



Société anonyme. Share capital: €13,109,880

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

Registered in Paris under no. 342 376 332

The Group has applied IFRS 16, Leases, since January 1, 2019 using the retrospective approach, without restating comparative prior periods.

The income statement, balance sheet and segment information have been adjusted accordingly. Further to the application of IFRS 16, the Group amended its key profitability indicator to EBITDAaL (EBITDA after Leases) with effect from January 1, 2019.

ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS

KEY CONSOLIDATED FINANCIAL DATA

<i>In € millions</i>	2019	2018
INCOME STATEMENT		
Total revenues	5,332	4,891
Services revenues	5,115	4,692
EBITDAaL	1,654	1,755
Profit from ordinary activities	444	690
Profit for the period	1,726	330
Profit for the period attributable to owners of the Company	1,719	323
BALANCE SHEET		
Non-current assets	13,384	9,960
Current assets	4,209	1,277
<i>Of which cash and cash equivalents</i>	<i>1,593</i>	<i>181</i>
Assets held for sale	563	15
Total assets	18,156	11,252
Total equity	5,231	3,606
Non-current liabilities	7,315	4,974
Current liabilities	5,610	2,672
Liabilities held for sale	-	-
Total equity and liabilities	18,156	11,252
CASH FLOWS		
Cash flows from operations	2,186	1,693
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(585)	-
Capital expenditure – France	(1,607)	(1,555)
Capital expenditure – Italy	(369)	(261)
Capital expenditure – frequencies ¹	(252)	(605)
Net change in cash and cash equivalents – Group (excluding change in net debt and dividends)	430	(1,444)
Dividends	(59)	(40)
Net debt	3,609	3,983

¹Including €225 million in 2019 and €342 million in 2018 for Italy.

1 OVERVIEW

Over the last 20 years, the Iliad Group (the “**Group**”) has experienced very strong growth in France, with numerous technological and commercial developments. It has gone from being a fixed narrowband Internet Service Provider to an integrated fixed and mobile Ultra-Fast Broadband operator. It is clearly focused on deploying the latest technologies and proposing straightforward commercial offerings. In 2018, the Group expanded its geographic reach to Italy, where it recruited over 2.8 million subscribers in its first year of operation. In 2019, it continued its brisk pace of adds in Italy, with over 2.4 million new subscribers during the year, bringing the total subscriber base to some 5.3 million at end-2019. Consequently, in the space of 20 years, the Group has become one of the leading electronic communications players in France and Italy, with over 25 million subscribers, €5.34 billion in revenues in 2019 and more than 11,000 employees.

Iliad S.A. is the parent company of the Iliad Group, which operates under the trade names of Free in France and Iliad in Italy. Iliad S.A. has been listed on Euronext Paris (ILD ticker symbol) since 2004.

Following the launch of its mobile operations in Italy, the Group now has two geographic segments:

- **France**

Fueled by the success of its Broadband and Ultra-Fast Broadband offerings marketed under the Free brand, the Group has positioned itself as a major player in the French fixed telecommunications market. In addition, since 2012 when it first launched its mobile offerings, the Group has become an integrated operator present in both the fixed (Broadband and Ultra-Fast Broadband) and mobile segments. The Group’s success in these two segments has been built on three fundamentals: straightforward offerings, excellent value for money, and innovation.

- **Italy**

The Group launched its mobile telephony offering in Italy on May 29, 2018 and had 5.3 million mobile subscribers at December 31, 2019. The Italian mobile business generated €427 million in revenues in 2019.

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

EBITDAaL: profit from ordinary activities before depreciation, amortization and impairment of property, plant and equipment and intangible assets, and impact of share-based payment expense.

Revenues invoiced to subscribers: revenues generated from the sale of services to subscribers.

1.1 Breakdown of revenues

France

Fixed offerings (Broadband and Ultra-Fast Broadband)

In 2018, the Group put in place a new sales and marketing strategy based on a more rational pricing and promotions policy (for example, offering an automatic discount for the first 12 months on its Broadband and Ultra-Fast Broadband plans other than the premium plan). Building on this new approach, in 2019 the Group focused its sales and marketing strategy on (i) differentiation through innovation, with the initial positive effects feeding through from the December 2018 launch of the Freebox Delta and the Freebox One, and (ii) fiber, where its significant investments over the last ten years drove it to record the highest number of net adds on the French market in 2019, cementing its status as France's leading alternative Fiber operator.

