

Paris, August 31, 2016

- **Landline business:** with the number of subscribers up to nearly 6.3 million, Free takes back the position of France's leading alternative Broadband and Ultra-Fast Broadband operator.
- **Mobile business:** with 400,000 net adds in first-half 2016, the Group has been France's leading recruiter of mobile subscribers for over four years.
- **Continued success for 4G:** the 4G subscriber base has doubled in the space of one year, the Group has the sector's highest average monthly data usage per 4G subscriber at 3.9 GB, and the pace of 4G rollouts has been stepped up with 1800 MHz and 700 MHz frequencies coming on stream.
- **Profitable growth confirmed,** with year-on-year increases of 6.3% for revenues, 11.5% for EBITDA and 17% for profit for the period.
- **The Group has an opportunity to become Italy's fourth mobile operator.**

SIGNIFICANT EVENTS IN FIRST-HALF 2016

In the first half of 2016, the Group saw continued growth, with revenues from services climbing 7.3% (and overall revenues including handsets up 6.3%). The performance delivered for the period was driven by (i) higher growth for the Landline business, which posted a 3.4% revenue rise (compared with 0.5% in first-half 2015), (ii) a solid showing from the Mobile business, which once again reported double-digit revenue growth (mobile services revenues rose by 13.6%), and (iii) good sales momentum, with over 500,000 net new subscribers signing up for the Group's landline and mobile offerings, enabling Free to take back the position of France's leading alternative Broadband and Ultra-Fast Broadband operator.

In line with its objectives, the Group continued its mobile network rollout process, which enabled it to increase its coverage rate and, as a result, its profitability. Consequently, consolidated EBITDA was up 11.5% on the same period of 2015.

The most significant events of first-half 2016 were as follows:

- **Landline business: the Group is now the leading alternative Broadband and Ultra-Fast Broadband operator in France on the back of 123,000 net adds** for landline Broadband and Ultra-Fast Broadband offerings, representing a net add market share of 37%¹. Free continued its robust sales momentum during the period, signing up as many subscribers as in the first half of 2015. This good subscriber recruitment level was achieved despite a fiercely competitive environment characterized by aggressive marketing and pricing strategies from the Group's competitors, notably one-off targeted marketing campaigns. Against this backdrop, ARPU edged down to just under €34, but the Landline business still managed to step up its pace of growth with revenues up by more than 3% to over €1.3 billion.
- **Mobile business: nearly 400,000 net adds in first-half 2016.** Thanks to its ongoing strategy of enriching its mobile offerings, the Group was once again France's leading recruiter of mobile subscribers in the first half of 2016 – a position it has held for over four years. The Group's net adds for mobile subscribers came to nearly 400,000 during the period, whereas the overall market saw a net reduction of 105,000 subscribers. At June 30, 2016, the Group had over 12 million mobile subscribers, giving it a market share of 17.4%². Services revenues generated by the Mobile business advanced by 13.6% year on year to just under €1 billion. In addition, the weighting of the €19.99/month plan (or €15.99/month for Freebox subscribers) within net adds rose once again, reaching a record level during first-half 2016.
- **Continued success for 4G**, with the number of 4G subscribers rising sharply once again during the period and totaling 4.7 million at June 30, 2016. This means that the 4G subscriber base has doubled in the space of one year. Average monthly data usage per 4G subscriber – which was already among the highest in Europe – also continued to rise, reaching 3.9 GB and representing a 77% year-on-year increase.
- **Ongoing brisk pace of ultra-fast landline and mobile network rollouts.** During the first half of 2016, the Group increased its 4G coverage rate to 69% of the French population, notably thanks to (i) the deployment of over 900 new 4G sites, (ii) around 1,100 sites being equipped to use frequencies in the 1800 MHz band (which have been

¹ Company estimate.

² Metropolitan France excluding M2M.

fully available to the Group since May 2016), and (iii) the opening of the first 700 MHz sites. The Group also stepped up the pace of its FTTH network rollout during the period, with the number of connectible sockets increasing by more than 600,000 to almost 3.1 million at June 30, 2016.

