ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2018

CONTENTS

INTERIM CONSOLIDATED INCOME STATEMENT

In € millions	Six months to June 30, 2018	Six months to June 30, 2017
Revenues	**2,404**	**2,401**
Purchases used in production	(1,031)	(1,094)
Payroll costs	(142)	(131)
External charges	(261)	(199)
Taxes other than on income	(62)	(65)
Additions to provisions	(30)	(29)
Other income and expenses from operations, net	(11)	(8)
EBITDA(1)	**866**	**875**
Share-based payment expense	(6)	(1)
Depreciation, amortization and provisions for impairment of non-current assets	(454)	(444)
Profit from ordinary activities	**406**	**430**
Other operating income and expense, net	1	(1)
Operating profit	**407**	**429**
Income from cash and cash equivalents	1	0
Finance costs, gross	(18)	(13)
Finance costs, net	**(17)**	**(13)**
Other financial income and expense, net	(21)	(33)
Corporate income tax	(140)	(151)
Share of profit/(loss) of equity-accounted investees	(23)	1
Profit for the period	**206**	**233**
Profit for the period from recurring operations(1)	**232**	**233**
Profit for the period attributable to:		
▪ *Owners of the Company*	***201***	***227***
▪ *Minority interests*	***5***	***6***
Earnings per share attributable to owners of the Company (in €):		
▪ *Basic earnings per share*	***3.41***	***3.86***
▪ *Diluted earnings per share*	***3.34***	***3.78***

(1) See definition on page 9.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	Six months to June 30, 2018	Six months to June 30, 2017
PROFIT FOR THE PERIOD	**206**	**233**
➢ Items that may be subsequently reclassified to profit:		
▪ Fair value remeasurement of interest rate and currency hedging instruments	10	(2)
Tax effect	(3)	1
	7	**(1)**
➢ Items that will not be reclassified to profit:		
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	0	0
Tax effect	0	0
	0	**0**
Total comprehensive income for the period	**213**	**232**
Total comprehensive income for the period attributable to:		
▪ Owners of the Company	**208**	**226**
▪ Minority interests	**5**	**6**

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

In € millions	Note	At June 30, 2018	At Dec. 31, 2017
Goodwill	5	215	215
Intangible assets	5	2,643	2,705
Property, plant and equipment	5	4,868	4,417
Investments in equity-accounted investees		292	16
Other long-term financial assets		45	37
Deferred income tax assets		28	21
Other non-current assets		12	13
TOTAL NON-CURRENT ASSETS		**8,103**	**7,424**
Inventories		19	31
Current income tax assets		7	0
Trade and other receivables		991	725
Other short-term financial assets		6	0
Cash and cash equivalents	4	897	216
TOTAL CURRENT ASSETS		**1,920**	**972**
ASSETS HELD FOR SALE		**18**	**20**
TOTAL ASSETS		**10,041**	**8,416**

