

iliad

Société anonyme. Share capital: €13,038,371

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

Registered in Paris under no. 342 376 332



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1. ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS

KEY CONSOLIDATED FINANCIAL DATA

<i>In € millions</i>	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
INCOME STATEMENT			
Revenues	4,722.1	4,414.4	4,167.6
EBITDA	1,675.7	1,489.9	1,283.6
Profit from ordinary activities	744.1	666.2	569.5
Other operating income and expense, net	(4.5)	(4.2)	(3.6)
Operating profit	739.6	662.0	565.9
Finance costs, net	(43.8)	(58.0)	(63.8)
Other financial income and expense, net	(48.3)	(24.5)	(21.7)
Corporate income tax	(245.6)	(244.5)	(202.0)
Share of profit of equity-accounted investees	0.7	-	-
Profit for the period	402.7	335.0	278.4
BALANCE SHEET			
Non-current assets	7,262.3	5,755.3	4,266.4
Current assets	947.8	1,432.7	744.6
<i>Of which cash and cash equivalents</i>	238.5	720.1	137.4
Assets held for sale	21.4	26.0	34.4
Total assets	8,231.5	7,214.0	5,045.3
Total equity	3,001.8	2,637.2	2,315.2
Non-current liabilities	2,882.1	1,899.1	1,209.1
Current liabilities	2,347.6	2,677.7	1,521.0
Total equity and liabilities	8,231.5	7,214.0	5,045.3
CASH FLOWS			
Cash flows from operations	1,603.8	1,472.7	1,236.5
Capital expenditure ¹	(1,757.8)	(1,219.9)	(968.3)
Net change in cash and cash equivalents (excluding financing activities, payments for frequencies in the 700 MHz band and dividends) ²	39.2	(76.1)	(37.2)
Net change in cash and cash equivalents (excluding financing activities and dividends) ²	(432.3)	(76.1)	(37.2)
Dividends	(24.1)	(23.0)	(21.7)
Net debt	1,642.8	1,191.4	1,084.1

¹ Including the investment corresponding to the first payments for frequencies in the 700 MHz band (€472 million)

² Including interest paid

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 five years after it entered the mobile market, the Group has become one of the leading telecommunications operators in France, with more than 19 million subscribers, of which nearly 13 million mobile subscribers and more than 6 million Broadband and Ultra-Fast Broadband subscribers. At December 31, 2016, it had market shares of 24%³ for Broadband and Ultra-Fast Broadband and 18%⁴ for mobile. In 2016, the Group continued its profitable growth trajectory, generating over €4.7 billion in revenues – up 7% on 2015.

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 are used throughout this management report:

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

- *Mobile services revenues*, which corresponds to mobile revenues excluding handset-related revenues (sales and rentals).

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 €39.99 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 whether a subscriber’s line is eligible (IP speeds).
- **Via VDLS2**, which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload.
- **Via optical fiber (FTTH)**, which is available in selected areas covered by Free and provides subscribers with Ultra-Fast Broadband (up to 1 Gbps download and up to 200 Mbps upload).

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, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France.
- **Free proposes the largest television offering in the market,** comprising more than 500 channels (of which between 90 and almost 280 – depending on the type of subscription – are included in the basic packages), with over 180 high definition channels and a catch-up TV service covering more than 100 channels. Since September 2016, the Freebox Revolution offer includes the TV by CANAL Panorama package, therefore adding 50 channels to the offer, of which 25 are exclusive to Freebox TV.
- **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. The new TV by CANAL Panorama offer gives subscribers access to over 100 live channels and more than 8,000 items of on-demand content on all types of screen (smartphone, tablet, Xbox 360, Xbox One and PC/Mac).

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

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

- **Shared hosting services,** 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**, 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.
- **Collocation services**, which consist of providing physical space in a data center, as well as the associated electrical capacity, in order to house bays and servers that generally belong to end-customers.
- **Cloud computing**, which is a model enabling convenient, on-demand network access to a shared pool of configurable computing resources. The Scaleway offering provides such access, with small virtual servers that can be scaled up to dedicated physical servers.