- **A rise in the Group's profitability.** Consolidated EBITDA advanced by 11.5% to €809 million in first-half 2016, fueled by an increase in the volume of mobile traffic carried directly on the Group's own network, and the EBITDA margin widened by 1.6 points to over 35%. Consolidated profit for the period came to €190 million, up 17% on first-half 2015 despite an increase in depreciation charges (notably due to the faster pace of network rollouts).
- **A solid financial structure, enabling the Group to pursue its investments in ultra-fast networks and consider growth opportunities.** 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 increase its profitability for the coming years, while at the same time enhancing its subscriber service. Capital spending in first-half 2016 totaled €622 million and notably related to (i) the rollout of the Group's mobile network, with over 750 new sites opened and around 1,100 sites migrated to be able to use frequencies in the 1800 MHz band, and (ii) the acceleration in rollouts for Ultra-Fast Broadband in the Group's Landline business, particularly outside very densely populated areas. Also during first-half 2016, the Group paid the first installment of the purchase price for the acquisition of its frequencies in the 700 MHz band, which amounted to €237 million. Despite this outlay, the Group's financial structure remained strong, and with a leverage ratio of 0.89x at June 30, 2016, it was once again one of the European telecom operators with the least amount of debt.
- **A unique opportunity for the Group to become Italy's fourth mobile operator.** At the beginning of July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries. This agreement – which is still subject to the European Commission's approval – provides for Iliad to acquire assets which would enable it to become Italy's fourth mobile operator.

KEY INDICATORS

Operating performance indicators

<i>Subscriber numbers</i>	June 30, 2016	June 30, 2015	June 30, 2014
Total mobile subscribers	12,080,000	10,925,000	9,095,000
- Of which 4G	4,700,000	2,400,000	-
Total Broadband and Ultra-Fast Broadband subscribers	6,261,000	5,991,000	5,735,000
Total number of subscribers	18,341,000	16,916,000	14,830,000
<i>Other indicators</i>	Six months to June 30, 2016	Six months to June 30, 2015	Six months to June 30, 2014
Broadband and Ultra-Fast Broadband ARPU (in €)	33.90	34.50	35.80
<i>Freebox Revolution ARPU* (in €)</i>	>38.00	>38.00	>38.00
Number of connectible FTTH sockets	3.1m	-	-
Average 4G data usage (in GB per month per subscriber)	3.9 GB	2.2 GB	-

* Excluding promotions.

Financial performance indicators

<i>In € millions</i>	Six months to June 30, 2016	Six months to June 30, 2015	% change
Consolidated revenues	2,296.9	2,159.9	+6.3%
- Landline	1,329.1	1,285.2	+3.4%
- Mobile	973.4	880.4	+10.6%
- Intra-group sales	(5.6)	(5.7)	-1.8%
Consolidated EBITDA	808.5	725.0	+11.5%
Profit from ordinary activities	360.2	329.7	+9.3%
Profit for the period	190.4	162.9	+16.9%
Leverage ratio	0.89x	0.84x	+6.0%

GROUP OBJECTIVES

- Landline business:
 - Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term.
 - 4 million connectible FTTH sockets by end-2016.
 - 9 million connectible FTTH sockets by end-2018.
 - 20 million connectible FTTH sockets by end-2022.

- Mobile business:
 - Deploy more than 1,500 sites in 2016.
 - 4G coverage rate of around 75% of the French population by end-2016.
 - Achieve a 25% share of the mobile market in the long term.

- Group:
 - Slight increase in the level of capital expenditure (excluding frequency purchases) in 2016 compared with 2015.
 - Achieve consolidated EBITDA margin of over 40% by the end of the decade.

CONSOLIDATED INCOME STATEMENT

Revenues

For first-half 2016, the Group reported strong year-on-year growth, with consolidated revenues up by almost €140 million or 6.3% to €2.3 billion, backed by a 7.3% rise in services revenues. The Group delivered further excellent performances during the period despite a still highly competitive market. Revenue growth in the Landline business accelerated to 3.4%, reflecting the strong subscriber recruitment level, and the Mobile business saw a sustained pace of expansion, reporting double-digit revenue growth.

The table below shows the breakdown of revenues by category for first-half 2016 and first-half 2015 as well as the percentage change between the two periods.

<i>In € millions</i>	Six months to June 30, 2016	Six months to June 30, 2015	% change
Landline	1,329.1	1,285.2	+3.4%
Mobile	973.4	880.4	+10.6%
Intra-group sales	(5.6)	(5.7)	-1.8%
Total consolidated revenues	2,296.9	2,159.9	+6.3%

Landline revenues

Against a fiercely competitive backdrop, growth for the Landline business picked up pace, with revenues climbing 3.4% year on year to €1,329 million. The main factors that drove this performance were as follows:

- **123,000 new Broadband and Ultra-Fast Broadband subscribers**, representing a net add market share of 37%³. In a highly competitive environment and despite numerous promotional offers by other operators, the Group managed to grow its market share during the period, thanks to (i) the strong reputation of the Free brand, (ii) the major efforts undertaken in recent years to improve the quality of subscriber service, (iii) one-off promotional offers, and (iv) the successful replacement of the entry-level offering with the Freebox mini 4K. At June 30, 2016, the Group had a total of almost 6.3 million Broadband and Ultra-Fast Broadband subscribers, making it France's leading alternative Broadband and Ultra-Fast Broadband operator.

