Société anonyme. Share capital: €12,999,215

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, 2016**	**Six months to June 30, 2015**	**Year ended Dec. 31, 2015**
INCOME STATEMENT			
Revenues	2,296.9	2,159.9	4,414.4
EBITDA	**808.5**	**725.0**	**1,489.9**
Profit from ordinary activities	360.2	329.7	666.2
Other operating income and expense, net	(3.0)	(2.1)	(4.2)
Operating profit	357.2	327.6	662.0
Finance costs, net	(26.1)	(30.9)	(58.0)
Other financial income and expense, net	(22.3)	(11.6)	(24.5)
Corporate income tax	(118.6)	(122.3)	(244.5)
Share of profit of equity-accounted investees	0.2	-	-
Profit for the period	**190.4**	**162.9**	**335.0**
BALANCE SHEET			
Non-current assets	6,111.2	4,410.1	5,755.3
Current assets	1,021.5	874.5	1,432.7
Of which cash and cash equivalents	*329.4*	*162.6*	*720.1*
Assets held for sale	24.5	27.9	26.0
Total assets	**7,157.2**	**5,312.5**	**7,214.0**
Total equity	2,793.1	2,454.2	2,637.2
Non-current liabilities	2,582.8	607.3	1,899.1
Current liabilities	1,781.3	2,251.1	2,677.7
Total equity and liabilities	**7,157.20**	**5,312.5**	**7,214.0**
CASH FLOWS			
Cash flows from operations	792.5	721.2	1,472.7
Capital expenditure[1]	(858.9)	(612.9)	(1,219.9)
Net change in cash and cash equivalents (excluding financing activities and dividends)[2]	(190.6)	(67.2)	(76.1)
Dividends	(24.1)	(23.0)	(23.0)
Net debt	1,402.9	1,161.9	1,191.4

[1] *Including the investment corresponding to the initial €236.7 million payment for frequencies in the 700 MHz band.*
[2] *Including interest paid and the payment for frequencies in the 700 MHz band.*

1.1 OVERVIEW

Fueled by the success of its Broadband and Ultra-Fast 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 and Ultra-Fast Broadband and mobile segments. The Group's success in these two segments has been built on four fundamentals – straightforward offerings, attractive prices, excellent service quality and technological innovation.

Just four years after it entered the mobile market, the Group has become one of the leading telecom operators in France, with more than 18 million subscribers, of which over 12 million mobile subscribers and more than 6 million Broadband and Ultra-Fast Broadband subscribers. At June 30, 2016, it had market shares of 24%[3] for Broadband and Ultra-Fast Broadband and 17.4%[4] for mobile. During the first half of 2016, the Group continued its profitable growth trajectory, generating €2.3 billion in revenues – up 6.3% on first-half 2015 (7.3% excluding handsets).

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.

The following key performance indicators for the Group are used throughout this management report:

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

Mobile services revenues correspond to mobile revenues excluding handset-related revenues.

1.1.1 Breakdown of revenues

(a) Landline offerings (Broadband and Ultra-Fast Broadband)

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.

Depending on the eligibility of the subscriber's line, the following Broadband and Ultra-Fast 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 the eligibility of the subscriber's line (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 selected areas covered by Free and provides subscribers with Ultra-Fast Broadband (up to 1 Gbps download and up to 200 Mbps upload).

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[3] *Company estimate.*
[4] *Metropolitan France excluding M2M.*

Through these offerings, depending on the package they choose, 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 over 110 landline destinations outside Metropolitan France depending on the terms of their package. Additionally, some 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 over 500 channels (of which some 90 or 230, depending on the type of subscription, are included in the basic packages), with more than 170 high definition channels and a 70-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 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 mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and loud speakers.

- **The Freebox mini 4K**, which is the Group's entry-level offering and has replaced 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.

- **In addition, in first-half 2016 the Group carried out specific promotional sales of the Freebox Crystal.** The Freebox Crystal has not featured in the Group's commercial offerings since it was replaced by the Freebox mini 4K as its entry-level offering. However, in order to reuse already-existing Freebox Crystals, in first-half 2016 the Group offered a number of promotional deals on these boxes.

