

iliad

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

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

<i>In € millions</i>	Six months to June 30, 2017	Six months to June 30, 2016	Year ended Dec. 31, 2016
INCOME STATEMENT			
Revenues	2,464.0	2,296.9	4,722.1
EBITDA	874.6	808.5	1,675.7
Profit from ordinary activities	430.1	360.2	744.1
Other operating income and expense, net	(0.6)	(3.0)	(4.5)
Finance costs, net	(13.5)	(26.1)	(43.8)
Other financial income and expense, net	(33.2)	(22.3)	(48.3)
Corporate income tax	(150.9)	(118.6)	(245.6)
Share of profit of equity-accounted investees	0.6	0.2	0.7
Profit for the period	232.6	190.4	402.7
BALANCE SHEET			
Non-current assets	7,430.2	6,111.2	7,262.3
Current assets	839.1	1,021.5	947.8
<i>Of which cash and cash equivalents</i>	<i>153.7</i>	<i>329.4</i>	<i>238.5</i>
Assets held for sale	19.5	24.5	21.4
Total assets	8,288.7	7,157.2	8,231.5
Total equity	3,198.3	2,793.1	3,001.8
Non-current liabilities	2,733.4	2,582.8	2,882.1
Current liabilities	2,357.0	1,781.3	2,347.6
Total equity and liabilities	8,288.7	7,157.2	8,231.5
CASH FLOWS			
Cash flows from operations	864.5	792.5	1,603.8
Capital expenditure – France ¹	(722.6)	(858.9)	(1,757.8)
Capital expenditure – Italy ²	(57.8)	-	-
Net change in cash and cash equivalents (excluding payments for 700 MHz frequencies, capex in Italy, financing activities and dividends) ³	(24.2)	46.1	39.2
Net change in cash and cash equivalents (excluding financing activities and dividends) ³	(82.0)	(190.6)	(432.3)
Dividends	(25.9)	(24.1)	(24.1)
Net debt	1,769.2	1,402.9	1,642.8

¹ The 2016 figures include the investment corresponding to the first payments made for the purchase of frequencies in the 700 MHz band.

² Including €50 million for the purchase of frequencies.

³ 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 both the landline 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 19.6 million subscribers, of which over 13 million mobile subscribers and some 6.5 million Broadband and Ultra-Fast Broadband subscribers. At June 30, 2017, it had market shares of 24% for Broadband and Ultra-Fast Broadband and 18.5%⁴ for mobile. During the first half of 2017, the Group continued its profitable growth trajectory, generating close to €2.5 billion in revenues – up 7.3% on first-half 2016.

As the vast majority of its operations are in France, the Group only has one geographic segment. It is currently considering changes to the presentation of its segment information following the signature in early July 2016 of an agreement with the Hutchison and VimpelCom groups as part of the plan to merge their respective H3G and Wind subsidiaries, which provided for the Group to acquire assets enabling it to become the fourth mobile operator in Italy. No changes have been made at this stage because commercial activities in Italy have not yet been launched and the underlying material assets recognized in the consolidated financial statements at June 30, 2017 mainly correspond to licenses (€896 million) and initial network assets (€10 million). However, the 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).

⁴ Metropolitan France excluding M2M.

- **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).

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 some 600 channels (of which between 90 and 280 – depending on the type of subscription – are included in the basic packages), with around 190 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, which has added 50 channels to the offer, including 25 that 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 an 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 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 2017 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 the entry-level offering. However, in order to reuse already-existing Freebox Crystals, in first-half 2017 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**, 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 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 (i) to mobiles in the United States, Canada, China and the French overseas departments (*départements d'outre-mer* – DOM) as well as to 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM.
 - Unlimited texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM.
 - 50 MB of 3G/4G mobile data plus an additional 50 MB usable in Europe and the DOM, as well as 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 (i) to mobiles and landlines in Metropolitan France, mobiles in the United States, Canada, China and the DOM and 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM and from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France.

- Unlimited texts/MMS in Metropolitan France and (i) from Europe and the DOM to Metropolitan France, Europe and the DOM, and (ii) from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating message and in Metropolitan France.
- Unlimited 4G data for Freebox subscribers in Metropolitan France (100 GB/month for non-Freebox subscribers) and 25 GB/month of mobile Internet in Europe, the DOM, the United States, South Africa, Australia, Canada, Israel 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 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 €79 and €169 and then pays a monthly rental fee of between €10 and €25 (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 June 30, 2017:

Operating costs (partial unbundling)

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

Operating costs (full unbundling)

- Rental of the copper pair:..... €9.45⁵

- **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.