(b) Mobile offerings

The Group proposes two straightforward value-for-money mobile offerings:

- **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 2016, these roaming destinations were extended to cover Australia, Norway, Iceland, South Africa and New Zealand.

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 installments (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 €79 and €149 and then pays a monthly rental fee of between €17 and €27 (again, depending on the phone) over a period of 24 months. At the end of this

period, subscribers can either return their phone and get a latest-generation phone under a new rental agreement, or 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 December 31, 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:€9.10⁵

- **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 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.

⁵ Fee applicable since March 1, 2016 (compared with €8.78 in 2015)

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

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

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

(b) Mobile call termination charges

These charges amounted to 0.76 euro cents in 2016.

(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, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum

download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020.

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 over 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 2016, the Group continued to extend its coverage by opening around 1,200 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to nearly 9,300 at the year-end 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 2016, the cost of a Freebox ranged from a few dozen euros (for the Freebox Crystal) to €160 for the Freebox mini 4K and €280 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 under Option 5 correspond to access fees billed by the incumbent operator, which are 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 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.

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 increasing margins and profitability.

The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned.

Very densely populated areas

In Decision no. 2013-1475 dated December 10, 2013, ARCEP issued a list of 106 municipalities that it classified as "very densely populated areas". 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.

The Group 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) 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.

Since 2016, in order to accelerate its rollouts in very densely populated areas, the Group has decided to use an EPON architecture in addition to its original point-to-point architecture.

Outside very densely populated areas

Outside very densely populated areas, in order to optimize 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.

In 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. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node. Based on its market share assumptions, the Group believes that, to date, the cost per subscriber for this process is less than €1,000.

The Group has participated in co-financing the rollout of the FTTH network outside very densely populated areas since 2013, and at December 31, 2016 it had given network financing commitments covering some 80 geographic areas, representing 4.5 million homes that will be provided with FTTH coverage by 2020. In 2016, the Group extended its co-financing commitments to all of the geographic areas in which the FTTH network is being rolled out by the incumbent operator, which will ultimately give it access to an overall potential FTTH subscriber base of 8.6 million homes.

As in 2015, during 2016 the Group continued to step up the pace of its FTTH capital expenditure drive. Consequently, during the year:

- The number of connectible FTTH sockets almost doubled, reaching 4.4 million at December 31, 2016 (compared with around 2.5 million at end-2015). This total exceeds the Group's initial objective of having 4 million connectible FTTH sockets by the end of 2016.
- The number of FTTH-connected subscribers rose by over 100,000 to 310,000 at the year-end. This increase of more than 50% in the space of one year was due to three main factors:
 - o French households' growing appetite for FTTH technology.
 - o The fact that the standardization of subscriber connection processes has reached maturity.

- The gradual start-up of marketing of Free's FTTH offerings outside very densely populated areas.

By December 31, 2016, the Group's Fiber offerings were available in around 220 municipalities. Going forward, the Group intends to continue its rollout drive both within and outside very densely populated areas, just as in 2016, and is aiming to have 9 million connectible sockets by 2018 and 20 million by 2022.

In addition, in 2017 the Group intends to further accelerate its FTTH subscriber connections by connecting up more than 200,000 new subscribers during the year.

(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 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 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 1,800 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 1,800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz was freed up for the Group's use throughout Metropolitan France on May 25, 2016.
- 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 region 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. The first two installments were paid in 2016, as scheduled.

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.

In addition, on October 13, 2016 the Group's bid for 3G/4G mobile frequencies in Guadeloupe, French Guiana, Reunion Island, Martinique, Mayotte, Saint-Barthélemy and Saint Martin was selected. As a result, the Group will be awarded, as a minimum, frequencies in the 1,800 MHz band for all of the territories concerned as well as low frequencies for 4G (800 MHz spectrum) in all of the territories except French Guiana. These spectrum awards will enable Iliad 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 strong pace of its mobile network rollout in 2016, with over 2,400 new sites deployed during the year (including sites shared with other operators outside densely populated areas), significantly exceeding its annual objective of 1,500 new sites. At December 31, 2016, the Group had almost 8,500 3G sites in service, giving it a direct 3G mobile coverage rate of 89% of the French population.

