2,793,063**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	Six months to June 30, 2016	Six months to June 30, 2015
Profit for the period (including minority interests)		**190,448**	**162,869**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges	4	447,339	388,150
-/+ Unrealized gains and losses on changes in fair value		(416)	(1,604)
+/- Expenses and income related to stock options and other share-based payments		1,180	1,829
-/+ Other income and expenses, net		17,915	14,279
-/+ Gains and losses on disposals of assets		(8,439)	2,530
-/+ Dilution gains and losses		0	0
+/- Share of profit of equity-accounted investees		(183)	0
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		**647,844**	**568,053**
+ Finance costs, net		26,121	30,888
+/- Income tax expense (including deferred taxes)		118,552	122,256
Cash flows from operations before finance costs, net, and income tax (A)		**792,517**	**721,197**
- *Income tax paid* **(B)**		(115,168)	(79,917)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**		23,859	(46,527)
= Net cash generated from operating activities (E) = (A) + (B) + (C)		**701,208**	**594,753**
- Acquisitions of property, plant and equipment and intangible assets	4	(871,841)	(623,024)
+ Disposals of property, plant and equipment and intangible assets		6,705	5,575
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustments		(13,134)	(10,115)
+/- Effect of changes in Group structure – disposals		10,000	0
+/- Change in outstanding loans and advances		344	(619)
+ Cash inflows from assets held for sale		6,341	5,398
- Cash outflows for assets held for sale		(85)	(878)
= Net cash used in investing activities (F)		**(861,670)**	**(623,663)**
+ Proceeds from capital increases:			
. Paid by owners of the Company			
. Paid by minority shareholders of consolidated companies			
+ Proceeds received on exercise of stock options		4,764	4,979
-/+ Own-share transactions		(2,162)	1,318
- Dividends paid during the period:			
. Dividends paid to owners of the Company		(24,062)	(22,822)
. Dividends paid to minority shareholders of consolidated companies		(196)	(188)
+ Proceeds from new borrowings	7	497,928	151,068
- Repayment of borrowings (including finance leases)	7	(683,166)	(32,038)
- Net interest paid (including on finance leases)		(32,731)	(45,077)
= Net cash generated from/(used in) financing activities (G)		**(239,625)**	**57,240**
+/- Effect of exchange-rate movements on cash and cash equivalents **(H)**		(40)	26
= Net change in cash and cash equivalents (E + F + G + H)		**(400,127)**	**28,356**
Cash and cash equivalents at beginning of period		**718,546**	**132,263**
Cash and cash equivalents at end of period	4	**318,419**	**160,619**

NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2016

1-1. Scope of consolidation at June 30, 2016

There were no significant changes in the scope of consolidation during first-half 2016.

1-2. Business overview

The Group's growth in first-half 2016 was mainly driven by its Mobile business.

NOTE 2: ACCOUNTING PRINCIPLES AND POLICIES (IFRS)

2.1. GENERAL INFORMATION

Iliad SA is a *société anonyme* registered in France and listed on Eurolist by Euronext Paris under the symbol "ILD".

The Iliad Group (the "Group") operates in the French retail telecommunications market.

The condensed interim consolidated financial statements for the six months ended June 30, 2016 were approved by the Board of Directors on August 30, 2016.

2.2. BASIS OF PREPARATION

These condensed interim consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting, and IAS 1, Presentation of Financial Statements.

As permitted under IAS 34, the condensed interim consolidated financial statements do not incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

2.3. ACCOUNTING POLICIES

Except as described below, the interim consolidated financial information has been prepared in accordance with the same accounting policies as those applied to prepare the annual financial statements for the year ended December 31, 2015, as set out therein:

- Corporate income tax for the period has been calculated by applying the estimated average effective tax rate for the full year to first-half profit before tax.

- Post-employment benefit obligations for the period have been estimated based on actuarial calculations performed for full-year 2015. However, the discount rate used at June 30, 2016 has been revised to 1.25%.