At December 31, 2019, the Group had five main fixed offerings (including two different plans for the Freebox Delta):

	Freebox Crystal	Freebox mini 4K	Freebox Révolution	Freebox One	Freebox Delta S	Freebox Delta
INTERNET						
Fibre Optique		✓	✓	✓	✓(Fibre 10GB EPON))	✓(Fibre 10GB EPON))
xDSL+4G					✓	✓
ADSL2+	✓	✓	✓	✓	✓	✓
VDSL2		✓	✓	✓	✓	✓
WI-FI	✓	✓	✓	✓	✓	✓
TV						
Freebox TV (+ de 220 chaînes)	Option	✓	✓	✓	✓	✓
Netflix		Option	Option	✓	✓	✓
Amazon Prime					✓	✓
TV by CANAL Panorama (+ myCANAL)			✓		✓	✓
Compatible 4K		✓	Option	4K HDR	4K HDR	4K HDR
Stockage			250Go	1 To (option)	1 To (option)	1 To (option)
Lecteur Blu-Ray™			✓			
Replay	Option	✓	✓	✓	✓	✓
Accès VOD	Option	✓	✓	✓	✓	✓
SON						
Système son Devialet						✓
ASSISTANT VOCAL						
Amazon Alexa					✓	✓
OK Freebox					✓	✓
Assistant Google		✓				
MAISON CONNECTÉE						
Centrale domotique				✓	✓	✓
Pack sécurité					Option	Option
APPELS ILLIMITÉS						
Vers fixes de + de 110 destinations	✓	✓	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽¹⁾	✓ ⁽¹⁾
Vers mobiles de France métrop et DOM	Option					
LECTURE ET PRESSE						
Bouquet Cafeyn by LeKiosk						
Youbox One (gratuit jusqu'au 31/01/21)	x					
PRIX MENSUEL						
12 premiers mois	9,99 €	14,99 €	19,99 €	29,99 €	39,99 €	49,99 €
Après 12 mois	24,99 €	34,99 €	44,99 €	39,99 €	39,99 €	49,99 €

⁽¹⁾ + Algérie et Tunisie 5h

Depending on the eligibility of the subscriber's line, Free's offers are compatible with the following Broadband and Ultra-Fast Broadband technologies:

- Fiber (FTTH), which gives access to Ultra-Fast Broadband (up to 10 Gbps download and up to 400 Mbps upload);
- 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);
- VDSL2, which gives subscribers in unbundled areas and with short lines speeds of up to 100 Mbps download and 40 Mbps upload;
- xDSL/4G which enables the xDSL signal to be bonded with a 4G signal in areas with low speeds, so subscribers can have up to 10 times faster speeds than when using ADSL alone.

- Since September 24, 2019, the Group has also offered its subscribers a 4G+ Box (for €29.99/month) which provides easy access to ultra-fast Internet. This offer is aimed at people located in areas that are not eligible for Fiber, where fixed-line Internet speeds are low but there is good 4G+ coverage.

Through the Group's offerings, depending on the plan they choose, subscribers are given the following services:

- **Telephony:** all subscribers have access to a telephone service under which they can make calls through their Freebox to fixed numbers in Metropolitan France (apart from short numbers and special numbers), as well as to over 110 fixed destinations outside Metropolitan France depending on the terms of their plan. Additionally, various Group offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France.
- **Free proposes the largest audiovisual offering in the market,** enabling its subscribers to access a television service comprising some 600 channels in all. Freebox TV has 220 channels in its basic package and the TV by CANAL Panorama package adds 60 more, 30 of which are exclusive to Freebox TV. Around 240 high definition channels are also available, as well as a catch-up TV service covering more than 100 channels.
- **Free offers numerous value-added services** including Freebox Replay (its catch-up TV service), video on demand (VOD), subscription video on demand, such as Netflix (S-VOD), subscription to pay-TV packages and channels (Canal+, beIN Sports, etc.) and video games. The TV by CANAL offer gives subscribers access to over 100 channels on replay and 8,000 items of on-demand content on all types of screen (smartphone, tablet, Xbox 360, Xbox One and PC/Mac). Freebox Crystal and Freebox mini 4K subscribers can sign up to the Famille by CANAL offer and benefit from all of the above channels, except for sports channels.
- **Free proposes new uses for households,** such as unlimited access to newspapers and magazines via LeKiosk (Freebox Delta), Netflix (Freebox Delta and Freebox One) and voice-controlling their box using OK Freebox and Alexa (Freebox Delta) and Google assistant (Freebox mini 4K). In 2018, the Group moved into the smart-home segment by adding a smart-home hub (Freebox Delta and Freebox Delta S) as well as a security pack for home surveillance.
- **Hosting services,** which correspond to (i) providing dedicated servers to private individuals who wish to secure their data, and (ii) website hosting and the purchase/resale of domain names (services targeted mainly at private individuals and very small businesses that have relatively low data storage requirements). Hosting services are invoiced based on a monthly or annual subscription depending on the type of offer.

B2B offerings

The Group's hosting business is structured around three service areas, each of which is represented by a brand:

- **Hosting services,** which correspond to providing dedicated servers to SMEs that wish to secure their data. This service is invoiced based on a monthly or annual subscription depending on the type of offer.
- **Colocation 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.

In the first half of 2019, the Group strengthened its positioning in the B2B market by acquiring a 75% majority stake in Jaguar Network for just under €100 million.

This acquisition will help the Group to address the B2B market in France more widely by developing innovative and competitive access offerings and services. It will also create significant synergies for investment, innovation and know-how.

Mobile offerings

In 2019, the Group continued to focus on improving its subscriber mix by increasing the proportion of subscribers on the Free Mobile Unlimited 4G Plan. This notably entailed keeping the intermediate plan first launched in 2018, which costs €9.99 a month (€8.99/month until October 2019) for 12 months and then switches automatically to the Free Mobile Unlimited 4G Plan, therefore boosting revenues invoiced to subscribers. Similarly, we pursued and stepped up our pro-active campaigns to migrate subscribers on the €2 plan to the Free Mobile Unlimited 4G Plan.

At December 31, 2019, the Group had the following mobile offerings:

	€2 Plan	Free Mobile Unlimited 4G Plan
Commitment	No commitment	No commitment
Calls (from France and the rest of Europe and the French overseas departments (départements d'outre-mer – DOM) to fixed and mobile numbers in France, Europe and the DOM)	120 voice call minutes (including to mobiles in the USA, Canada, the DOM and China, and to 100 international fixed destinations)	Unlimited (including to mobiles in the USA, Canada, the DOM and China, to 100 international fixed destinations, and from the United States, South Africa, Australia, Canada, Israel and New Zealand to fixed lines and mobiles in the same country as the originating call and in Metropolitan France)
Texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM	Unlimited	Unlimited
Data	50 MB per month of 3G/4G data in France and 50 MB usable in Europe and the DOM	Unlimited 4G data in France (100 GB per month for non-Freebox subscribers) and 25 GB per month usable in Europe, the DOM and 17 other countries
Price	€2/month	€19.99/month (€15.99/month for Freebox subscribers)

The Group also has a special version of its Free Mobile Unlimited 4G Plan – the Free 4G Series Plan – which costs €9.99 per month for the first 12 months, before automatically switching to the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers). This plan includes fewer roaming destinations than the standard Free Mobile Unlimited 4G Plan and less mobile data (50 or 60 GB depending on the package).

Sales of devices (mobile phones and Delta Players)

■ Mobile phones:

The Group offers a selection of the latest mobile phones on the market. With a view to being as transparent as possible, Free offers 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 payments (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 €89 and €399 and then pays a monthly rental fee of between €12 and €30 (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.

■ Delta Players:

As part of the Freebox Delta offering, subscribers also become owners of a Delta Player, which is invoiced at €480. Subscribers can opt for whatever method of payment they prefer from among the options available (cash payment or 4-month or 48-month instalments).