³ Company estimate.

- **Broadband and Ultra-Fast Broadband ARPU edged down to just under €34** due to the promotional offers carried out during the period which had an automatic adverse impact on ARPU. However, the Freebox Revolution offering continued to prove very popular and its ARPU once again came in at over €38⁴.

Mobile revenues

The success of the Group's mobile offerings was clearly reflected in its financial performance and first-half 2016 was another period of strong growth for the Mobile business, with revenues increasing to €973 million. This rise stemmed primarily from an excellent showing from services, whose revenues advanced 13.6%. Just four years after it was first launched, the Mobile business now accounts for 42% of the Group's total revenues. The number of net adds came to nearly 400,000 in first-half 2016, bringing the total number of mobile subscribers to more than 12 million. The main factors that drove the Mobile business's first-half 2016 performance were as follows:

- **A commercial strategy focused on innovation and constantly enriched offers.** During the first six months of 2016, the Group continued to enrich its offers by increasing the number of roaming destinations included in the Free Mobile Plan, which now covers Australia, Norway and Iceland in addition to all European Union countries, the United States and Canada. Free Mobile is still the only operator to offer 50 GB of mobile Internet in a plan costing less than €20 per month. 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 Plan unique in the market.
- **17.4%⁵ market share.** With some 400,000 net adds, in first-half 2016 the Group was once again France's leading recruiter of mobile subscribers – a position it has held since it launched its Mobile business. By the period-end, the total number of mobile subscribers had topped the 12 million mark and in the space of just four years after its mobile launch, the Group had far exceeded its initial target of achieving 15% market share.
- **Continued success for 4G.** In the first half of 2016, the Group pursued its intensive rollouts of 4G sites and increased its 4G coverage rate to 69% of the French population at the period-end. This 4G rollout drive has translated into commercial success, with the 4G mobile subscriber base doubling in the space of 12 months to reach 4.7 million at June 30, 2016. In addition, the average data usage rate of 4G subscribers was 1.7 GB higher in first-half 2016 than in the same period of 2015, amounting to 3.9 GB per month and per subscriber.
- **Ongoing improved subscriber mix within net adds and further migration of subscribers** from the €2/month plan (or €0 for Freebox subscribers) to the €19.99/month plan (or €15.99/month for Freebox subscribers). In first-half 2016, the Group recorded more new subscribers for its €19.99/€15.99 offering than for its €2/€0 offering. The number of new subscribers for the €19.99/month offering represented a record proportion of the number of net adds during the period.
- **A 13.6% rise in mobile services revenues, and a decrease in handset revenues,** notably due to the increasing success of other distribution channels. This negative impact weighed on overall revenue growth for the Mobile business, which came to 10.6%.

⁴ Excluding promotions.

⁵ Metropolitan France excluding M2M.

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.

Gross profit

At €1,162 million, consolidated gross profit was €103 million higher than in first-half 2015, representing a year-on-year increase of nearly 10%.

As a percentage of revenues it was also up, climbing 1.6 percentage points to 50.6%. This rise was mainly 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 on the Group's own network.

EBITDA

Consolidated EBITDA advanced by 11.5% to €809 million in first-half 2016. EBITDA margin also increased sharply, coming in 1.6 points higher and topping 35% for the first time since the Group launched its Mobile business, mainly reflecting the rise in profitability reported by this business.

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 first half of 2016, it was able to increase the volume of traffic carried directly on its own network.
- **Higher EBITDA margin for the Mobile business** despite the extension of roaming services to cover additional countries and the termination of airtime revenue from premium numbers as from October 1, 2015.
- **Ongoing measures to optimize the Group's landline networks (unbundling, migration and rollout of the FTTH network).** During first-half 2016, the Group pursued its measures to (i) extend its ADSL network by opening more than 600 subscriber connection nodes, and (ii) continue the rollout of its directly owned FTTH network and the FTTH networks deployed in accordance with co-financing arrangements with the incumbent operator.
- **Economies of scale achieved for the Mobile business's fixed costs.** Free Mobile's subscriber base continued to increase, exceeding critical mass and enabling the Group to achieve further economies of scale in terms of its fixed cost base (advertising costs, administrative costs, etc.) and to capitalize on its status as an integrated operator (landline/mobile).
- **EBITDA margin maintained for the Landline business** despite a price increase for unbundling services amounting to 32 euro cents per month and per subscriber.