The Group presents an additional indicator of earnings performance in its income statement:

- EBITDA

EBITDA is a key indicator of the Group's operating performance and corresponds to profit from ordinary activities before:

- depreciation, amortization and impairment of property, plant and equipment and intangible assets; and
- share-based payment expense.

2.4. NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a) Standards, amendments and interpretations whose application is mandatory for the first time in 2016:

- **Amendments to IAS 1, Presentation of Financial Statements.** These amendments – which form part of the IASB's Disclosure Initiative – are designed to provide clarifications concerning the following two points:

  - ✓ Applying the concept of materiality, by making clear that materiality applies to the whole of the financial statements (including the notes) and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure.

  - ✓ Applying professional judgment, by making improvements to the wording of some of the requirements in the standard that were considered to be overly prescriptive and did not leave sufficient room for judgment.

- **Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.** IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can, however, be rebutted in certain limited circumstances.

- **Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.** These amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3, Business Combinations.

- **Annual improvements to IFRSs (2012-2014 cycle), applicable as from the fiscal year beginning January 1, 2016** and which comprise amendments to four standards, as follows:

  - ✓ IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal.

  - ✓ IFRS 7, Financial Instruments – Disclosures: (i) Servicing contracts, and (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements.

  - ✓ IAS 19, Employee Benefits: Discount rate – regional market issue.

  - ✓ IAS 34, Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report".

The Group has applied these amendments and improvements in its interim consolidated financial statements at June 30, 2016.

b) New standards and amendments to existing standards that were not applicable at June 30, 2016 (as not yet endorsed by the European Union):

- **Amendments to IAS 7, Statement of Cash Flows.** These amendments introduce additional paragraphs to IAS 7 which require entities to provide information to help investors evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

- **Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses.** These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, in order to address diversity in practice.

- **Amendments and Clarifications to IFRS 15, Revenue from Contracts with Customers, effective for annual periods beginning on or after January 1, 2018.** The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

- **IFRS 9, Financial Instruments (final version) and amendments to IFRS 9, IFRS 7 and IAS 39, effective for annual periods beginning on or after January 1, 2018.** The final version of IFRS 9 brings together the three phases of the IASB's project to replace IAS 39: classification and measurement, impairment and hedge accounting. The improvements introduced by the standard include:

  - ✓ A logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.

  - ✓ A single, forward-looking "expected loss" impairment model.

  - ✓ A substantially reformed approach to hedge accounting.

  The amendments to IFRS 9 also introduce enhanced disclosure requirements with the aim of improving the information provided to investors.

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** These amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business as defined in IFRS 3 (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture should only be recognized to the extent of unrelated investors' interests in the associate or joint venture.

- **Effective Date of Amendments to IFRS 10 and IAS 28, which postpones the effective date of these amendments.**

- **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.** These amendments provide requirements on the accounting for:
    - ✓ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments.
    - ✓ Share-based payment transactions with a net settlement feature for withholding tax obligations.
    - ✓ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **IFRS 16, Leases**, which replaces IAS 17 and its associated interpretative guidance. The main change introduced by the new standard is that all leases will have to be reported on companies' balance sheets, which will increase the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases.

  Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements in IFRS 16. The standard does not change how service contracts are accounted for, but it does give some useful guidance on how to distinguish between the lease and service components of complex contracts.

The Group is currently analyzing the impacts of applying the above standards and amendments.

NOTE 3: SEGMENT INFORMATION

The Group has redefined its business segments, with the creation of a single new reportable segment called Retail Telecom.

In addition, as substantially all of its operations are in France, the Group only has one geographic segment.

These segments may change in the future, depending on operating criteria and the development of the Group's businesses.