The significant events of 2016 in terms of the Group’s mobile network rollout drive were as follows:

- **The opening of over 2,400 new 3G sites**, making 2016 a record year for new site deployments.
- **An acceleration in the deployment of 4G technology**, which has been a priority for the Group since it first launched its Mobile business. 2016 was a particularly intense year in terms of 4G deployment as (i) over 1,900 new 4G sites were opened, giving the Group a total of 7,566 4G sites in service at December 31, 2016, (ii) new 1,800 MHz frequencies were made available at 3,300 additional sites, and (iii) the first 700 MHz frequencies were deployed at 236 sites in the Ile de France region. These new 700 MHz and 1,800 MHz frequencies were gradually brought into service during 2016, enabling the Group to significantly improve its coverage and the indoor quality of its network. Consequently, by end-2016 the Group had a 4G coverage rate of 76% of the French population.
- **Continued investment in the fiber backhaul network for mobile sites.** In view of ever-faster Internet speeds and the growing numbers of 4G users, the interconnection capacity of mobile sites is of critical importance to operators. In order to be able to offer its subscribers the best possible speeds, the Group has decided to use fiber to connect as many of its sites as possible (more than 80% in very densely populated areas at December 31, 2016).

In view of the progress achieved in its mobile rollout process, the Group has set itself the following objectives: (i) to continue, and even further step up the pace of its rollout drive, with a target of having over 12,000 mobile sites (including in sites shared with operators outside densely populated areas) by the end of 2017, (ii) to accelerate the conversion of existing sites to 4G, notably by bringing 1,800 MHz frequencies into service, in order to achieve a 4G coverage rate of around 85% of the French population by the end of the year, and (iii) to pursue the gradual deployment of 700 MHz frequencies in eligible areas.

The Group has always respected its coverage commitments and by the beginning of 2017 it had already achieved all of its future obligations, namely:

- 3G license: 90% of the French population covered in January 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 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 2016 the Group strengthened its physical presence in France by:

- Opening six new stores, raising the total number of Free Centers to 55 at end-December 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 December 31, 2016, the Group had around 1,600 such kiosks across France.

1.2 SIGNIFICANT EVENTS OF THE YEAR

<i>In € millions</i>	2016	2015	% change
Consolidated revenues	4,722.1	4,414.4	+7.0%
- Landline	2,689.6	2,597.1	+3.6%
- Mobile	2,043.0	1,828.7	+11.7%
- Intra-group sales	(10.5)	(11.4)	-7.9%
Consolidated EBITDA	1,675.7	1,489.9	+12.5%
Profit from ordinary activities	744.1	666.2	+11.7%
Profit for the period	402.7	335.0	+20.2%
Leverage ratio	1.0x	0.8x	+21.9%

The most significant events of 2016 were as follows:

- **The Group became France's leading alternative landline Broadband and Ultra-Fast Broadband operator with 6.4 million subscribers, adding 247,000 new subscribers** during the year, representing a net add market share of 32%⁶. This good subscriber recruitment level was achieved despite a persistently fiercely competitive environment in which the Group carried out one-off targeted promotional campaigns. Free's strong sales performance drove a further increase in revenues for the Landline business, which climbed 3.6% year on year to just under €2.7 billion (up 5.3% in the fourth quarter of 2016 alone).
- **ARPU for the Landline business swung up in the fourth quarter of 2016, boosted by the TV by CANAL Panorama offer**, and came in at €34.70 as of December 2016.

⁶ Company estimate

- **Mobile business: The Group was France's leading recruiter of mobile subscribers for the fifth year in a row, notching up over 1,000,000 net adds in 2016**, thanks to its strategy of always offering more for the same price. At December 31, 2016, it had nearly 13 million mobile subscribers, giving it a market share of 18%⁷.