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € millions	Note	At June 30, 2018	At Dec. 31, 2017
Share capital	8	13	13
Additional paid-in capital		436	433
Retained earnings and other reserves		2,996	2,928
TOTAL EQUITY		**3,445**	**3,374**
Attributable to:			
. Owners of the Company		***3,432***	***3,364***
. Minority interests		***13***	***10***
Long-term provisions	10	0	0
Long-term financial liabilities	9	3,372	2,168
Deferred income tax liabilities		0	0
Other non-current liabilities		624	714
TOTAL NON-CURRENT LIABILITIES		**3,996**	**2,882**
Short-term provisions	10	49	44
Taxes payable		0	8
Trade and other payables		1,769	1,611
Short-term financial liabilities	9	782	497
TOTAL CURRENT LIABILITIES		**2,600**	**2,160**
TOTAL EQUITY AND LIABILITIES		**10,041**	**8,416**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
Balance at January 1, 2017	13	418	(18)	54	2,530	**2,997**	4	**3,001**
Movements in first-half 2017								
▪ Profit for the period					227	**227**	**6**	233
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				(1)		**(1)**		(1)
✓ Impact of post-employment benefit obligations								
Total comprehensive income for the period				***(1)***	***227***	***226***	***6***	***232***
▪ Change in share capital of Iliad SA		12				**12**		12
▪ Dividends paid by Iliad SA					(26)	**(26)**		(26)
▪ Dividends paid by subsidiaries								
▪ Purchases/sales of own shares			(1)	1		**0**		0
▪ Impact of stock options								
▪ Impact of changes in minority interests in subsidiaries				(21)		**(21)**		(21)
▪ Other movements				1		**1**		1
Balance at June 30, 2017	13	430	(19)	34	2,731	**3,189**	10	**3,199**
Balance at January 1, 2018	13	433	(21)	37	2,902	**3,364**	10	**3,374**
Movements in first-half 2018								
▪ Profit for the period					201	**201**	**5**	206
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				7		**7**		7
✓ Impact of post-employment benefit obligations								
Total comprehensive income for the period				***7***	***201***	***208***	***5***	***213***
▪ Change in share capital of Iliad SA		3	(16)			**(13)**		(13)
▪ Dividends paid by Iliad SA					(40)	**(40)**		(40)
▪ Dividends paid by subsidiaries								
▪ Purchases/sales of own shares			(18)	(2)		**(20)**		(20)
▪ Impact of stock options				6		**6**		6
▪ Impact of changes in minority interests in subsidiaries				(73)		**(73)**	(2)	(75)
▪ Other movements								
Balance at June 30, 2018	13	436	(55)	(25)	3,063	**3,432**	13	**3,445**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions	Note	Six months to June 30, 2018	Six months to June 30, 2017
Profit for the period (including minority interests)		**206**	**233**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges	4	459	443
-/+ Unrealized gains and losses on changes in fair value		1	3
+/- Expenses and income related to stock options and other share-based payments		6	0
-/+ Other income and expenses, net		(1)	18
-/+ Gains and losses on disposals of assets		1	(5)
-/+ Dilution gains and losses		0	0
+/- Share of profit of equity-accounted investees		23	(1)
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		**695**	**691**
+ Finance costs, net		17	13
+/- Income tax expense (including deferred taxes)		140	151
Cash flows from operations before finance costs, net, and income tax (A)		**852**	**855**
- Income tax paid (B)		(154)	(103)
+/- Change in operating working capital requirement (including employee benefit obligations) (C)		(81)	(47)
= Net cash generated from operating activities (E) = (A) + (B) + (C)		**617**	**705**
- Acquisitions of property, plant and equipment and intangible assets	4	(948)	(785)
+ Disposals of property, plant and equipment and intangible assets		0	11
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustments		(392)	(21)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		10	(1)
+ Cash inflows from assets held for sale		2	3
- Cash outflows for assets held for sale		0	0
= Net cash used in investing activities (F)		**(1,328)**	**(793)**
+ Proceeds from capital increases:			
. Paid by owners of the Company			
. Paid by minority shareholders of consolidated companies			
+ Proceeds received on exercise of stock options		4	15
-/+ Own-share transactions		(35)	0
- Dividends paid during the period:			
. Dividends paid to owners of the Company		(40)	(26)
. Dividends paid to minority shareholders of consolidated companies		0	0
+ Proceeds from new borrowings	9	1,486	5
- Repayment of borrowings (including finance leases)	9	(47)	(48)
- Net interest paid (including on finance leases)		(1)	(9)
= Net cash generated from/(used in) financing activities (G)		**1,367**	**(63)**
+/- Effect of exchange-rate movements on cash and cash equivalents (H)		0	0
= Net change in cash and cash equivalents (E + F + G + H)		**656**	**(151)**
Cash and cash equivalents at beginning of period		**215**	**236**
Cash and cash equivalents at end of period	4	**871**	**84**

NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2018

1.1. BUSINESS OVERVIEW

The Group launched its mobile telephony offering in Italy on May 29, 2018 and at June 30, 2018 it had 635,000 mobile subscribers in that country. The Italian mobile business generated €9.1 million in revenues in just one month of operations.

1.2. SCOPE OF CONSOLIDATION AT JUNE 30, 2018

On December 20, 2017, the Group announced its acquisition of a 31.6% minority interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company). The existing shareholders of eir – Anchorage Capital Group, L.L.C. and Davidson Kempner Capital Management LP – have retained an interest in the company through a 35.5% equity stake and a non-recourse loan instrument.

The acquisition was completed on April 6, 2018 for c. €316 million.

Iliad's minority stake in eir forms the basis of a strategic partnership with a leading telecom operator, with a possibility of ultimately taking over control of the company thanks to a call option granted by NJJ.

This call option is exercisable in 2024 and would enable Iliad to acquire 80% of NJJ's stake in eir (i.e. 26.3% of eir's capital) at a 12.5% discount to fair market value, as determined by an independent valuer, and with a floor calculated based on an annual yield of 2%.