⁵ Fee applicable since January 1, 2017 (compared with €8.78 for January and February 2016 and €9.10 from March 1 through December 31, 2016).

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

- For the “DSL Access” service the monthly fee has been €4.79 since April 1, 2015.
- For the "DSL Access Only" service, the monthly fee has been €12.93 since January 1, 2017 (compared with €12.53 for January and February 2016 and €12.63 from March 1 through December 31, 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 2017 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.

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 €0.74 in first-half 2017 compared with €0.76 in the first six months of 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 3G 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/month 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 just 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 2017, the Group continued to extend its coverage by opening more than 1,000 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to nearly 10,400 at June 30, 2017 and gave Free a network coverage rate of almost 90% of the French population at that date.

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 five or six 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 2017, 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.

The Group has participated in co-financing the rollout of the FTTH network outside very densely populated areas since 2013, and at June 30, 2017 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.

In addition, in the first half of 2017, the Group demonstrated its support of the Public Initiative Networks being deployed in non-densely populated areas in France by signing an agreement with Axione which will ultimately give Free access to an additional 2 million FTTH sockets. This agreement marks a new stage in Free's investment strategy for optical fiber networks.

FTTH progress report at June 30, 2017

In the first half of 2017, as in 2016, the Group continued its major FTTH capital expenditure drive. Consequently, during the period:

- The number of connectible sockets increased by 900,000 and totaled 5.3 million at June 30, 2017 (versus 4.4 million at December 31, 2016).
- There was a sharp rise in the number of FTTH-connected subscribers and the total stood at almost 420,000 at June 30, 2017. The number of new FTTH subscribers signed up during the period came to nearly 110,000, which was more than the number recorded for the whole of 2016 and is in line with the Group's target of more than 200,000 additional subscribers being connected up to FTTH during full-year 2017. The increase in the first six months of 2017 was due to three main factors:
 - o French households' growing appetite for FTTH technology.
 - o More efficient processes for connecting subscribers.
 - o The gradual start-up of marketing of Free's FTTH offerings outside very densely populated areas.

By June 30, 2017, the Group's fiber offerings were available in around 270 municipalities. Going forward, it intends to continue its rollout drive both within and outside very densely populated areas, and is aiming to have installed 9 million connectible sockets by 2018 and 20 million by 2022.

(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 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.

(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 section 1.1.3.a above) and putting in place a specific organizational structure to effectively manage and oversee the network rollout process (seeking out sites, undertaking discussions with all types of lessors, carrying out administrative and regulatory procedures, performing installation works and ensuring compliance with the related safety rules, and monitoring the operation and maintenance of radio equipment at sites where it has been installed).

Despite the more restrictive regulatory framework now applicable in France for the installation of mobile masts (following the introduction of the "Abeille Act" and the "ALUR Act"), the first six months of 2017 constituted a record half-year period for the Group in terms of its mobile network rollout, with nearly 1,800 new sites deployed (including sites shared with other operators in non-densely populated areas). At June 30, 2017, the Group had almost 10,300 3G sites in service, giving it a direct 3G mobile coverage rate of nearly 91% of the French population.

The significant events of first-half 2017 in terms of the Group's mobile network rollout drive were as follows:

- **The opening of nearly 1,800 new 3G sites**, giving the Group a total of almost 10,300 3G sites at June 30, 2017.
- **Ongoing 4G deployment**, which has been a priority for the Group since it first launched its Mobile business. This priority was put into practice in the first half of 2017, with (i) new 1,800 MHz frequencies made available at over 2,200 additional sites and (ii) the deployment of 700 MHz frequencies at more than 500 extra sites. The continued deployment of these new 700 MHz and 1,800 MHz frequencies during the period have enabled the Group to significantly improve its coverage and the indoor quality of its network. Consequently, by June 30, 2017, the Group had a 4G coverage rate of 82% of the French population, with a total of 8,352 4G sites in service.
- **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 prioritize the use of fiber for connecting its sites. As a result, at June 30, 2017, over 80% of its sites in very densely populated areas were fiber-connected.