NOTE 4: ANALYSIS OF THE STATEMENT OF CASH FLOWS

Depreciation, amortization and provisions recognized in the statement of cash flows break down as follows:

In € thousands	Note	Six months to June 30, 2016	Six months to June 30, 2015
Depreciation and amortization:			
▪ Amortization of intangible assets	5.2	131,735	116,285
▪ Depreciation of property, plant and equipment	5.3	315,440	277,223
Additions to provisions against non-current assets		0	16
Additions to provisions for contingencies and charges	8	1,158	399
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	8	(1,096)	(3,646)
▪ Surplus provisions	8	(2,684)	(412)
Other		2,786	(1,715)
Recognized in the statement of cash flows		**447,339**	**388,150**

Acquisitions of non-current assets can be analyzed as follows:

In € thousands	Note	Six months to June 30, 2016	Six months to June 30, 2015
▪ Intangible assets	5.2	341,813	6,048
▪ Property, plant and equipment (excl. new finance leases)	5.3	471,320	528,015
▪ Suppliers of non-current assets (excl. VAT):			
. at beginning of period		1,722,620	665,602
. impact of discounting liabilities		23,217	11,376
. at end of period		(1,687,129)	(588,017)
▪ Other		0	0
Recognized in the statement of cash flows		**871,841**	**623,024**

Period-end cash and cash equivalents break down as follows:

In € thousands	Note	At June 30, 2016	At June 30, 2015
▪ Cash		21,685	68,190
▪ Marketable securities		307,679	94,419
▪ Short-term borrowings		(10,945)	(1,990)
Recognized in the statement of cash flows		**318,419**	**160,619**

NOTE 5: CAPITAL EXPENDITURE

5.1. Goodwill

In € thousands	Six months to June 30, 2016
Carrying amount at January 1, 2016	**214,818**
Carrying amount at June 30, 2016	**214,818**

In € thousands	Twelve months to Dec. 31, 2015
Carrying amount at January 1, 2015	**214,818**
Carrying amount at December 31, 2015	**214,818**

5.2. Other intangible assets

In € thousands	Six months to June 30, 2016
Carrying amount at January 1, 2016	**2,253,356**
Additions:	
. acquisitions	339,871
. internally generated intangible assets	1,942
Reclassifications	(105)
Other	(888)
Amortization	(131,735)
Carrying amount at June 30, 2016	**2,462,441**

In € thousands	Twelve months to Dec. 31, 2015
Carrying amount at January 1, 2015	**1,234,902**
Additions:	
. acquisitions	1,255,746
. internally generated intangible assets	4,290
Reclassifications	4
Other	(1,776)
Amortization	(239,810)
Carrying amount at December 31, 2015	**2,253,356**

5.3. PROPERTY, PLANT AND EQUIPMENT

In € thousands	Six months to June 30, 2016
Carrying amount at January 1, 2016	**3,229,231**
Acquisitions(1)	478,001
Disposals	(5,101)
Reclassifications	105
Other	(6,748)
Depreciation	(315,440)
Carrying amount at June 30, 2016	**3,380,048**

(1) Including €6,681 thousand in assets acquired under finance leases.

In € thousands	Twelve months to Dec. 31, 2015
Carrying amount at January 1, 2015	**2,787,849**
Acquisitions(1)	1,031,759
Disposals	(9,526)
Reclassifications	(4)
Other	(295)
Depreciation	(580,552)
Carrying amount at December 31, 2015	**3,229,231**

(1) Including €19,833 thousand in assets acquired under finance leases.

During the first half of 2016, the Group kept up its capital spending drive, notably in connection with rolling out its mobile and optical fiber networks.

5.4. IMPAIRMENT OF ASSETS

Non-financial assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers events or circumstances that suggest that significant unfavorable changes have taken place which may have a prolonged, adverse effect on the Group's economic or technological environment, or on the assumptions used on acquisition of the asset concerned.

All other assets are also tested for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

NOTE 6: SHARE CAPITAL AND DIVIDENDS

6.1. SHARE CAPITAL

The stock options granted by the Group on June 14, 2007 and August 30, 2007 have been exercisable since June 14, 2012 and August 30, 2012 respectively. The stock options granted on November 5, 2008 have been exercisable since November 5, 2013. Lastly, the first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014.

In first-half 2016, 59,964 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €14 thousand to €13,013 thousand at June 30, 2016 from €12,999 thousand at December 31, 2015.