Iliad's minority investment in eir is accounted for by the equity method in the consolidated financial statements.

NOTE 2: ACCOUNTING PRINCIPLES AND POLICIES (IFRS)

2.1. GENERAL INFORMATION

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

The Iliad Group is a leading telecommunications operator in France and Italy, with more than 20 million subscribers.

The condensed interim consolidated financial statements for the six months ended June 30, 2018 were approved by the Board of Directors on September 3, 2018.

2.2. BASIS OF PREPARATION

These condensed interim consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting, and IAS 1, Presentation of Financial Statements.

As permitted under IAS 34, the condensed interim consolidated financial statements do not incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements include the impacts of the first-time application of new standards which were not applied in the consolidated financial statements for the year ended December 31, 2017, notably IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. These impacts are described in Note 2.4 below.

2.3. ACCOUNTING POLICIES

Except as described below, the interim consolidated financial information has been prepared in accordance with the same accounting policies as those applied to prepare the annual financial statements for the year ended December 31, 2017, as set out therein:

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

- Post-employment benefit obligations for the period have been estimated based on actuarial calculations performed for full-year 2017.

The Group has elected to present two additional indicators of earnings performance in its income statement:

- EBITDA

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

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

- Profit for the period from recurring operations

This item corresponds to profit for the period excluding the impact of non-recurring items, such as restructuring and acquisition costs related to the eir transaction and non-recurring income tax charges.

2.4. NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a) Standards, amendments and interpretations whose application is mandatory for the first time in 2018:

- **Annual improvements to IFRSs (2014-2016 cycle),** which comprise amendments to three standards, as follows:

  - ✓ IFRS 1, First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters.
  - ✓ IFRS 12, Disclosures of Interests in Other Entities: Clarification of the scope of the standard in relation to disclosure requirements.
  - ✓ IAS 28, Investments in Associates and Joint Ventures: Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis.

- **Amendments to IAS 40, Investment Property – Transfers of Investment Property, applicable as from January 1, 2018.** These narrow-scope amendments are intended to clarify the application of paragraphs 57 and 58 of IAS 40. The amended standard states that an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.

- **Amendments to IFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions, applicable as from January 1, 2018.** These amendments provide requirements on the accounting for:
  - ✓ the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - ✓ share-based payment transactions with net settlement features for withholding tax obligations; and
  - ✓ a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **Amendments to IFRS 9, Prepayment Features with Negative Compensation.** These amendments address the issue of how to account for the frequent case of debt instruments that have prepayment features with negative compensation (i.e., the borrower is permitted to prepay the instrument at an amount that could be less than the unpaid principal and interest). Their application is mandatory from January 1, 2019 but early adoption is permitted.
- **IFRIC 22, Foreign Currency Transactions and Advance Consideration.** The objective of IFRIC 22 is to clarify how the date of the transaction should be assessed for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration in a foreign currency.

The Group has applied the above amendments and interpretation in its interim consolidated financial statements at June 30, 2018.

b) New standards, amendments and interpretations that were not applicable at June 30, 2018 (as not yet endorsed by the European Union):

- **Annual Improvements to IFRSs (2015-2017 cycle)**, which comprise amendments to four standards as follows:
  - ✓ IAS 12, Income Taxes: Clarification of the recognition of the income tax consequences of dividends.
  - ✓ IAS 23, Borrowing Costs: Clarification of how an entity should determine the amount of borrowing costs eligible for capitalization when it borrows funds generally and uses them to obtain a qualifying asset.
  - ✓ IFRS 11, Joint Arrangements: Clarification that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.
  - ✓ IFRS 3, Business Combinations: Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

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

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

- **Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures.** These amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees but to which the equity method is not applied. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the associate or joint venture or assessment of impairment in accordance with IAS 28).

- **IFRS 17, Insurance Contracts.** IFRS 17 replaces IFRS 4, which was issued as an interim standard in 2004. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for based on present values instead of historical cost and the information will be updated regularly.

- **IFRIC 23, Uncertainty over Income Tax Treatments.** IFRIC 23 clarifies how to apply the recognition and measurement provisions in IAS 12, Income Taxes, where there is uncertainty over income tax treatments. The interpretation states that entities should use judgment to decide whether each uncertain tax treatment should be considered independently or whether some tax treatments should be considered together, when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

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

c) First-time application of IFRS 15, Revenue from Contracts with Customers:

The Group has applied IFRS 15 retrospectively as from January 1, 2018 and has restated the reported comparative data for 2017. Comparative income statement data is only presented for the first half of 2017 and full-year 2017.