In view of the progress achieved in its mobile rollout process, the Group is standing by the objectives it has set itself, namely, (i) to have over 12,000 mobile sites (including sites shared with other operators in non-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:

- o 3G license: 90% of the French population covered by 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 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 2017, the Group strengthened its physical presence in France by:

- Opening two new stores, raising the total number of Free Centers to 57 at end-June 2017.
- 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, 2017, the Group had set up more than 1,500 such kiosks across France.

(f) Italy: Launch of Italy's fourth mobile network operator

In 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, which provided for Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – involves (i) the transfer of a set of 35 MHz frequencies for €450 million (with payment spread from 2017 through 2019), (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.

(i) A balanced portfolio of 35 MHz frequencies

In November 2016, the Italian authorities authorized the transfer of the various frequencies covered by the agreement. Consequently, the Group now has a balanced portfolio of 2 x 35 MHz (duplex) frequencies comprising:

- 2 x 5 MHz in the 900 MHz band.
- 2 x 10 MHz in the 1,800 MHz band.
- 2 x 10 MHz in the 2,100 MHz band.
- 2 x 10 MHz in the 2,600 MHz band.

At June 30, 2017 the Group made the first payment to Wind/Tre for these frequencies, which amounted to €50 million, and the remaining €400 million will be paid in 2018 and 2019.

The Group will also pay €220 million in the second half of 2017 for the refarming of 1,800 MHz frequencies that it will be able to use until 2029.

(ii) Rollout of a mobile network in Italy

Since late 2016 and the signature of the agreement with the Hutchison and VimpelCom groups, Iliad has begun to roll out its mobile network in Italy, which notably involves:

- Deploying the backbone and core network.
- Setting up a local structure for overseeing the network rollout.
- Putting in place roaming agreements with Wind/Tre.
- Leveraging synergies by closely consulting with the Group's French teams.

1.2 SIGNIFICANT EVENTS OF FIRST-HALF 2017

<i>In € millions</i>	Six months to June 30, 2017	Six months to June 30, 2016	% change
Consolidated revenues	2,464.0	2,296.9	+7.3%
- <i>Landline</i>	1,393.5	1,329.1	+4.8%
- <i>Mobile</i>	1,075.4	973.4	+10.5%
- <i>Intra-group sales</i>	(4.9)	(5.6)	+12.5%
Consolidated EBITDA	874.6	808.5	+8.2%
Profit from ordinary activities	430.1	360.2	+19.4%
Profit for the period	232.6	190.4	+22.1%
Leverage ratio	1.0x	0.9x	+10.1%

The most significant events of first-half 2017 were as follows:

Operational information

- **Landline business: the Group confirmed its position as France's leading alternative landline Broadband and Ultra-Fast Broadband operator, with some 6.5 million subscribers at June 30, 2017. The number of new subscribers during the period (net of cancellations) came to 83,000, representing a net add market share of 27%. The contraction in the Group's net adds compared with the first half of 2016 was due to fierce competition during the period, with numerous promotions launched by competitors, as well as the maturity of the market.**
- **Continued FTTH rollouts and connections.** The Group continued the FTTH rollout drive during the first six months of 2017, with (i) 900,000 new connectible sockets installed, bringing the total to 5.3 million at June 30, 2017, and (ii) some 110,000 additional subscribers connected to fiber during the period, i.e., as many as for the whole of 2016. This means that the Group's FTTH subscriber base increased by 35% in the space of six months and at June 30, 2017 it stood at almost 420,000.
- **Mobile business: the Group was France's leading recruiter of mobile subscribers for the 22nd quarter in a row, notching up 200,000 net adds in the second quarter of 2017.** Thanks to its strategy of continually enriching its offers for the same price, the Group has been France's net add market leader ever since it launched its Mobile business. At June 30, 2017, the Group had over 13 million mobile subscribers, giving it a market share of 18.5%².
- **A further improvement in the Mobile business's subscriber mix, with new subscribers signing up for the €19.99 per month offer (€15.99 per month for Freebox subscribers).** Following on from 2016, when a large proportion of the Group's net adds took up this offer, in the first half of 2017, all of its new subscribers signed up for it.