6.2. DIVIDENDS

At the Annual General Meeting held on May 19, 2016, the Company's shareholders resolved to pay a dividend of €0.41 per share, representing a total payout of €24,062 thousand.

The dividend was paid on June 23, 2016.

NOTE 7: BORROWINGS

Borrowings can be broken down as follows:

In € thousands	At June 30, 2016	At Dec. 31, 2015
Long-term borrowings	1,424,535	964,786
Short-term borrowings	307,770	946,710
Total	**1,732,305**	**1,911,496**

Movements in borrowings can be analyzed as follows:

In € thousands	Six months to June 30, 2016
Borrowings at January 1, 2016	**1,911,496**
New borrowings[(1)]	504,609
Repayments of borrowings	(683,166)
Change in bank overdrafts	9,423
Impact of cash flow hedges	(3,448)
Other	(6,609)
Total borrowings at June 30, 2016	**1,732,305**

(1) Including €6,681 thousand in borrowings related to finance leases.

In € thousands	Twelve months to Dec. 31, 2015
Borrowings at January 1, 2015	**1,221,464**
New borrowings[(1)]	758,422
Repayments of borrowings	(53,217)
Change in bank overdrafts	(3,617)
Impact of cash flow hedges	(12,155)
Other	599
Total borrowings at December 31, 2015	**1,911,496**

(1) Including €19,833 thousand in borrowings related to finance leases.

At June 30, 2016, the Group's borrowings primarily corresponded to the following:

A €1,400 million syndicated credit facility

On November 28, 2013, the Group refinanced its €1,400 million syndicated credit facility set up with a pool of 12 international banks. The refinancing conditions did not result in any substantial amendments to the original loan contract.

The new facility – whose entire amount is in the form of revolving credit – has an initial maturity of five years, expiring in 2018, with an option to extend it to seven years (expiring in 2020). On October 2, 2015, the Group signed an amendment to the loan contract extending its initial maturity from 2018 to 2020, with an option to further extend it to 2022. None of this facility had been drawn down at June 30, 2016.

The applicable interest rate is based on Euribor plus a margin of between 0.35% and 1.10% per year depending on the Group’s leverage ratio.

A €500 million term loan

On January 8, 2016, the Group signed a new syndicated loan agreement representing an aggregate amount of €500 million.

This loan – which has a five-year term expiring in 2021 – has been fully drawn down since end-May 2016.

Loans granted by the European Investment Bank (EIB)

In 2011, the EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan has a 10-year term and is repayable in installments.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of next-generation landline networks. This loan also has a 10-year term and is repayable in installments.

Both of these loans had been fully drawn down at June 30, 2016. The Group made its first and second repayment installments of €25 million and €17 million during 2015 and first-half 2016 respectively.

Bonds

On May 26, 2011, the Group issued €500 million worth of bonds paying interest at 4.875% per year. These bonds were fully redeemed in June 2016.

On November 26, 2015, the Group issued a further €650 million worth of bonds paying interest at 2.125% per year. These bonds will be redeemed at face value at maturity on December 5, 2022.

An €800 million short-term commercial paper program

During the first half of 2012, the Group set up a €500 million commercial paper program in order to diversify the sources and maturities of its financing. In first-half 2015, the Group increased the amount of this program from €500 million to €800 million.

At June 30, 2016, the program had been used in an amount of €200 million.

NOTE 8: PROVISIONS

Six months to June 30, 2016 (In € thousands)	**Provisions for claims and litigation**	**Other provisions**	**Total**
At January 1, 2016	**99,299**	**0**	**99,299**
Additional provisions	592	566	**1,158**
Utilized during the period	(1,096)	0	**(1,096)**
Reversals of surplus provisions	(2,684)	0	**(2,684)**
Other movements	(28)	0	**(28)**
At June 30, 2016	**96,083**	**566**	**96,649**
o/w long-term provisions			*0*
o/w short-term provisions			*96,649*