- **Consolidated revenues increased once again**, advancing 7% versus 6% in 2015 (and 8.6% in the fourth quarter of 2016 alone), despite a highly competitive operating context marked by numerous promotional offers by other operators.

- **Mobile revenues topped the €2 billion mark for the first time since the Group launched its mobile offerings in 2012**, with overall revenues for the Mobile business climbing nearly 12% year on year and Mobile services revenues advancing by more than 13%. This robust growth for Mobile services was directly attributable to the better subscriber mix, with more subscribers choosing the €19.99 per month offer (€15.99 per month for Freebox subscribers).

- **The success of 4G**, with the number of 4G subscribers rising sharply once again (up 60%) and totaling some 6 million at December 31, 2016. Average monthly data usage per 4G subscriber – which was already among the highest in Europe – also continued to rise, reaching 4.9 GB (representing an increase of more than 50% year on year).

- **A record year for mobile site deployments**. In 2016, the Group stepped up its rollout drive by (i) opening over 2,400 new 3G sites, (ii) equipping 3,300 4G sites for 1,800 MHz frequencies, and (iii) opening 236 sites using 700 MHz frequencies. The high number of sites opened during the year enabled the Group to extend and enhance the quality of its network, notably by broadening its 3G and 4G coverage. At December 31, 2016, the Group's full coverage rate (i.e., both indoor and outdoor) was 89% of the French population for 3G and over 76% for 4G (exceeding its target of achieving a 4G coverage rate of around 75%).

- **An acceleration in FTTH rollouts and connections**, with (i) some 2 million new connectible sockets, bringing the total to 4.4 million at December 31, 2016, and (ii) more than 100,000 subscribers connected to fiber in 2016, including 45,000 in the fourth quarter alone. This means that the Group's FTTH subscriber base increased by more than 50% in the space of a year and at December 31, 2016 it stood at 310,000.

- **A rise in the Group's profitability**. For the first time since it launched its Mobile business, the Group's EBITDA margin rose back above the 35% mark, widening by 1.7 point. Consolidated EBITDA came to €1,676 million in 2016, up 12.5% year on year, fueled by an increase in the volume of mobile traffic carried directly on the Group's own network. Profit for the period amounted to over €400 million, up by more than 20% on 2015 despite an increase in depreciation charges (notably due to the faster pace of network rollouts).

- **A pro-active capital expenditure strategy for Ultra-Fast Broadband networks, backed by a solid financial structure**. The Group invested some €1.3 billion in its landline and mobile infrastructures in France in 2016, enabling it to become more autonomous and augment its profitability while at the same time enhancing its subscriber service. Also during the year, the Group made the first two payments (totaling €472 million) for its purchase of frequencies in the 700 MHz band. Despite this outlay, the Group's financial structure remained strong, and with a leverage ratio of less than 1.0x EBITDA at December 31, 2016, it was once again one of the European telecom operators with the least amount of debt.

⁷ Metropolitan France excluding M2M

- **Fourth mobile network operator in Italy: a unique opportunity for the Group.** In early July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups, as part of the plan to merge their respective H3G and Wind subsidiaries, with a view to acquiring assets that will enable the Group to become the fourth mobile operator in Italy. This agreement – which was approved by the European Commission on September 1, 2016 – involves (i) the transfer of a broad set of 35 MHz frequencies for €450 million, (ii) an undertaking to acquire macro sites of the merged network, (iii) a possibility either to bring into force a RAN-sharing agreement covering rural areas or to acquire macro sites in those areas, and (iv) an all-technologies roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period. These different assets, combined with the Group's know-how, mean that it can implement an efficient cost model in view of achieving balanced EBITDA with a market share of less than 10%.