The Group's application of IFRS 15 to its contracts in progress at January 1, 2017 (the first comparative period presented) had no impact on its consolidated reserves at that date.

The overall impact of applying this standard for the first time was not material in view of (i) the structure of the Group's commercial offerings, i.e., no-commitment service offerings at prices that do not change over the subscription period (no "subsidized" offerings) and (ii) the revenue recognition methods it used prior to IFRS 15.

In addition, most subscribers sign up online or through the Group's directly-owned physical stores (i.e., it has no third-party distribution). This unique positioning in the telecommunications sector means that IFRS 15 had very little impact on the Group's consolidated financial statements for the first half of 2018.

The balance sheet impacts of the first-time application of IFRS 15 were negligible and only related to presentation.

For the income statement, the impacts only correspond to reclassifications of certain purchases used in production as deductions from revenues (mainly for revenues from special numbers and mobile applications), following the analysis of supplier contracts carried out in order to determine whether the Group is the principal or an agent as required under IFRS 15.

The income-statement impacts of applying IFRS 15 are as follows:

	Twelve months to Dec. 31, 2017			**Six months to June 30, 2017**		
In € millions	**Reported data**	**Impacts of applying IFRS 15**	**Data restated for IFRS 15**	**Reported data**	**Impacts of applying IFRS 15**	**Data restated for IFRS 15**
Revenues	4,987	(127)	4,860	2,464	(63)	2,401
Purchases used in production	(2,357)	127	(2,230)	(1,157)	63	(1,094)
Profit for the period	405	0	405	233	0	233

The impacts on the statement of cash flows – which solely correspond to reclassifications of expenses – are as follows:

	Twelve months to Dec. 31, 2017			**Six months to June 30, 2017**		
In € millions	**Reported data**	**Impacts of applying IFRS 15**	**Data restated for IFRS 15**	**Reported data**	**Impacts of applying IFRS 15**	**Data restated for IFRS 15**
Cash flows from operations	1,758	(21)	1,737	865	(10)	855
Net cash generated from operating activities	1,349	(21)	1,328	715	(10)	705
Net cash used in investing activities	(2,091)	21	(2,070)	(802)	10	(792)

d) First-time application of IFRS 9, Financial Instruments:

The Group has applied IFRS 9 since January 1, 2018.

The impacts of this first-time application were not material as the model used by the Group for recognizing impairment losses on trade receivables was already based on expected losses.

NOTE 3: SEGMENT INFORMATION

Following the launch of its mobile business in Italy, the Group now has two operating segments:

- France
- Italy

Revenues

In € millions	France	Italy	Total
Revenues			
Landline	1,334	0	**1,334**
Mobile	1,066	9	**1,075**
Intra-group sales	(5)	0	**(5)**
Total	2,395	9	**2,404**

Earnings

In € millions	France	Italy	Total
Earnings			
EBITDA	894	(28)	**866**
Share-based payment expense	(6)	0	**(6)**
Depreciation, amortization and provisions for impairment of non-current assets	(452)	(2)	**(454)**
Profit from ordinary activities	437	(31)	**406**
Profit for the period	232	(26)	**206**
Profit for the period from recurring operations	258	(26)	**232**

Assets, excluding investments in equity-accounted investees and related options

In € millions	France	Italy	Total
Non-current assets			
Intangible assets (carrying amount)	1,687	956	2,643
Property, plant and equipment (carrying amount)	4,788	80	4,868
Current assets (excluding cash and cash equivalents, financial assets and tax assets)	951	59	1,010
Cash and cash equivalents	896	1	897

Liabilities, excluding financial liabilities and taxes payable

In € millions	France	Italy	Total
Non-current liabilities			
Other non-current liabilities	225	399	624
Current liabilities			
Trade and other payables	1,554	215	1,769

NOTE 4: ANALYSIS OF THE STATEMENT OF CASH FLOWS

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

In € millions	Note	Six months to June 30, 2018	Six months to June 30, 2017
Depreciation and amortization:			
▪ Amortization of intangible assets	5.2	103	117
▪ Depreciation of property, plant and equipment	5.3	351	328
Additions to provisions against non-current assets		0	0
Additions to provisions for contingencies and charges	8	6	0
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	8	(1)	(1)
▪ Surplus provisions	8	(0)	(1)
Other		0	0
Recognized in the statement of cash flows		**459**	**443**