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 has proposed two straightforward value-for-money mobile offerings since the commercial launch of its Mobile business:

- **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 50 MB 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),** which includes unlimited voice calls and SMS and MMS messages as well as Internet access of up to 20 GB for 3G and 50 GB for 4G (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. Subscribers can also use their Free Mobile Plan, for 35 days per year and per destination, when traveling in a large number of countries, including all European Union countries, the United States, Canada, Israel, French Guiana, Reunion Island, Mayotte and the French West Indies. In the first half of 2016, these roaming destinations were extended to cover Australia, Norway and Iceland.

In tandem, the Group offers a selection of the latest mobile phones on the market. 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 a minimum of 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €99 and €199 and then pays a monthly rental fee of between €15 and €25 (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 incumbent operator's basic unbundling offer, were as follows at June 30, 2016:

Operating costs (partial unbundling)

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

Operating costs (full unbundling)

- Rental of the copper pair: ....€9.10[5]

- **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 and Alice.

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 (since April 1, 2015) and €12.63 (since March 1, 2016).

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 2016 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 and, where technically feasible, to directly offer Option 1 to new subscribers living in an area where the local loop has been unbundled.

- **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.

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[5] *Fee applicable since March 1, 2016.*

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

(b) Mobile call termination charges

These charges amounted to 0.76 euro cents in first-half 2016 compared with 0.78 euro cents in the first six months of 2015.

(c) Roaming charges

The Group has to pay roaming charges for the roaming services provided to it, which are defined in a roaming agreement signed with France's incumbent operator during the first half of 2011. The agreement applies to 2G and 3G technologies and has been amended since it was first signed – notably in relation to interconnection capacity – in order to take into account the increase in mobile subscriber numbers. It had an initial term of six years commencing from the commercial launch of the Group's mobile offerings, but was extended on June 15, 2016 and now expires at end-2020.

The roaming agreement allows the Group to:

- Offer a service to subscribers with a 2G phone.
- Provide mobile coverage in addition to that available under its own network, which is still in the expansion phase.

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 proportion of traffic carried directly on its own network, by pursuing the rollout targets described in section 1.1.3.d 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 is being 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 (*Autorité de Régulation des Communications Electroniques et des Postes* – ARCEP) under the "Macron Act" (France's economic reform law), in 2015 ARCEP began work on analyzing the mobile network sharing agreements in place in France (roaming and RAN-sharing agreements).

Following this analysis, on January 12, 2016 ARCEP issued a working document for public consultation, which included draft guidelines on mobile network sharing. The final guidelines – which were published on May 25, 2016 – notably invited operators to set the dates for gradually phasing out their current roaming arrangements.

On June 15, 2016, Iliad and Orange announced that they had signed an addendum to their 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France. This termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can have the highest degree of technical and commercial independence.

On June 30, 2016, ARCEP decided that, based on the guidelines published on May 25, 2016, it was not necessary to launch a formal review of the roaming agreement between Free Mobile and Orange using the powers assigned to it under the Macron Act of August 6, 2015.

1.1.3 Capital expenditure and depreciation

(a) Broadband

(i) Transmission network and unbundling the local loop

Having laid some 100,000 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. In the first half of 2016, the Group continued to extend its coverage by opening more than 600 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to nearly 8,800 at June 30, 2016 and gave Free a network coverage rate of almost 90% of the French population.

The optical fiber used in the transmission network is depreciated over periods ranging from 10 to 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 2016, the cost of a Freebox ranged from a few dozen euros (for the Freebox Crystal) to €165 for the Freebox mini 4K and €290 for the Freebox Revolution.

- Fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees), which amount to €50 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, back in 2013 the Group launched a large-scale plan for migrating its network equipment (Freebox DSLAMs) to VDSL2 technology. The Group's landline network is now fully VDSL compatible, enabling eligible subscribers to increase their Internet speeds.

(ii) Rollout of an FTTH network

Optical fiber – which has long been used by telecom operators for long-distance links – has established itself as the fastest, most reliable and most powerful transmission technology available. It enables data to be transmitted at the speed of the light signal passing through the fiber and consequently offers speeds of several hundred Mbps and even much more. It is the use of this technology that has driven the surge in Internet usage worldwide.

An optical fiber network with high upload and download speeds enables a variety of multimedia services to be used simultaneously.

The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned and whether or not they are one of the 106 municipalities classified as "very densely populated areas" in ARCEP Decision 2013-1475 dated December 10, 2013.

In these areas, each operator is responsible for rolling out its own network up to shared access points, which are generally located inside buildings. The in-building cabling is then shared by the operators.