1.3 COMPARISON OF RESULTS FOR 2016 AND 2015

<i>In € millions</i>	2016	2015	% change
Revenues	4,722.1	4,414.4	+7.0%
Purchases used in production	(2,323.0)	(2,238.8)	+3.8%
Gross profit	2,399.1	2,175.6	+10.3%
as a % of revenues	50.8%	49.3%	+1.5 pts
Payroll costs	(242.9)	(222.5)	+9.2%
External charges	(342.1)	(288.5)	+18.6%
Taxes other than on income	(82.1)	(57.9)	+41.8%
Additions to provisions	(49.6)	(96.9)	-48.8%
Other income and expenses from operations, net	(6.8)	(19.9)	-65.8%
EBITDA	1,675.7	1,489.9	+12.5%
as a % of revenues	35.5%	33.8%	+1.7 pts
Share-based payment expense	(2.0)	(3.3)	-39.4%
Depreciation, amortization and provisions for impairment of non-current assets	(929.6)	(820.4)	+13.3%
Profit from ordinary activities	744.1	666.2	+11.7%
Other operating income and expense, net	(4.5)	(4.2)	+7.1%
OPERATING PROFIT	739.6	662.0	+11.7%
Finance costs, net	(43.8)	(58.0)	-24.5%
Other financial income and expense, net	(48.3)	(24.5)	+97.1%
Corporate income tax	(245.6)	(244.5)	+0.4%
Share of profit of equity-accounted investees	0.7	-	-
PROFIT FOR THE PERIOD	402.7	335.0	+20.2%

1.3.1 Analysis of consolidated results

(a) Key indicators

<i>Subscriber numbers</i>	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Total mobile subscribers	12.7m	11.7m	10.1m
- Of which 4G	5.9m	3.7m	1.7m
Total Broadband and Ultra-Fast Broadband subscribers	6.4m	6.1m	5.9m
Total number of subscribers	19.1m	17.8m	16.0m

<i>Other indicators</i>	2016	2015	2014
Broadband and Ultra-Fast Broadband ARPU (in €)	34.70	34.50	35.10
<i>Freebox Revolution ARPU* (in €)</i>	>38.00	>38.00	>38.00
Number of connectible FTTH sockets	4.4m	2.5m	-
Average 4G data usage (in GB per month per subscriber)	4.9 GB	3.2 GB	1.8 GB

* Excluding promotions

(b) Revenues

In 2016, the Group once again reported solid year-on-year growth, with revenues up by more than €300 million, or 7.0%, to over €4.7 billion (up 8.6% in the fourth quarter of 2016 alone). The Group managed to accelerate its revenue growth despite persistently fierce competition, thanks to another good performance from the Landline business (with revenues up 3.6% to almost €2.7 billion) as well as a further double-digit revenue increase for the Mobile business (up 11.7% to over €2 billion).

The table below shows the breakdown of consolidated revenues by category for 2016 and 2015 as well as the percentage change between the two years.

<i>In € millions</i>	2016	2015	% change
Landline	2,689.6	2,597.1	+3.6%
Mobile	2,043.0	1,828.7	+11.7%
Intra-group sales	(10.5)	(11.4)	-7.9%
Total consolidated revenues	4,722.1	4,414.4	+7.0%

Landline revenues

Against a backdrop of ongoing fierce competition, growth for the Landline business picked up pace even further in 2016, with revenues climbing 3.6% year on year (5.3% in the fourth quarter of 2016 alone) to almost €2.7 billion. The main factors that drove this performance were as follows:

- **The end-September launch of the new Freebox Revolution offer including the TV by CANAL Panorama package** and the myCANAL service. This package adds 50 channels (of which 25 are exclusive) to the 226 channels already included in the Freebox TV offer, for €39.99 per month.
- **247,000 new Broadband and Ultra-Fast Broadband subscribers**, representing a net add market share of 32%⁸. In a highly competitive environment and despite numerous promotional offers by other operators, the Group's net add market share was once again higher than its overall market share. This achievement was due to (i) the strong reputation of the Free brand and the quality of the Freebox, (ii) the measures taken to enrich the Group's offerings, notably by including new landline destinations in the Freebox plan, (iii) the introduction of the TV by CANAL Panorama offer, (iv) the quality of subscriber relations (which won it first place in the survey conducted by the major French consumer magazine, *60 millions de consommateurs*, with a 92% satisfaction rate for landline Internet access services), and (v) one-off promotional offers. At December 31, 2016, the Group had a total of almost 6.4 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 rose to €34.70 in the fourth quarter of 2016**, driven by the inclusion of the TV by CANAL Panorama package in the Freebox Revolution offer. This offer continued to prove very popular, with its ARPU once again exceeding €38⁹.

Mobile revenues

The Mobile business reported strong growth in 2016 – reflecting the success of its commercial offerings – with revenues up almost 12% year on year and topping the €2 billion mark for the first time. This rise stemmed primarily from an excellent showing from mobile services, whose revenues advanced 13%. Just five years after it was launched, the Mobile business now accounts for 43% of the Group's total revenues. At December 31, 2016, the Group had 12.7 million mobile subscribers, i.e., over one million more than at the previous year-end. The main factors that drove the Mobile business's performance in 2016 were as follows:

- **Solid sales performances thanks to constantly-enriched and attractive offers.** By continuing to stand out from the competition for the depth and breadth of its offerings and unchanged prices, Free was once again France's leading recruiter of mobile subscribers in 2016 (and for the 20th quarter in a row), with more than one million net adds during the year. Free is the only operator in France to offer a plan costing less than €20 per month that includes (i) 50 GB of 4G internet, and (ii) roaming from all European Union countries, South Africa, Australia, Canada, the United States, Iceland, Israel, Norway and New Zealand. At December 31, 2016, the Group had 12.7 million mobile subscribers, representing a market share of 18%¹⁰.
- **Faster take-up of Free's €19.99 per month plan** (€15.99 per month for Freebox subscribers), **primarily due to an increase in 4G usage and subscriber migrations from the €2 per month plan** (€0 per month for Freebox subscribers). In 2016, 75% of the Mobile business's net adds were signed up to the €19.99 per month plan (€15.99 per month for Freebox subscribers). This improved subscriber mix drove up Mobile services

⁸ Company estimate

⁹ Excluding promotions

¹⁰ Metropolitan France excluding M2M

revenues by over 13% during the year – a figure which is even more impressive when compared against the 8.7% growth rate for the overall subscriber base.

- **The growing success of 4G.** The number of 4G subscribers rose sharply once again, up 60% year on year, and totaled some 6 million at December 31, 2016. Average monthly data usage per 4G subscriber – which was already among the highest in Europe – also continued to rise, reaching 4.9 GB (representing an increase of more than 50% year on year).
- **Customer satisfaction recognized and rewarded.** Free was ranked the best operator in France in the most recent customer satisfaction survey carried out by the major French consumer magazine, *60 millions de consommateurs*, with an overall 95% satisfaction rate for mobile telephony services. In addition, Free once again obtained the best score for 4G connections in France in the nPerf mobile connections performance survey for the fourth quarter of 2016.

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 €2,399 million, consolidated gross profit was €223 million higher than in 2015, representing a year-on-year increase of 10.3%.

As a percentage of revenues, it climbed 1.5 percentage points to 50.8%, reflecting the combined impact of two opposing factors: (i) the positive effect of higher profitability for the Mobile business (although its gross margin is still lower than that of the Landline business), thanks to the better subscriber mix and the increase in volumes of mobile traffic carried directly on the Group's own network, and (ii) a lower gross margin for the Landline business due to a rise in unbundling fees and the impact of the TV by CANAL Panorama offer on the last two months of the year.

(d) Payroll costs

The Group created more than 1,000 direct jobs in France in 2016 (permanent contracts), raising its total headcount in France to 7,142 at December 31, 2016. This increase mainly reflects the Group's pro-active strategy of accelerating the rollouts of its FTTH and mobile networks as well as the expansion of its subscriber relations teams.