Acquisitions of property, plant and equipment and intangible assets can be analyzed as follows:

In € millions	Note	Six months to June 30, 2018	Six months to June 30, 2017
▪ Acquisitions of intangible assets	5.2	42	7
▪ Acquisitions of property, plant and equipment (excl. new finance leases)	5.3	784	615
▪ Suppliers of non-current assets (excl. VAT):			
. at January 1		1,487	2,455
. impact of remeasuring and discounting payables		17	10
. at period-end		(1,382)	(2,302)
▪ Other		0	0
Recognized in the statement of cash flows		**948**	**785**

Cash and cash equivalents break down as follows:

In € millions	Note	At June 30, 2018	At June 30, 2017
▪ Cash		33	31
▪ Marketable securities		864	122
▪ Short-term borrowings		(26)	(69)
Recognized in the statement of cash flows		**871**	**84**

NOTE 5: CAPITAL EXPENDITURE

5.1. GOODWILL

In € millions	Six months to June 30, 2018
Carrying amount at January 1, 2018	**215**
Carrying amount at June 30, 2018	**215**

In € millions	Twelve months to Dec. 31, 2017
Carrying amount at January 1, 2017	**215**
Carrying amount at December 31, 2017	**215**

5.2. OTHER INTANGIBLE ASSETS

In € millions	Six months to June 30, 2018
Carrying amount at January 1, 2018	**2,707**
Additions:	
. acquisitions	39
. internally-generated intangible assets	3
Reclassifications	(2)
Other	(1)
Amortization	(103)
Carrying amount at June 30, 2018	**2,643**

In € millions	Twelve months to Dec. 31, 2017
Carrying amount at January 1, 2017	**3,242**
Additions:	
. acquisitions	216
. asset remeasurements	(520)
. internally-generated intangible assets	4
Reclassifications	0
Other	(1)
Amortization	(234)
Carrying amount at December 31, 2017	**2,707**

5.3. PROPERTY, PLANT AND EQUIPMENT

In € millions	Six months to June 30, 2018
Carrying amount at January 1, 2018	**4,417**
Acquisitions(1)	792
Disposals	0
Reclassifications	3
Other	7
Depreciation	(351)
Carrying amount at June 30, 2018	**4,868**

(1) O/w acquisitions excluding under finance leases: €784 million.

In € millions	Twelve months to Dec. 31, 2017
Carrying amount at January 1, 2017	**3,761**
Acquisitions(1)	1,337
Disposals	(7)
Reclassifications	0
Other	3
Depreciation	(677)
Carrying amount at December 31, 2017	**4,417**

(1) O/w acquisitions excluding under finance leases: €1,317 million.

During the first half of 2018, the Group stepped up its capital spending drive, notably in connection with rolling out its mobile networks (in France and Italy) and its optical fiber networks.

5.4. IMPAIRMENT OF ASSETS

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

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

NOTE 6: EQUITY-ACCOUNTED INVESTEES

The Group has investments in two main equity-accounted investees:

- Telecom Reunion Mayotte (TRM) – 50% interest, acquired on November 6, 2015 for €24 million.
- NJJ Boru – 49% interest, acquired on April 6, 2018 for c. €316 million as part of the eir transaction. At the same date, NJJ Boru acquired a 64.5% interest in eir.

On December 20, 2017 the Group announced its acquisition, for c. €316 million, of a 31.6% indirect interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company), which agreed to purchase a 32.9% indirect interest in eir.

This investment by Iliad and NJJ (via its subsidiary NJJ Tara) was carried out through a joint vehicle – NJJ Bora – which is 49% owned by the Group and 51% by NJJ Tara.

The €316 million acquisition price breaks down as (i) €300 million corresponding to the value of the Group's investment in eir, recognized by the equity method and (ii) €16 million representing the value of the call option granted to Iliad by NJJ Tara (see Note 7).

NJJ is in the process of allocating the purchase price of eir to the assets acquired and liabilities assumed.

In € millions	**Six months to June 30, 2018**	**Six months to June 30, 2017**
Share of profit/(loss) of equity-accounted investees	(23)	1
Share of profit/(loss) of equity-accounted investees	**(23)**	**1**

The Group's share of profit of equity-accounted investees for the six months ended June 30, 2018 was adversely affected by €26 million in non-recurring items (notably acquisition costs for the eir transaction and the impact of the restructuring plan implemented by eir after the transaction).