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

It is rolling out its own infrastructure in "very densely populated areas", which requires:

- Acquiring and fitting out premises to house optical nodes (ONs).

- Carrying out horizontal rollouts, which consist of laying optical fiber cables between the ONs and the shared access points. The Group's horizontal rollout phase is being undertaken using (i) the accessible galleries of the underground wastewater network in Paris, and (ii) primarily the incumbent operator's access offer under which third parties can access its existing cable ducts in other areas of France.

- Connecting the horizontal network to the shared access points.

- Carrying out the final connection phase, which entails fitting an optical fiber socket in the subscriber's home and connecting it to the building's vertical fiber cables through the floor distribution box.

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.

Outside very densely populated areas, in order to streamline fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP Decision 2010-1312 dated December 14, 2010), provides for more extensive infrastructure-sharing as it requires operators that roll out networks to create shared access points located outside private property boundaries which can each be used for around 1,000 lines.

If an operator creates a shared access point grouping fewer than 1,000 lines, it is required to offer a dark-fiber backhaul service between the shared access point and a concentration point with a larger number of lines.

Within this context, in August 2012, the Group was the first operator to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. The third-party operator access offer enables each operator to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve. This pooling of resources is aimed at creating a single network shared among the fiber optic providers and subscribers and therefore extending FTTH coverage to a wider population.

Since 2013, the Group has participated in co-financing the FTTH network outside very densely populated areas and at June 30, 2016 it had given network financing commitments covering some 60 urban areas and 20 municipalities, representing 4.5 million homes that will be provided with FTTH coverage by 2020.

As in 2015, during the first half of 2016 the Group continued its FTTH capital expenditure drive. Consequently, the number of the Group's connectible FTTH sockets increased by more than 600,000 during the period to almost 3.1 million at June 30, 2016.

The first six months of 2016 also saw the gradual commercial launch of Free's fiber offers in co-financing areas.

By June 30, 2016, the Group's fiber offers were available in around a hundred municipalities and some 250,000 subscribers had an FTTH connection. The Group plans to continue and intensify its rollout drive, both within and outside very densely populated areas, with the objective of having 9 million connectible sockets by 2018 and 20 million by 2022.

This large-scale capital expenditure plan will enable the Group to more rapidly become technologically independent from the incumbent operator while increasing its profitability, and its aim is to achieve a landline market share of 24%[6].

(c) A comprehensive and enriched frequency portfolio

Since it was awarded France's fourth 3G mobile license in January 2010, the Group has continuously enriched its frequency portfolio.

After being allocated 5 MHz duplex in the 900 MHz and 2100 MHz frequency bands and 20 MHz duplex in the 2600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France in 2015 and 2016 by acquiring the following frequencies:

- 5 MHz duplex in the 1800 MHz frequency band freed up by Bouygues Telecom as part of the refarming process defined by ARCEP in its December 16, 2014 decision. The frequencies concerned gradually became available during the first half of 2015 and have been fully available throughout Metropolitan France since July 1, 2015.

- An additional 10 MHz duplex in the 1800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1800 MHz frequencies. This 10 MHz was freed up for the Group's use throughout Metropolitan France on May 25, 2016.

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[6] *Company estimate.*

- 10 MHz obtained on November 17, 2015 following the national auction for spectrum in the 700 MHz frequency band. This spectrum will be made available gradually on a region by region basis starting with the Ile de France in April 2016 and followed by a further region each quarter from January 1, 2018 through July 1, 2019 (when the frequency in the final region will be freed up). It was acquired for a total of €933 million, payable in four installments between 2016 and 2018, with two installments due in the first year.

Consequently, the Group now has a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to provide high-performing services in both 3G and 4G.

As part of the auction launched by ARCEP for 3G/4G spectrum in the French overseas departments, in May 2016 the Group submitted applications for mobile frequencies in Guadeloupe, French Guiana, Reunion Island, Martinique, Mayotte, Saint-Barthélemy and Saint-Martin. Iliad's aim is to provide users in these territories with the same type of attractively priced offerings as it does in Metropolitan France.

(d) Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see paragraph (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 keep up the pace of its mobile network rollout in the first half of 2016, with over 750 new sites deployed during the period. At June 30, 2016, the Group had over 6,800 3G sites in service, giving it a direct 3G mobile coverage rate of 85% of the French population.