Profit from ordinary activities

Profit from ordinary activities totaled €360 million, up by more than 9% on the first-half 2015 figure due to the above-described rise in EBITDA.

Depreciation/amortization expense increased to €447 million as a result of the beginning of depreciation/amortization for landline and mobile network components brought into service during the period, particularly due to (i) the migration of sites to 4G technology for the 2600 MHz and 1800 MHz frequency bands, and (ii) the preparation of site migrations for the 700 MHz frequency band.

Profit for the period

Profit for the period climbed 17% to €190 million from €163 million in the first half of 2015.

Cash flows and capital expenditure

<i>In € millions</i>	Six months to June 30, 2016	Six months to June 30, 2015	% change
Consolidated cash flows from operations	792.5	721.2	+9.9%
Change in working capital requirement	23.8	(46.5)	-
Operating Free Cash Flow	816.4	674.7	+21.0%
Capital expenditure	(858.9)	(612.9)	+40.1%
Income tax paid	(115.2)	(79.9)	+44.2%
Other ⁶	(32.9)	(48.7)	-32.4%
Consolidated Free Cash Flow (excluding the purchase of the 700 MHz frequencies and financing activities and dividends)	46.1	(67.2)	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	(190.6)	(67.2)	-
Dividends	(24.1)	(23.0)	+4.8%
Cash and cash equivalents at period-end	318.4	160.6	-

⁶ Including interest paid.

Consolidated Free Cash Flow

The Group kept up the brisk pace of its landline and mobile network rollouts during first-half 2016, which pushed up its capital expenditure (excluding frequency purchases) by 1.5% to €622 million. The year-on-year change in consolidated Free Cash Flow mainly reflects the following:

- A 10% increase in consolidated cash flows from operations to €793 million.
- An improved change in working capital requirement compared with first-half 2015, primarily due to the fact that the Group's most recent offers for mobile phones (rental and payment installments) no longer negatively impact working capital.
- A sustained high level of capital expenditure, which amounted to €622 million (excluding the purchase of 700 MHz frequencies). Significant capital outlay was incurred during the period for both the Mobile and Landline businesses, mainly as a result of (i) the continued brisk pace of the mobile network rollout, (ii) site migrations, and (iii) the acceleration of the fiber network deployment.
- €115 million in income tax paid.
- Payment of the first installment for the Group's purchase of 700 MHz frequencies, amounting to €237 million.
- Redemption of the €500 million worth of bonds due in June 2016, and drawdown of the same amount under a medium-term credit facility set up in early 2016.
- A negative €191 million in consolidated Free Cash Flow after payment of the first installment for the purchase of the 700 MHz frequencies. This figure was a positive €46 million excluding the purchase of the 700 MHz frequencies.

BALANCE SHEET

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.).

On June 1, 2016, the Group redeemed at face value the €500 million worth of bonds it had issued on May 26, 2011 and which paid interest at 4.875% per year.

At June 30, 2016, the Group had gross debt of €1,732 million and net debt of €1,403 million. The Group maintained its solid financial structure during the period and its leverage ratio at June 30, 2016 was once again well below the 1x mark at 0.89x. At the same time, it also had a very strong liquidity position.

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 (i) the transfer of a balanced portfolio of 2x35 MHz frequencies for €450 million, which will be paid in installments between 2017 and 2019, (ii) the transfer of mobile sites in densely populated areas, (iii) 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, and (iv) an undertaking either to bring into force a RAN-sharing agreement covering rural areas or to acquire mobile sites in those areas.

GLOSSARY

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.

EBITDA: Profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets.

Freebox Revolution Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Freebox Revolution Broadband and Ultra-Fast Broadband User, 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) and the impact of promotions, divided by the total number of Freebox Revolution Broadband and Ultra-Fast Broadband subscribers invoiced at the period-end.

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.

M2M: Machine to machine communications.

Mobile services revenues: Mobile revenues excluding handset-related revenues.

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

Services revenues: Total consolidated revenues excluding handset-related revenues.

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 Free's or Alice's Broadband or Ultra-Fast 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 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. For example, the Freebox Revolution, the 6th generation of Freebox units, includes an NAS and a Blu-Ray™ drive, and the Freebox mini 4K was 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. Subscribers can use their Free Mobile Plan for 35 days per year and per destination (excl. 4G) when they are traveling in all European Union countries, the United States, Canada, Israel, Australia, Norway and Iceland. As at June 30, 2016, Free had 18.3 million subscribers (6.2 million Broadband and Ultra-Fast Broadband subscribers and 12.1 million mobile subscribers).

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