Movements in the Group’s investments in equity-accounted investees were as follows in first-half 2018 and full-year 2017:

In € millions	Six months to June 30, 2018	Twelve months to Dec. 31, 2017
At January 1	16	15
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
Investments in equity-accounted investees at January 1	**16**	**15**
Movements		
Share of profit/(loss) of equity-accounted investees	(23)	1
Dividends paid	0	0
Translation adjustments	0	0
Transfers, capital increases and other movements	0	0
Capital reductions	0	0
Acquisitions and change in scope of consolidation		
Other	0	0
	299	0
	0	0
Investments in equity-accounted investees at period-end	**292**	**16**

The main change in scope of consolidation concerns NJJ Boru’s acquisition of eir.

NOTE 7: OTHER FINANCIAL ASSETS

In € millions	Six months to June 30, 2018
Carrying amount at January 1, 2018	**37**
Acquisitions	3
Redemptions and repayments	0
Impact of changes in scope of consolidation	16
Disposals	(11)
Additions to provisions	0
Carrying amount at June 30, 2018	**45**

NJJ Tara has granted the Group a call option exercisable in 2024 and 2025 which covers 80% of NJJ Tara's interest in NJJ Boru (i.e., 41% of NJJ Boru and, indirectly, 26.3% of eir's capital). The option will be exercisable at a price representing a 12.5% discount to fair market value, as determined by an independent valuer, but with a floor calculated based on an annual yield of 2%.

It has been recognized as a non-current financial asset in an amount of €16 million in the Group's consolidated financial statements at June 30, 2018 (see Note 6).

In € millions	Twelve months to Dec. 31, 2017
Carrying amount at January 1, 2017	**19**
Acquisitions	19
Redemptions and repayments	0
Impact of changes in scope of consolidation	0
Disposals	(2)
Additions to provisions	1
Carrying amount at December 31, 2017	**37**

NOTE 8: SHARE CAPITAL AND DIVIDENDS

8.1. Share capital

All of the stock options granted by the Group are exercisable.

In first-half 2018, 52,245 stock options were exercised for the same number of shares, increasing the Company's share capital by €11 thousand. Following a subsequent €19 thousand capital reduction due to the cancellation of treasury shares, at June 30, 2018 the Company's share capital amounted to €13,074 thousand versus €13,082 thousand at December 31, 2017.

At June 30, 2018, 345,643 exercisable stock options were still outstanding.

8.2. Dividends

At the Annual General Meeting held on May 16, 2018, the Company's shareholders resolved to pay a dividend of €0.68 per share, representing a total payout of €39,956 thousand.

The dividend was paid on June 20, 2018.

NOTE 9: BORROWINGS

Borrowings can be broken down as follows:

In € millions	At June 30, 2018	At Dec. 31, 2017
Long-term borrowings	3,372	2,168
Short-term borrowings	782	497
Total	**4,154**	**2,665**

Movements in borrowings can be analyzed as follows:

In € millions	Six months to June 30, 2018
Borrowings at January 1, 2018	**2,665**
New borrowings(1)	1,494
Repayments of borrowings	(47)
Change in bank overdrafts	25
Impact of cash flow hedges	0
Other	17
Total borrowings at June 30, 2018	**4,154**

(1) New borrowings excluding finance lease liabilities: €1,486 million.

In € millions	Twelve months to Dec. 31, 2017
Borrowings at January 1, 2017	**1,881**
New borrowings(1)	867
Repayments of borrowings	(88)
Change in bank overdrafts	(1)
Impact of cash flow hedges	0
Other	6
Total borrowings at December 31, 2017	**2,665**

(1) New borrowings excluding finance lease liabilities: €847 million.

1. Borrowings originally due within one year

A €1 billion short-term commercial paper program

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

As part of the annual renewal process for this program, the Group further increased its amount from €800 million to €1 billion in early 2017.

At June 30, 2018, €660 million of the program had been used.

2. Borrowings originally due beyond one year

Bonds

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

On October 5, 2017, the Group issued a further €650 million worth of bonds paying interest at 1.5% per year. These bonds will be redeemed at face value at maturity on October 14, 2024.

On April 18, 2018 the Group issued a further €1,150 million worth of bonds in two tranches:

- A first tranche of €500 million, paying interest at 0.625% per year and redeemable at face value at maturity on November 25, 2021.

- A second tranche of €650 million, paying interest at 1.875% per year and redeemable at face value at maturity on April 25, 2025.