- **Ongoing success of 4G.** At June 30, 2017, the Group had 6.8 million 4G subscribers (more than half of its mobile subscriber base). This figure reflects the quality of the Group's 4G network, which, in the second quarter of 2017, obtained the best score for 4G connections in France in the nPerf mobile connections performance survey for the ninth consecutive quarter. In addition, average monthly data usage per 4G subscriber rose sharply once again, reaching 6.6 GB.
- **Italy's fourth mobile network operator: the Group made significant progress in preparing for the launch of its mobile offerings.** Since late 2016 and during the first half of 2017, the Group has (i) secured a backhaul network of some 10,000 kilometers of fibre and deployed its core network, (ii) set up roaming solutions, (iii) negotiated interconnection contracts, and (iv) recruited an Italy-based team to manage the new subsidiary's operations.

Financial information

- **Consolidated revenues up by more than 7% compared with first-half 2016.** In spite of a competitive environment, the Group reported robust growth in the first half of 2017, with revenues climbing by more than 7% year on year to just under €2.5 billion.
- **Another period of solid growth for the Mobile business, with revenues reaching nearly €1.1 billion.** Both overall revenues for the Mobile business and Mobile services revenues rose by more than 10% in the first half of 2017 despite slower growth for incoming revenues during the period. The robust growth reported for Mobile services revenues was due to a further significant improvement in the subscriber mix, with more subscribers choosing the €19.99 per month offer (€15.99 per month for Freebox subscribers).
- **Revenues for the Landline business up 4.8%** to €1.4 billion, mainly thanks to the TV by CANAL Panorama package for Freebox Revolution subscribers.
- **A record half year for the mobile network rollout, in line with 2016.** The Group pursued its rollout drive in the first six months of 2017 by (i) opening nearly 1,800 new 3G sites, (ii) equipping over 2,200 4G sites for 1,800 MHz frequencies, and (iii) opening more than 500 sites using 700 MHz frequencies. The Group's objective is to rapidly develop its mobile network with a view to extending and enhancing its quality, notably by broadening its 3G and 4G coverage. At end-June 2017, the Group's full coverage rate (i.e., both indoor and outdoor) was almost 91% of the French population for 3G and 82% for 4G.
- **A more-than 8% increase in consolidated EBITDA, thanks to a sharp increase in profitability for the Mobile business and despite a number of negative impacts on Landline EBITDA.** Consolidated EBITDA came to €875 million in first-half 2017, up 8.2% year on year. This rise was wholly attributable to the sharp increase in profitability for the Mobile business, thanks to a higher proportion of traffic carried directly on the Group's own network and an improved mobile subscriber mix. Conversely, EBITDA for the Landline business was negatively affected during the period by (i) regulatory decisions, notably a €0.35 rise in unbundling fees to €9.45 per month, (ii) higher payroll costs due to the acceleration of the FTTH network rollout, and (iii) the measures taken to enrich the Group's offerings, notably the TV by CANAL Panorama package.
- **Capital expenditure focused on the mobile and FTTH network rollouts, with significant financial flexibility maintained.** The Group invested €723 million in its landline and mobile infrastructure in France in the first six months of 2017, enabling it to become more autonomous and augment its profitability while at the same time enhancing its subscriber service. It also invested €58 million in Italy during the period (including €50 million for the frequencies purchased from Wind/Tre). Despite this outlay, the Group's financial structure remained strong, and with a leverage ratio of 1.0x EBITDA at

June 30, 2017, it was once again one of the European telecom operators with the least amount of debt.

1.3 COMPARISON OF RESULTS FOR FIRST-HALF 2017 AND FIRST-HALF 2016

<i>In € millions</i>	Six months to June 30, 2017	Six months to June 30, 2016	% change
Revenues	2,464.0	2,296.9	+7.3%
Purchases used in production	(1,157.4)	(1,134.9)	+2.0%
Gross profit	1,306.6	1,162.0	+12.4%
as a % of revenues	53.0%	50.6%	+2.4 pts
Payroll costs	(130.6)	(119.5)	+9.3%
External charges	(198.6)	(164.5)	+20.7%
Taxes other than on income	(65.5)	(49.1)	+33.4%
Additions to provisions	(29.1)	(21.5)	+35.3%
Other income and expenses from operations, net	(8.2)	1.0	-
EBITDA	874.6	808.5	+8.2%
as a % of revenues	35.5%	35.2%	+0.3 pt
Share-based payment expense	(0.3)	(1.2)	-73.4%
Depreciation, amortization and provisions for impairment of non-current assets	(444.2)	(447.2)	-0.7%
Profit from ordinary activities	430.1	360.2	+19.4%
Other operating income and expense, net	(0.6)	(3.0)	-79.3%
OPERATING PROFIT	429.5	357.2	+20.2%
Finance costs, net	(13.5)	(26.1)	-48.4%
Other financial income and expense, net	(33.2)	(22.3)	+49.3%
Corporate income tax	(150.9)	(118.6)	+27.3%
Share of profit of equity-accounted investees	0.6	0.2	+248.6%
PROFIT FOR THE PERIOD	232.6	190.4	+22.1%