In all cases, the Group recognizes the corresponding revenue when the Player is received by the subscriber.

Italy

The Group has had resounding commercial success in Italy since it first launched its mobile business there on May 29, 2018. It ended 2019 with some 5.3 million subscribers, representing around 7% of the Italian mobile market (excluding M2M).

In May 2018, Iliad Italia originally launched a single plan costing €5.99 a month (unlimited calls and text messages, with 30 GB/month of data in Italy and 2 GB/month in Europe) plus a €9.99 SIM card activation fee. The company subsequently upscaled its offer, proposing 40 GB/month for a monthly cost of €6.99. Since September 6, 2018, Iliad Italia has offered a plan costing €7.99/month (price still applicable at end-2019) which includes:

- Unlimited voice calls (i) to mobiles and fixed lines in Italy, mobiles in the United States and Canada and over 60 international fixed destinations and (ii) from Europe to fixed lines and mobiles in Italy and Europe.
- Unlimited text messages in Italy and from Europe to Italy and Europe.
- 50 GB/month of 3G/4G/4G+ data in Italy and 4 GB/month of data in Europe.

This no-commitment plan – which also includes services such as voice mail, caller display and checking data usage – has no hidden costs and is guaranteed for life. It was primarily designed for subscribers who want the freedom to call and have 4G/4G+ data access at a very competitive price. The plan includes mobile data in Europe and unlimited minutes of international calls.

The Group also proposes a plan centered on voice calls at the cheapest price in the Italian market for this segment, which includes:

- Voice call minutes in Italy and to over 60 international destinations, including fixed lines and mobiles in the USA and Canada, as well as from Europe to fixed lines and mobiles in Italy and Europe.
- Unlimited texts/MMS in Italy and from Europe to Italy and Europe.
- 40 MB of 4G/4G+ data and an additional 40 MB of roaming in Europe.

The Group's Italian offering also includes a selection of the latest Apple iPhones (iPhone XR, XS, XS Max, 11 and 11 Pro). With a view to being as transparent as possible, Iliad Italia offers phones separately from its mobile subscriptions, which means that subscribers can opt for whichever plan and phone they prefer, or can choose not to purchase a phone at all.

1.2 The Group's main operating costs

France

Main operating costs of the Group's fixed offerings

(i) Costs related to DSL offerings

There are different types of operating costs related to the DSL offerings proposed by the Group depending on whether or not subscribers are unbundled, i.e., whether their communications are carried on the Group's own network (outside the local loop) or are covered by a wholesale offering proposed by the incumbent operator.

Currently, almost all of the Group's DSL subscribers are fully unbundled, for which the Group pays for the rental of the copper pair from the incumbent operator (€9.27/month and line) as well as maintenance costs.

(ii) Costs related to Fiber offerings

In very densely populated areas, as the Group rolls out its network it is offering its subscribers in eligible areas the option of migrating to a Fiber offering. The gross margin and EBITDA margin on Fiber offerings are higher than DSL margins as the Group no longer has to pay for the rental of the copper pair from the incumbent operator. The Group's objective is therefore to maximize the proportion of Fiber subscribers in eligible areas where technically feasible.

In areas where the fiber rollout is covered by co-financing agreements and public initiative networks ("PINs"), the business model applied by the Group until 2019 has been changed by the partnership entered into with Infravia in February 2020 via Investissements dans la Fibre des Territoires ("IFT", in which Iliad holds a 49% stake – see Section 1.3.ii below). Until 2019, in order to optimize its capital expenditure, when certain geographic areas became fiber-ready, the Group sometimes had to choose whether to pay rental fees on top of the capital outlay it was already investing. In such cases, the operating costs borne by the Group were higher than in cases when it co-invested. From now on, the Group will automatically lease its fiber infrastructure from IFT, with IFT in charge of co-investing. This new model results in average operating costs that are generally higher than for the model used until 2019, but this effect is offset for the Group by optimized capital expenditure and good visibility of its cost structure.

Main operating costs of the Group's mobile offerings

(i) Mobile call and text message termination charges

The applicable termination charges in 2019 were 0.74 euro cents for mobile voice calls and 1 euro cent for text messages.