A €1,650 million syndicated credit facility

At December 31, 2017, the Group had a €1,400 million syndicated credit facility set up with a pool of 12 international banks for which the second extension option was exercised in 2017 to extend its maturity to 2022. This facility was renegotiated on July 16, 2018, with its amount increased to €1,650 million and its maturity further extended to 2025. None of the facility had been drawn down at June 30, 2018.

The applicable interest rate is based on Euribor plus a margin depending on the Group's leverage ratio. The margin was between 0.35% and 1.10% in 2017 and was reduced to between 0.25% and 0.95% when the facility was renegotiated in July 2018.

A €500 million term loan

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 signed a new syndicated loan agreement with a pool of 11 international banks for an aggregate €500 million. This term-loan – which originally had a five-year maturity expiring in 2021 – was renegotiated on July 16, 2018 and now matures in 2023. It has been fully drawn down since end-May 2016.

Loans 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. The loan has a ten-year term and is repayable in installments.

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

- Both of these loans had been fully drawn down at June 30, 2018. The first, second, third and fourth repayment installments of €25 million, €42 million, €58 million and €33 million were made during 2015, 2016, 2017 and first-half 2018 respectively.

- On December 8, 2016, the EIB granted Iliad another €200 million loan to help finance its rollout of optical fiber networks. This loan – which matures in 2030 and is repayable in installments as from 2020 – had been fully drawn down at June 30, 2018.

A €90 million bilateral credit facility with KFW IPEX-Bank

On December 13, 2017, the Group set up a €90 million credit facility with KFW IPEX-Bank to help finance the Group's rollout of its FTTH network. This facility took the form of a loan repayable in installments with the final installment due in a maximum of 11 years.

The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.10% per year depending on the Group's leverage ratio. None of this facility had been drawn down at June 30, 2018.

NOTE 10: PROVISIONS

Six months to June 30, 2018 (In € millions)	Provisions for claims and litigation	Other provisions	Total
At January 1, 2018	**43**	**1**	**44**
Additional provisions	6	0	**6**
Utilized during the period	(1)	0	**(1)**
Reversals of surplus provisions	(0)	0	**(0)**
Other movements	(0)	0	**(0)**
At June 30, 2018	**48**	**1**	**49**
o/w long-term provisions			*0*
o/w short-term provisions			*49*

At December 31, 2017 (In € millions)	Provisions for claims and litigation	Other provisions	Total
At January 1, 2017	**48**	**1**	**49**
Additional provisions	9	0	**9**
Utilized during the period	(2)	0	**(2)**
Reversals of surplus provisions	(12)	0	**(12)**
Other movements	(0)	0	**(0)**
At December 31, 2017	**43**	**1**	**44**
o/w long-term provisions			*0*
o/w short-term provisions			*44*

NOTE 11: OTHER NON-CURRENT LIABILITIES

In € millions	At June 30, 2018	At Dec. 31, 2017
Other non-current liabilities	624	714
Total	**624**	**714**

NOTE 12: COMMITMENTS

Lease commitments

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

In € millions	Six months to June 30, 2018	Six months to June 30, 2017
▪ Minimum lease payments	99	75
▪ Contingent lease payments	0	0
▪ Sub-leases	6	6
Total	**105**	**81**

The table below analyzes the Group's lease commitments at June 30, 2018 by type of asset and maturity.

(In € millions) **Type of leased asset**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Real estate	26	55	24	**105**
Vehicles	9	7	0	**16**
Other	87	651	275	**1,013**
Total	**122**	**713**	**299**	**1,134**

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

Network-related commitments

Network investments

At June 30, 2018, the Group had €198.1 million worth of commitments related to future network investments.

Capacity purchases

(In € millions) **Type of commitment**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Capacity purchases	59	74	0	**133**
Total	**59**	**74**	**0**	**133**

Other commitments

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

At June 30, 2018, other commitments given by the Group amounted to €23.1 million and mainly corresponded to bank guarantees.

Claims and litigation

At June 30, 2018, the main legal proceedings affecting the Group were as follows:

Disputes with SFR

- On May 27, 2014, SFR filed an application with the Paris Commercial Court seeking €493.2 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses (including damage to brand image) that the plaintiff had allegedly suffered as a result of defamatory actions constituting unfair competition. Free Mobile, Free and Iliad contested SFR's position in this case and filed a counterclaim for defamatory actions constituting unfair competition, seeking €475 million in damages for Free Mobile and €88 million for Free. By way of a ruling dated January 29, 2018, after offsetting the claims and counter claims, the Paris Commercial Court ordered SFR to pay €5 million in compensation to Free Mobile. SFR has appealed this decision and the case is still ongoing.