Twelve months to December 31, 2015 (In € thousands)	**Provisions for claims and litigation**	**Other provisions**	**Total**
At January 1, 2015	**94,575**	**1,612**	**96,187**
Additional provisions	10,818	0	**10,818**
Utilized during the period	(3,740)	0	**(3,740)**
Reversals of surplus provisions	(2,405)	(1,612)	**(4,017)**
Other movements	51	0	**51**
At December 31, 2015	**99,299**	**0**	**99,299**
o/w long-term provisions			*0*
o/w short-term provisions			*99,299*

NOTE 9: OTHER NON-CURRENT LIABILITIES

In € thousands	At June 30, 2016	At Dec. 31, 2015
Other non-current liabilities	1,158,264	934,310
Total	**1,158,264**	**934,310**

The increase in other non-current liabilities in first-half 2016 primarily concerns the Group's Mobile business.

NOTE 10: COMMITMENTS

Lease commitments

Lease expenses recognized in the income statement break down as follows:

In € millions	Six months to June 30, 2016	Six months to June 30, 2015
▪ Minimum lease payments	58	54
▪ Contingent lease payments	0	0
▪ Sub-leases	6	6
Total	**64**	**60**

The table below analyzes the Group's lease commitments at June 30, 2016 by type of asset and maturity.

(In € millions) **Type of leased asset**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Real estate	22	58	3	**83**
Vehicles	2	2	0	**4**
Other	88	340	112	**540**
Total	**112**	**400**	**115**	**627**

None of the Group's lease arrangements contain material contingent lease payments or renewal options, nor do they impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

Network-related commitments

Network investments

At June 30, 2016, the Group had €43.2 million worth of commitments related to future network investments.

Capacity purchases

(In € millions) **Type of commitment**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Capacity purchases	32	80	0	**112**
Total	**32**	**80**	**0**	**112**

Other commitments

The Group's financial commitments related to its borrowings are described in Note 7.

At June 30, 2016, other commitments given by the Group amounted to €17.40 million, and mainly corresponded to bank guarantees.

Claims and litigation

At June 30, 2016, the main legal proceedings affecting the Group were as follows:

Dispute with Numericable

By way of a decision handed down on December 13, 2013, the Paris Commercial Court ordered Numericable and NC Numericable to pay, on a joint and several basis, €6,391,000 in damages to Free for an advertising campaign that led to customer confusion prior to the launch of Free's mobile offerings in 2011. The Court ordered the provisional enforcement of this decision, which has been appealed by Numericable and NC Numericable. Proceedings are still ongoing in this case.

Disputes with SFR

- On May 27, 2014, SFR filed an application with the Paris Commercial Court seeking €493.2 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses (including damage to brand image) that the plaintiff had allegedly suffered as a result of defamatory actions constituting unfair competition. Free Mobile, Free and Iliad are contesting SFR's position in this case and have filed a counterclaim seeking €475 million in damages for Free Mobile and €88 million for Free. Proceedings are still ongoing.

- On July 31, 2015, Free applied to the Paris Commercial Court for an injunction ordering Numericable-SFR to cease using the term "Fiber" when referring to access that end-connects subscribers by cable. Free claims that this constitutes unfair competition and parasitic business practice and has also sued for damages for its related loss, which it is in the process of determining.

Disputes with Orange

- On April 11, 2014, Orange filed two court applications concerning various patents. In these applications, Orange requested the court to order the cessation of alleged acts of infringement and filed a provisional claim for around €250 million. Free contested Orange's position, notably challenging its right to act and the validity of the patents and its claims, and requested the court to order Orange to pay €50,000 for abuse of process and €50,000 in costs under Article 700 of the French Civil Code (*Code de procédure civile*). On June 18, 2015, the Paris District Court rejected Orange's claims in the first of these cases. The court ordered Orange to pay Free €200,000 and, as requested by Free, canceled the patent concerned. Orange has appealed this decision. Consequently, proceedings are still ongoing in both of the cases.

- By way of decision 2015-0971-RDPI dated July 28, 2015, ARCEP authorized Free Mobile to use optical fiber links at no extra cost for traffic to transit from its mobile base stations, irrespective of whether the base stations are connected to the network via copper pairs or fiber. On August 28, 2015, Orange appealed ARCEP's decision. Free Mobile is contesting Orange's position and the proceedings are still ongoing.