In view of these developments, payroll costs (excluding employee benefits and capitalized costs) rose to just under €243 million during the year, representing 5.1% of revenues (stable compared with 2015).

(e) External charges

The Group's external charges increased by €54 million to €342 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 2016.

(f) Taxes other than on income

Taxes other than on income rose by 42% to €82 million, primarily due to (i) mobile rollouts (IFER tax), (ii) the growth in 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 €50 million in 2016, down €47 million on 2015. This decrease was mainly attributable to lower additions to provisions for bad debts recognized by the Group in connection with its landline and mobile offerings as a result of better debt collection processes.

(h) Other income and expenses from operations, net

This item represented a net expense of €7 million in 2016 compared with a net expense of €20 million in 2015.

(i) EBITDA

Consolidated EBITDA advanced by 12.5% in 2016 to €1,676 million. EBITDA margin also increased sharply, widening by 1.7 point 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 Group's EBITDA performance in 2016 was fueled by the Mobile business's higher margin as the Landline margin narrowed slightly during the year. The main factors affecting EBITDA in 2016 were as follows:

- **Better mobile network coverage.** Thanks to the Group's extension of its mobile network coverage in 2016, it was able to increase the volume of traffic carried directly on its own network.
- **An improved subscriber mix for the Group's mobile offers,** with the majority of new subscribers signing up to the €19.99 per month offer (€15.99 per month for Freebox subscribers).
- **Economies of scale achieved for the Mobile business's fixed costs.** The continued significant growth of the Mobile business enabled the Group to achieve further economies of scale in terms of its fixed cost base (network, advertising costs, administrative costs, etc.) and to capitalize on its status as an integrated operator (landline/mobile). In addition, the Mobile business's EBITDA margin rose once again in 2016 despite the extension of roaming services to additional countries and the termination of airtime revenue from premium numbers as from end-2015.
- **Ongoing measures to optimize the Group's landline networks (unbundling, migration and rollout of the FTTH network).** During 2016, the Group pursued its measures to (i) continue the rollout of its directly-owned FTTH network and the FTTH networks deployed in accordance with co-financing arrangements with the incumbent operator, and (ii) extend its ADSL network, by opening some 1,200 new subscriber connection nodes.
- **Dilutive impacts for the Landline business** resulting from (i) an increase in certain taxes, particularly the COPE tax, (ii) a rise in unbundling fees, and (iii) the dilutive effect of the TV by CANAL Panorama offer for the last two months of the year.

(j) Profit from ordinary activities

Profit from ordinary activities amounted to €744 million, up 12% on the 2015 figure due to the above-described rise in EBITDA.

Depreciation/amortization expense increased to €930 million as a result of the beginning of depreciation/amortization for landline and mobile network components brought into service during the

year, particularly due to (i) the migration of mobile sites to 4G technology for the 700 MHz, 1,800 MHz and 2,600 MHz frequency bands, and (ii) the FTTH network rollout.

(k) Profit for the period

Profit for the period advanced by more than 20% to €403 million from €335 million in 2015.

1.3.2 Cash flows and capital expenditure

<i>In € millions</i>	2016	2015	% change
Consolidated cash flow from operations	1,603.8	1,472.7	+8.9%
Change in working capital requirement	25.6	(23.4)	-
Operating Free Cash Flow	1,629.4	1,449.3	+12.4%
Capital expenditure (excluding the purchase of 700 MHz frequencies)	(1,286.3)	(1,219.9)	+5.4%
Income tax paid	(239.4)	(229.7)	+4.2%
Other ¹¹	(64.5)	(76.0)	-15.1%
Consolidated Free Cash Flow (excluding 700 MHz frequencies and dividends)	39.2	(76.1)	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	(432.3)	(76.1)	-
Dividends	(24.1)	(23.0)	+4.8%
Cash and cash equivalents at year-end	235.7	718.5	-

Consolidated Free Cash Flow

The Group kept up the brisk pace of its landline and mobile network rollouts during 2016, which pushed up its capital expenditure (excluding purchases of frequencies) by 5% to €1.3 billion in line with forecasts. The year-on-year change in consolidated Free Cash Flow mainly reflects the following:

- A 9% increase in consolidated cash flows from operations to over €1.6 billion.
- A €26 million positive change in working capital requirement.
- A sustained high level of capital expenditure, which amounted to €1.3 billion (excluding the purchase of 700 MHz frequencies). Significant capital outlay was incurred during the year 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.