As well as continuing 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 in the first half of 2016, it was therefore able to open over 900 4G sites using the 2600 MHz frequency band and more than 1,100 4G sites using the 1800 MHz band. At the period-end, it had a total of nearly 6,600 4G sites using the 2600 MHz band and almost 1,300 4G sites using the 1800 MHz band, giving it a 4G coverage rate of 69% of the French population. Consequently, at June 30, 2016, over 95% of the Group's mobile sites were 4G-compatible and the majority of these sites were connected to the network via an optical fiber link.

4G is a priority for the Group, and it has the capacity to make a large number of its sites 4G-compatible thanks to its cutting-edge equipment which enables 3G sites to be rapidly migrated to 4G technology. Now that it has obtained frequencies in the 1800 MHz and 700 MHz bands and as these frequencies gradually come into service, the Group will have full 4G coverage, both outside and inside buildings. These frequencies are in addition to those already available to the Group in the 2600 MHz band and will help increase its population coverage and enhance the quality of its network. At June 30, 2016, almost 1,300 of the Group's sites were already equipped for 1800 MHz, and it opened its first 700 MHz test sites during the period.

In parallel with its large-scale rollout process, in first-half 2016 the Group also continued to invest in extending its core network and information systems as well as in mobile site interconnection links. In order to offer the best possible speeds to its subscribers, the Group is maximizing the number of its fiber-connected sites.

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, and therefore it intends to (i) focus its deployment efforts on densely populated areas, with more than 1,500 new sites planned for 2016, in order to maximize the volume of traffic carried directly on its own network, (ii) accelerate the conversion of existing sites to 4G in order to achieve a 4G coverage rate of around 75% of the French population by the end of 2016, and (iii) launch the gradual rollout of 700 MHz and 1800 MHz sites.

The Group met its 4G coverage obligation of 25% of the French population by October 2015 and is standing by the future 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: 60% of the French population covered by October 2019 and 75% by October 2023.

The depreciation/amortization periods applied for the main assets brought into service in the first half of 2016 are as follows:

- Licenses: between 15 and 19 years.
- General equipment: 10 years.
- Mobile technical equipment: 6 and 18 years.
- Other equipment: 3 to 5 years.
- Other assets: 2 to 10 years.

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

During the first six months of 2016, the Group strengthened its physical presence in France by:

- Opening four new stores, raising the total number of Free Centers to 53 at end-June 2016.
- Continuing to roll out 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, 2016, the Group had already set up more than 1,600 such kiosks across France.

1.2 SIGNIFICANT EVENTS OF THE PERIOD

In € millions	**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%**

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%[7]. 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

[7] *Company estimate.*

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%[8]. 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 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.

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[8] *Metropolitan France excluding M2M.*

1.3 COMPARISON OF RESULTS FOR FIRST-HALF 2016 AND FIRST-HALF 2015

In € millions	Six months to June 30, 2016	Six months to June 30, 2015	% change
Revenues	**2,296.9**	**2,159.9**	**+6.3%**
Purchases used in production	(1,134.9)	(1,100.7)	+3.1%
Gross profit	**1,162.0**	**1,059.2**	**+9.7%**
as a % of revenues	***50.6%***	***49.0%***	***+1.6 pts***
Payroll costs	(119.5)	(109.6)	+9.0%
External charges	(164.5)	(138.8)	+18.5%
Taxes other than on income	(49.1)	(35.1)	+39.9%
Additions to provisions	(21.5)	(39.9)	-46.1%
Other income and expenses from operations, net	1.0	(10.7)	-
EBITDA	**808.5**	**725.0**	**+11.5%**
as a % of revenues	***35.2%***	***33.6%***	***+1.6 pts***
Share-based payment expense	(1.2)	(1.8)	-33.3%
Depreciation, amortization and provisions for impairment of non-current assets	(447.2)	(393.5)	+13.6%
Profit from ordinary activities	**360.2**	**329.7**	**+9.3%**
Other operating income and expense, net	(3.0)	(2.1)	+42.9%
OPERATING PROFIT	**357.2**	**327.6**	**+9.0%**
Finance costs, net	(26.1)	(30.9)	-15.5%
Other financial income and expense, net	(22.3)	(11.6)	+92.2%
Corporate income tax	(118.6)	(122.3)	-3.0%
Share of profit of equity-accounted investees	0.2	-	-
PROFIT FOR THE PERIOD	**190.4**	**162.9**	**+16.9%**

1.3.1 Analysis of consolidated results

(a) Key indicators

Subscriber numbers	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

Other indicators	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**
Freebox Revolution ARPU (in €)*	*>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.*

(b) 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.