Disputes with Bouygues Telecom

- In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom’s position in this case, which it does not consider to be founded. Bouygues Telecom has estimated its alleged losses in relation to the case at €411 million. Proceedings are still ongoing.

- On November 10, 2015, Free filed an application with the Paris Commercial Court for (i) an injunction ordering Bouygues Telecom to cease practices related to its marketing that constitute unfair competition and defamation, and (ii) damages for Free's related loss, which it is in the process of valuing. Proceedings are still ongoing in this case.

- On March 25, 2016, Bouygues Telecom lodged an appeal with the French Supreme Court (*Conseil d'Etat*) for *ultra vires* action by ARCEP in relation to a decision taken on January 27, 2016 concerning a case begun in 2015. On July 28, 2015, Bouygues Telecom filed a request to ARCEP to amend the terms and conditions of Free Mobile's national 2G/3G roaming agreement. ARCEP rejected this request on September 30, 2015 and Bouygues Telecom then lodged an appeal against this decision on November 27, 2015, which was subsequently rejected by ARCEP on January 27, 2016. In its March 25, 2016 appeal, Bouygues Telecom has requested the Supreme Court, *inter alia*, to annul ARCEP's decisions dated September 30, 2015 and January 27, 2016 and (i) as its principal claim, to order ARCEP to launch – within one month of the Supreme Court's decision – the procedure provided for in Article L. 34-8-1-1 of the French Post and Electronic Communications Code in order to amend the roaming agreement entered into between Free Mobile and Orange with a view to the agreement being fully and finally terminated by the end of 2016 at the latest, or (ii) as a subsidiary claim, to order ARCEP to launch the same procedure with a view to terminating the roaming agreement rapidly, with a termination timescale that takes into consideration the current competitive environment in the mobile telephony market.

  Free Mobile is a party to these proceedings and is contesting Bouygues Telecom’s position, which it does not consider to be founded. Proceedings are still ongoing.

- On July 27, 2016, Bouygues Telecom lodged a further appeal with the French Supreme Court for *ultra vires* action by ARCEP, with respect to its decision issued on June 30, 2016. Bouygues Telecom considers that ARCEP should have requested that amendments be made to the new roaming agreement entered into between Free Mobile and Orange. In this appeal, Bouygues Telecom has requested the Supreme Court, *inter alia*, to (i) annul ARCEP's decision, and (ii) order ARCEP to launch – within one month of the Supreme Court's decision – the procedure provided for under Article L. 34-8-1-1 of the French Post and Electronic Communications Code to amend the new roaming agreement entered into between Free Mobile and Orange in order to reduce its term, narrow its geographical scope of application and amend the terms and conditions applicable to its termination, in line with the principles issued by the French Competition Authority (*Autorité de la Concurrence* – ADLC) in its opinion dated March 11, 2013.

  Free Mobile is a party to these proceedings and is contesting Bouygues Telecom's position, which it does not consider to be founded. Proceedings are still ongoing.

- On July 27, 2016, Bouygues Telecom lodged a further appeal with the French Supreme Court for *ultra vires* action by ARCEP, with respect to the portions of the following documents that relate to the roaming agreement entered into between Free Mobile and Orange: ARCEP's guidelines on roaming and mobile network sharing issued in May 2016, its press release dated May 25, 2016 and its draft guidelines on roaming and mobile network sharing put out to public consultation from January 12 through February 23, 2016. In this appeal, Bouygues Telecom has requested the Supreme Court, *inter alia*, to annul ARCEP's guidelines on roaming and mobile network sharing issued in May 2016, its press release dated May 25, 2016 and its draft guidelines on roaming and mobile network sharing put out to public consultation from January 12 through February 23, 2016.

  Free Mobile is a party to these proceedings and is contesting Bouygues Telecom's position, which it does not consider to be founded. Proceedings are still ongoing.