- On July 31, 2015, Free applied to the Paris Commercial Court for an injunction ordering Numericable-SFR to cease using the term "Fiber" when referring to access that end-connects subscribers by cable. Free claimed that this constituted unfair competition and parasitic business practice and also sued for damages for its related loss. The Court held that SFR and NC Numéricâble had engaged in misleading commercial practices in their use of the term "fiber" for the Red Fibre, Box Fibre Starter, Box Fibre Power and Box Fibre Family offerings due to the fact that the end-connection to subscribers is by cable. Consequently the Court ruled against SFR and NC Numéricâble (on a joint and several basis) in relation to a number of the claims against them. SFR has appealed this decision and the case is still ongoing.

Disputes with Bouygues Telecom

- In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom's position in this case, which it does not consider to be founded. Bouygues Telecom has estimated its alleged losses in relation to the case at €813 million. Proceedings are still ongoing.

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

Fastweb dispute

- On January 14, 2017, Fastweb filed an application with the European Court of Justice requesting an annulment of the European Commission’s decision of September 1, 2016 authorizing, subject to certain conditions, the mergers of Hutchison’s and VimpelCom’s subsidiaries in Italy. Proceedings are still ongoing in this case.

NOTE 13: FINANCIAL RISK MANAGEMENT

As part of its foreign exchange risk management strategy, the Group hedges its US dollar-denominated purchases.

As a significant portion of the Group's borrowings is at fixed rates (bonds and EIB loans), at June 30, 2018 it did not consider it necessary to set up any interest rate swaps.

In € millions	Maturities of less than 1 year	Maturities of more than 1 year
Currency hedges	4	2
Interest rate hedges	0	0

NOTE 14: RELATED-PARTY TRANSACTIONS

Related-party transactions solely correspond to transactions with key management personnel and with the companies Monaco Telecom and Salt Mobile.
Information regarding the acquisition of Iliad's stake in eir are detailed in note 1.2.

Transactions with key management personnel

- Persons concerned:

Iliad's key management personnel correspond to the members of the Board of Directors of Iliad SA and the members of the Management Committee. They represented a total of nine people at June 30, 2018.

- Compensation paid to the nine members of the Group's key management personnel in first-half 2018 and 2017 breaks down as follows:

In € thousands	Six months to June 30, 2018	Six months to June 30, 2017
▪ Total compensation	1,298	1,198
▪ Share-based payments	2,889	220
Total	**4,187**	**1,418**

Impact of Free Mobile share grants

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

During 2010 and 2011, 23 employees and executive officers were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent valuer. An initial cash settlement for part of the entitlements was authorized in 2015 and a second in 2016.

On March 6, 2017, Iliad SA's Board of Directors authorized another cash settlement for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. This cash settlement represented a maximum of 12.5% of the beneficiaries' Free Mobile shares initially granted and the per-share price was determined by an independent valuer.

On March 12 and May 14, 2018, Iliad SA's Board of Directors authorized further cash settlements for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. These cash settlements represented an aggregate maximum of 30% of the beneficiaries' Free Mobile shares initially granted and the per-share price was set by an independent valuer in both cases.

As a result of these two transactions, Iliad held 97.3% of Free Mobile's capital.

Impact of Iliad share grants

Following an authorization given at the Shareholders' Meeting of May 19, 2016, Iliad set up a share grant plan involving shares representing up to 0.5% of its share capital.

During 2017, the Company granted shares to 61 employees and executive officers under this plan, representing 0.5% of its share capital.

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to conditions relating to their presence within the Group and performance conditions.

Transaction with Monaco Telecom

Iliad has signed an agreement with Monaco Telecom (a Monaco-based company controlled by a party related to the Group) to lease sites containing the Group's equipment. The amount invoiced by Monaco Telecom for making these sites available totaled €625 thousand in first-half 2018.

Transaction with Salt Mobile

Free Mobile performs technical services on behalf of Salt, a Swiss company that is controlled by a party related to the Group. In first-half 2018, the Group recognized €1,460 thousand in revenue for these services.

NOTE 15: EVENTS AFTER THE REPORTING DATE

No significant events that could have a material impact on the financial statements for the six months ended June 30, 2018 occurred between July 1, 2018 and the date the financial statements were approved for issue.