1.3.1 Analysis of consolidated results

(a) Key indicators

<i>Subscriber numbers</i>	June 30, 2017	June 30, 2016	June 30, 2015
Total mobile subscribers	13,140,000	12,080,000	10,925,000
- <i>Of which 4G</i>	6,800,000	4,700,000	2,400,000
Total Broadband and Ultra-Fast Broadband subscribers	6,468,000	6,261,000	5,991,000
- <i>Of which FTTH</i>	419,000	250,000	-
Total number of subscribers	19,608,000	18,341,000	16,916,000

<i>Other indicators</i>	Six months to June 30, 2017	Six months to June 30, 2016	Six months to June 30, 2015
Broadband and Ultra-Fast Broadband ARPU (in €)	34.00	33.90	34.50
<i>Freebox Revolution ARPU* (in €)</i>	>38.00	>38.00	>38.00
Number of connectible FTTH sockets	5.3m	3.1m	-
Average 4G data usage (in GB per month per subscriber)	6.6 GB	3.9 GB	2.2 GB

* Excluding promotions

(b) Revenues

Consolidated revenues for the first six months of 2017 rose by more than 7% year on year, or almost €170 million, coming in at just under €2.5 billion. Despite persistently fierce competition, the Group recorded an almost 5% increase in Landline revenues (which totaled €1,393 million) and double-digit growth for Mobile revenues (up 10.5% to €1,075 million).

The table below shows the breakdown of revenues by category for first-half 2017 and first-half 2016 as well as the percentage change between the two periods.

<i>In € millions</i>	Six months to June 30, 2017	Six months to June 30, 2016	% change
Landline	1,393.5	1,329.1	+4.8%
Mobile	1,075.4	973.4	+10.5%
Intra-group sales	(4.9)	(5.6)	+12.5%
Total consolidated revenues	2,464.0	2,296.9	+7.3%

Landline revenues

Against a backdrop of persistently fierce competition, revenues for the Landline business rose 4.8% (compared with 3.4% in first-half 2016) and totaled €1,393 million in the first six months of 2017. The main factors that drove this performance were as follows:

- **83,000 new Broadband and Ultra-Fast Broadband subscribers**, representing a net add market share of 27%. Despite a competitive environment and numerous promotional offers by other operators (especially in the second quarter), the Group confirmed its position as France's leading alternative operator in first-half 2017. The number of new subscribers recruited during the period reflects (i) the positive impact of one-off promotions carried out, (ii) the measures taken to enrich the Group's offerings, with the introduction of the TV by CANAL Panorama package, (iii) the strong image and reputation of the Free brand and the quality of the Freebox, and (iv) best-in-class subscriber relations services. At June 30, 2017, the Group had a total of almost 6.5 million Broadband and Ultra-Fast Broadband subscribers.
- **An acceleration of FTTH connections.** In line with its objectives, the Group significantly stepped up the pace of its FTTH connections in the first half of 2017, with around 110,000 new fiber subscribers added during the period, bringing the total to almost 420,000. In parallel, the Group continued its FTTH rollout drive, with 900,000 new connectible sockets installed during the first six months of 2017.
- **Broadband and Ultra-Fast Broadband ARPU up €0.10 year on year to €34.00**, driven by the inclusion of the TV by CANAL Panorama package in the Freebox Revolution offer. ARPU for the Freebox Revolution offer once again exceeded €38⁶.