¹¹ Including interest paid

- €239 million in income tax paid.
- Payment of the first two installments for the Group's purchase of 700 MHz frequencies, amounting to €472 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 positive €39 million in consolidated Free Cash Flow excluding the payments of the first two installments for the purchase of the 700 MHz frequencies (a negative €432 million including these payments).

Net change in cash and cash equivalents

The Group ended 2016 with €236 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 December 31, 2016, the Group had gross debt of €1,881 million and net debt of €1,643 million. The Group maintained its solid financial structure during the year and its leverage ratio at December 31, 2016 was once again below the 1.0x mark. At the same time, it also had a very strong liquidity position.

The Group's gross debt primarily comprised the following at December 31, 2016:

(a) Borrowings due within 1 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 end-2015. At December 31, 2016, €400 million of this program had been used.

(b) Borrowings due beyond 1 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. At December 31, 2016, the outstanding amount under this loan was €83 million.

- 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. At December 31, 2016, the full amount of this loan had been drawn down and the corresponding €200 million was outstanding.

- A €200 million loan granted by the European Investment Bank (EIB) in 2016

Following on from the previous loans granted in 2011 and 2012, the EIB further extended its partnership with Iliad in 2016 by granting it another €200 million loan to help finance the Group's capital expenditure between 2016 and 2018. The loan is repayable in installments with a final maturity in 2030. At December 31, 2016 none of the loan had been drawn down.

- 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

The Group has a €1,400 million syndicated credit facility set up with a pool of 12 international banks. The facility expires in 2020, with an extension option until 2022.

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

None of the facility had been drawn down at December 31, 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 took the form of a five-year term loan – had been fully drawn down at December 31, 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 December 31, 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 December 31, 2016, the Group's total obligations under finance leases amounted to €60 million.

1.3.4 Ownership structure at December 31, 2016

At December 31, 2016, Iliad's share capital was made up of 58,837,338 ordinary shares, held by the following shareholders:

- Executive Management: 33,850,408 shares, representing 57.5% of the share capital.
- Public: 24,986,930 shares, representing 42.5% of the share capital.

At December 31, 2016, there were five Iliad stock option plans in place with a total of 593,211 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.
 - Increase the FTTH subscriber base by more than 200,000 in 2017, then by 300,000 to 500,000 subscribers per year over the medium term.
 - 9 million connectible FTTH sockets by end-2018.
 - 20 million connectible FTTH sockets by end-2022.

- Mobile business:
 - Targeting a mobile network of more than 12,000 sites by end-2017.
 - Finalize the migration of mobile sites to 1,800 MHz in 2018.
 - 4G coverage rate of around 85% of the French population by end-2017.
 - Achieve a 25% mobile market share in the long term.

- Group:
 - Achieve consolidated EBITDA margin for France of over 40% by 2020.
 - Set capital expenditure levels for France (excluding purchases of frequencies) at between €1.4 billion and €1.5 billion per year for 2017 and 2018.
 - Generate more than €1 billion in EBITDA less CAPEX in France as from 2020 thanks to:
 - *Lower charges on roaming agreements.*
 - *An improved mobile subscriber mix.*
 - *A national mobile network in 2020.*

1.4.2 Events after the balance sheet date

No significant events occurred after the balance sheet date that require disclosure in this report.

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

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

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 (sales and rental).

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

Services revenues: Total consolidated revenues excluding handset-related revenues (from handset sales and rental).

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.