- On July 28, 2016, the ADLC notified Free Mobile that Bouygues Telecom had made two applications to the ADLC concerning Free Mobile – on June 1 and June 14, 2016. Bouygues Telecom has requested the ADLC to rule that Orange and Free Mobile are participating in a cartel, and, by way of interim protective measures, to order Orange and Free Mobile to (i) immediately terminate the agreement dated June 15, 2016 to extend their roaming agreement, and (ii) enter into a new addendum to their roaming agreement providing for a timescale for the termination of Free's 2G and 3G roaming services with a view to full termination by the end of 2016.

  Free Mobile is contesting Bouygues Telecom's position, which it does not consider to be founded. The case is still ongoing.

NOTE 11: FINANCIAL RISK MANAGEMENT

As part of its foreign exchange risk management strategy, in previous years the Group hedged its US dollar-denominated purchases.

It has decided not to continue hedging these purchases in view of the current exchange rate situation.

In addition, in order to reduce the volatility of its future cash flows relating to interest payments on its borrowings, the Group had set up swaps to convert variable-rate borrowings into fixed-rate borrowings. These swaps expired during the first half of 2016.

As a significant portion of the Group's borrowings are now at fixed rates (bonds and EIB loans), the Group did not consider it necessary to set up new interest rate swaps.

NOTE 12: RELATED-PARTY TRANSACTIONS

Related-party transactions correspond to transactions with key management personnel and with the companies Monaco Telecom and Salt Mobile.

Transactions with key management personnel

- Persons concerned:

Iliad's key management personnel correspond to the members of the Board of Directors of Iliad SA and the members of the Management Committee. They represented a total of nine people at June 30, 2016.

- Compensation paid to the nine members of the Group's key management personnel in first-half 2016 and 2015 breaks down as follows:

In € thousands	Six months to June 30, 2016	Six months to June 30, 2015
▪ Total compensation	1,169	1,135
▪ Share-based payments	245	167
Total	**1,414**	**1,302**

Impact of Free Mobile share grants

Following an authorization given by its sole shareholder in May 2010, Free Mobile set up a share grant plan involving shares representing up to 5% of its share capital.

During 2010 and 2011, 23 employees and key management personnel were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent valuer. An initial cash settlement for part of the entitlements was authorized in 2015.

On March 9, 2016, Iliad SA's Board of Directors authorized a second cash settlement for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. This cash settlement represented a maximum of 10% of the beneficiaries' Free Mobile shares and the per-share price was determined by an independent valuer.

Transaction with Monaco Telecom

Iliad has signed an agreement with Monaco Telecom (a Monaco-based company controlled by a party related to the Group) to lease sites containing the Group's equipment. The amount invoiced by Monaco Telecom for making these sites available totaled €183 thousand in first-half 2016.

Transaction with Salt Mobile

Free Mobile performs technical services on behalf of Salt, a Swiss company that is controlled by a party related to the Group. In first-half 2016, the Group recognized €800 thousand in revenue for these services.

NOTE 13: EVENTS AFTER THE REPORTING DATE

In early July 2016, Iliad signed an agreement with the Hutchison and VimpelCom groups, in connection with the plan to merge their respective Italy-based H3G and Wind subsidiaries. The agreement provides for Iliad to acquire the assets constituting the remedy package proposed to the European Commission as part of the Commission's investigation into the planned merger.

It involves:

- The transfer of a set of 2x35 MHz 3G/4G frequencies for €450 million, which will be paid in installments between 2017 and 2019.
- An undertaking to acquire several thousand sites in densely populated areas offered by Wind/H3G.
- An undertaking either to bring into force a RAN-sharing agreement with Wind/H3G for rural areas, or to acquire several thousand sites in those areas from Wind/H3G or third parties.
- A 2G, 3G and 4G roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for one further five-year period.

The agreement is subject to the European Commission's approval as well as to the European Commission giving the green light to the H3G/Wind transaction under the EU merger regulation (for which a decision is expected by September 8, 2016).

The remedy package proposed to the European Commission would enable the Iliad Group to enter the Italian telecoms market through an offering of mobile services and to become the country's fourth mobile network operator with nation-wide coverage.