Mobile revenues

First-half 2017 was another period of robust growth for the Mobile business, with revenues advancing more than 10% year on year to €1,075 million. The number of net adds during the period was 440,000, reflecting the success of Free's commercial offerings. The main factors that drove the Mobile business's performance in the first half of 2017 were as follows:

- **A higher subscriber recruitment level than in first-half 2016**, with 440,000 new subscribers added thanks to both the Group's strategy of continually enriching its offers and one-off promotional offers carried out during the period. In line with the commitment it made in 2012, Free continues to offer a greater number of services at no extra cost to subscribers. For example, it was the first operator in France to include roaming communications all year round in 35 countries (even before the E.U. regulation came into force) as well as 25 GB of mobile data per month for use in those countries. These services have been added to the Free Mobile Plan, which is still offered at the same price of €19.99 per month (or €15.99 per month for Freebox subscribers). This helped Free to notch up the highest number of net adds in France for the 22nd quarter in a row in the second quarter of 2017. At June 30, 2017, the Group had 13.1 million mobile subscribers, representing a market share of 18.5%⁷.
- **Continued commercial success for 4G, with a 4G subscriber base of 6.8 million** and average monthly data usage per 4G subscriber up sharply to 6.6 GB. This performance reflects the quality of the 4G experience offered by the Group's network, which, in the second quarter of 2017, obtained the best score for 4G connections in France in the nPerf mobile connections performance survey for the 9th consecutive quarter.

⁶ Excluding promotions.

⁷ Metropolitan France excluding M2M.

- **A further improvement in the subscriber mix, with all net adds signing up to the Free Mobile Plan which includes unlimited calls, texts and MMS and unlimited 4G Internet** (100 GB of 4G Internet for non-Freebox subscribers).
- **A more-than 10% rise in Mobile services revenues**, despite slower growth for incoming revenues during the period, notably due to a decrease in the use of text messages as mobile data usage rises.

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 €1,307 million, consolidated gross profit was almost €150 million higher than in first-half 2016, representing a year-on-year increase of over 12%.

As a percentage of revenues, gross profit climbed 2.4 percentage points to 53.0%, driven by the sharp increase in profitability for the Mobile business which was achieved thanks to the improvement in the subscriber mix and an increase in traffic volumes carried directly on the Group's own network. Conversely, profitability for the Landline business contracted during the period, due to higher unbundling fees and the six-month impact of the TV by CANAL Panorama package.

(d) Payroll costs

The Group created over 300 direct jobs in France in first-half 2017 (permanent contracts), raising its total headcount in France to 7,455 at June 30, 2017.

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 more than €130 million during the period, representing 5.3% of revenues (stable compared with first-half 2016).

(e) External charges

The Group's external charges increased by €34 million to €199 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, as well as the development of the FTTH network and the Group's hosting operations which has resulted in additional energy and maintenance costs.

(f) Taxes other than on income

Taxes other than on income rose by €16 million to €65 million, primarily due to mobile rollouts (IFER tax) and the growth in consolidated revenues (COPE tax, UMTS tax and COSIP tax).

(g) Additions to provisions

Additions to provisions – which include provisions for bad debts, impairment of inventories and contingencies and charges – totaled €29 million in first-half 2017, up €7.5 million on the first six months of 2016. This increase was mainly attributable to higher additions to provisions for bad debts and an adjustment to the levels of provisions for impairment of inventories of mobile phones.

(h) Other income and expenses from operations, net

This item represented net income of €8 million in first-half 2017 compared with a net expense of €1 million in first-half 2016.

(i) EBITDA

Consolidated EBITDA advanced by 8.2% year on year to €875 million in first-half 2017 and the EBITDA margin widened by 0.3 of a point to 35.5%.

The main factors (both positive and negative) affecting EBITDA in the first half of 2017 were as follows:

- **Further 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 and administrative costs, etc.) and to capitalize on its status as an integrated operator (landline/mobile), despite the extension of roaming services to additional countries and the end of roaming charges in Europe since June 2017.
- **Better mobile network coverage.** Thanks to the Group's extension of its mobile network coverage in the first half of 2017, it was able to increase the volume of traffic carried directly on its own network.
- **A further improvement in the Mobile business's subscriber mix, with new subscribers signing up for the €19.99 per month offer (€15.99 per month for Freebox subscribers).** Following on from 2016, when a large proportion of the Group's net adds took up this offer, in the first half of 2017, all of its new subscribers signed up for it.
- **A decrease in profitability for the Landline business,** due to the dilutive impact of (i) the €0.35 rise in unbundling fees per month and per subscriber during first-half 2017 (from €9.10 to €9.45), (ii) the new TV by CANAL Panorama package, and (iii) the increase in certain taxes (the COPE tax and IFER tax).
- **A slight negative impact on consolidated EBITDA caused by the losses incurred in first-half 2017 on the start-up of operations in Italy,** corresponding to initial project launch costs.