In € millions	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%[9]. 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.

- **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 €38[10].

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%[11] 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.

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[9] *Company estimate.*
[10] *Excluding promotions.*
[11] *Metropolitan France excluding M2M.*

- **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 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%.

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 €1,162 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.

(d) Payroll costs

The Group created 318 direct jobs in France in first-half 2016 (permanent contracts), raising its total headcount in France to 6,364 at June 30, 2016.

This increase mainly reflects the intensified rollout of the Group's landline and mobile networks as well as the expansion of its subscriber service teams.

In view of these developments, payroll costs (excluding employee benefits and capitalized costs) rose to just under €120 million during the period.

(e) External charges

The Group's external charges increased by €26 million to €164 million. This item mainly includes network costs (maintenance, rental of mobile sites, etc.) and the costs of equipment hosting, insurance, advertising and sub-contracting. The year-on-year rise chiefly reflects the higher number of mobile sites in service in first-half 2016.

(f) Taxes other than on income

Taxes other than on income rose by 40% to €49 million, primarily due to (i) mobile rollouts (IFER tax), (ii) the growth of consolidated revenues (COPE tax, UMTS tax and COSIP tax) and (iii) the increase from 0.9% to 1.3% of the COPE tax rate.

(g) Additions to provisions

Additions to provisions – which include provisions for bad debts, impairment of inventories and contingencies and charges – totaled €21 million in first-half 2016, down €18 million on the first six months of 2015. This decrease was mainly due to lower additions to provisions for bad debts recognized by the Group in connection with its mobile phone rental offerings.

(h) Other income and expenses from operations, net

This item represented net income of €1 million in first-half 2016 compared with a net expense of €11 million in first-half 2015.

(i) 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.

(j) 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.

(k) Profit for the period

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

1.3.2 Cash flows and capital expenditure

In € millions	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[12]	(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**	**-**

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.

[12] *Including interest paid.*

- 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.

Net change in cash and cash equivalents

The Group ended the first half of 2016 with €318 million in available cash and cash equivalents.

1.3.3 Consolidated debt

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.

The Group's gross debt primarily comprised the following at June 30, 2016:

(a) Borrowings due within one year

- 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, 2016, €200 million of this program had been used.

(b) Borrowings due beyond one year

- 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. The initial draw down of €150 million has been reduced with the first repayment installments made since the second half of 2015. The remaining part amounted to €108m at June 30, 2016.

- 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. This loan is also repayable in installments and matures in July 2022. It had been fully drawn down at June 30, 2016.

- A €650 million bond issue

  On November 26, 2015, the Group issued €650 million worth of bonds paying interest at 2.125% per year.

  The bonds will be redeemed at face value at maturity on December 5, 2022.

- A €1,400 million syndicated credit facility

  In view of the low market interest rates, in 2015 the Group decided to renegotiate the main terms and conditions of its €1,400 million syndicated credit facility set up with a pool of 12 international banks. Consequently, on October 2, 2015 the Group signed an amendment extending the facility's original maturity to 2020 with a further extension option to 2022.

  The applicable interest rate on the facility was also adjusted and it is now based on Euribor plus a margin of between 0.35% and 1.10% per year depending on the Group's leverage ratio.

  None of this facility had been drawn down at June 30, 2016.

- A €500 million syndicated credit facility

  In view of the favorable conditions in the banking market and in order to extend the average maturity of its debt, on January 8, 2016 the Group set up a €500 million credit facility with a pool of 11 international banks. This facility – which takes the form of a five-year term loan – had been fully drawn down at June 30, 2016.

The EIB loans and the €1,400 million and €500 million syndicated credit facilities are subject to financial covenants based on the Group's leverage and interest cover ratios. None of these covenants had been breached at June 30, 2016.

(c) 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, 2016, the Group's total obligations under finance leases amounted to €72 million.

1.3.4 Ownership structure at June 30, 2016

At June 30, 2016, Iliad's share capital was made up of 58,720,604 ordinary shares, held by the following shareholders:

- Executive Management: 33,894,372 shares, representing 57.7% of the share capital.
- Public: 24,826,232 shares, representing 42.3% of the share capital.

At June 30, 2016, there were six Iliad stock option plans in place with a total of 709,945 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 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.

1.4.2 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.

1.4.3 Glossary

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

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.