(j) Profit from ordinary activities

Profit from ordinary activities totaled €430 million, up by nearly 20% on the first-half 2016 figure, partly due to the above-described rise in EBITDA.

Depreciation/amortization expense was stable year on year, coming in at €444 million in the first half of 2017.

(k) Profit for the period

Profit for the period advanced 22% to €233 million from €190 million in the first half of 2016.

1.3.2 Cash flows and capital expenditure

<i>In € millions</i>	Six months to June 30, 2017	Six months to June 30, 2016	% change
Consolidated cash flows from operations	864.5	792.5	+9.1%
Change in working capital requirement	(46.9)	23.9	-
Operating Free Cash Flow	817.6	816.4	+0.1%
Capital expenditure – France	(722.6)	(858.9)	-15.9%
Income tax paid	(103.1)	(115.2)	-10.5%
Other ⁸	(16.1)	(32.9)	-50.8%
Consolidated Free Cash Flow (excluding payments for 700 MHz frequencies, capex in Italy, financing activities and dividends)	(24.2)	46.1	-
Capital expenditure – Italy (including frequency purchases)	(57.8)	-	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	(82.0)	(190.6)	+56.7%
Dividends	(25.9)	(24.1)	+7.5%
Cash and cash equivalents at period-end	84.4	318.4	-73.5%

Consolidated Free Cash Flow

The Group kept up the brisk pace of its landline and mobile network rollouts during the first half of 2017, which pushed up its capital expenditure in France (excluding purchases of frequencies) by 16%, or more than €100 million, to €723 million.

The year-on-year change in consolidated Free Cash Flow mainly reflects the following:

- A more-than 9% increase in consolidated cash flows from operations to €865 million.
- A €47 million negative change in working capital requirement.
- Capital expenditure incurred in France in line with objectives, representing €723 million and mainly reflecting the continued brisk pace of mobile and FTTH network rollouts as well as site migrations.

⁸ Including interest paid.

- Ongoing rapid deployment of 4G frequencies, with over 2,200 sites newly equipped to use 1,800 MHz and more than 500 new sites equipped for 700 MHz. This intensive deployment has enabled the Group to increase its 4G coverage rate by six percentage points to 82% of the French population.
- €58 million in capital expenditure in Italy, including the first payment made to Wind/Tre for licenses, which amounted to €50 million.
- €103 million in income tax paid.

Net change in cash and cash equivalents

The Group ended the first half of 2017 with €84 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.).

At June 30, 2017, the Group had gross debt of €1,923 million and net debt of €1,769 million. It maintained its solid financial structure during the period and its leverage ratio was 1.0x at June 30, 2017. At the same time, it also had a very strong liquidity position.

The Group's gross debt primarily comprised the following at June 30, 2017:

(a) Borrowings due within one year

- A €1 billion 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 €800 million to €1 billion. At June 30, 2017, €405 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. At June 30, 2017, the outstanding amount due 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 repayable in installments with a final maturity in May 2022. At June 30, 2017, the outstanding amount due under this loan was €167 million.

- 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. This loan is repayable in installments with a final maturity in 2030. At June 30, 2017, 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 June 30, 2017.

- 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, 2017.

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, 2017.

(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, 2017, the Group's total obligations under finance leases amounted to €55 million.

1.3.4 Ownership structure at June 30, 2017

At June 30, 2017, Iliad's share capital was made up of 58,995,474 ordinary shares, held by the following shareholders:

- Executive Management: 32,797,928 shares, representing 55.6% of the share capital.
- Public: 26,197,546 shares, representing 44.4% of the share capital.

At June 30, 2017, there were four Iliad stock option plans in place with a total of 435,075 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:
 - Have a mobile network of more than 12,000 sites by end-2017.
 - Finalize the migration of 4G sites to 1,800 MHz in 2018.
 - Reach a 4G coverage rate of around 85% of the French population by end-2017.
 - Achieve a 25% share of the mobile market in the long term.

- Group:
 - Achieve consolidated EBITDA margin in France of over 40% by 2020.
 - Have capital expenditure in France (excluding purchases of frequencies) of 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 related to the roaming agreement.*
 - *An improved mobile subscriber mix.*
 - *A national mobile network in 2020.*

1.4.2 Events after the reporting date

No significant events occurred after the reporting 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 a Free or Alice Broadband or Ultra-Fast Broadband offering, 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.