(ii) Roaming charges

The Group has to pay roaming charges for the 2G and 3G roaming services provided to it in France, which are defined in a roaming agreement signed with the country's incumbent operator (Orange) in 2011. This agreement was extended in June 2016 to enable Free Mobile to gradually stop using the Orange network for 2G/3G roaming services, notably by progressively and substantially reducing the maximum Internet speeds provided to roaming subscribers (currently capped at 384 kbps). The extension of the agreement with the gradual reduction of Internet speeds is intended to provide for an organized termination of the roaming services, notably for subscribers who have 2G devices and for the residual areas where Free Mobile's network is still in the rollout phase. In this gradual termination mode,

the costs of the roaming agreement are no longer material in relation to the Group's overall financial position.

Italy

MOCN (Multi-Operator Core Network) roaming agreement

The Group has to pay roaming charges for the roaming services provided to it in Italy, which are defined in a Multi-Operator Core Network (MOCN) agreement signed with Wind/Tre in 2016. This agreement enabled the Group to offer all-technology services with nationwide coverage immediately as from the launch of its mobile operations in Italy. It has an initial five-year term renewable for a further five-year period at the Group's initiative. This technical solution for connecting up Wind/Tre's radio equipment to the Group's core network creates a more effective and optimal flow of traffic between the two networks compared with a more "conventional" roaming solution.

The charges provided for in the roaming agreement include (i) a fixed portion corresponding to the purchase of a right to use a certain capacity during the initial period of the agreement (which is recognized as capital expenditure in accordance with IFRS), and (ii) a variable portion based on volumes used (minutes, SMS, MMS, data, etc.). The volume-based variable portion represents the majority of the roaming charges paid by the Group.

Margin levels depend on the total number of subscribers, the volume of traffic carried on the Group's network, and subscriber usage patterns, particularly for mobile data. The Group's objective is therefore to maximize the proportion of traffic carried directly on its own network, by deploying its own sites.

Mobile call and text message termination charges

The Group also pays mobile voice call and text message termination charges in Italy. Termination charges for mobile voice calls are regulated and amounted to 0.90 euro cents per minute as from January 1, 2019 compared with 0.98 euro cents per minute in 2018. Text message termination charges are not regulated.

1.3 Capital expenditure and depreciation

France

Broadband (DSL offerings)

(i) Transmission network and unbundling the local loop

Having laid over 139,000 km of fiber, the Group 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 2019, it continued to extend its unbundled coverage by opening 1,300 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to 14,600 throughout France at the year-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with VDSL2 technology, which therefore means eligible subscribers have access to the best possible speeds on the local copper loop.

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

The main operating costs and capital expenditure by subscriber relate to the following:

- the boxes provided to subscribers (the cost of which varies depending on the model);

- 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;
- 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.

Rollout of a Fiber network

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

The Fiber rollout is a logical extension of Iliad's strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability.

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

(i) Very densely populated areas (approximately 7 million lines)

In decision no. 2013-1475 dated December 10, 2013, ARCEP (the French regulatory authority for electronic and postal communications) 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.

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.

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.

(ii) 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.

a. Private co-financed areas (approximately 14 million lines)

Under the offer proposed by the incumbent operator and the second operator responsible for rolling out fiber in private co-financed areas, each operator can access all of the deployed lines and only has to co-finance the rollout to the extent of the local market share it is seeking to achieve, through purchases of 5% tranches. As a result of the incumbent operator's access offer, co-financing can be used not only for the line between the shared access point and the building, but also for the backhaul fibers between the shared access point and the optical node.

b. Public Initiative Networks – PINs (rest of France)

FTTH networks are rolled out in PIN areas in many different ways, which may require entering into agreements with the public bodies in charge of deploying the networks or with the private entities that market them.

Partnership with InfraVia

The Group was the first operator, as of August 2012, 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. Since 2017, it has also entered into several framework agreements in areas covered by PINs, with the operators marketing FTTH lines in those areas (Axione, Orange and Covage, for example) as well as directly with a number of public bodies (including Auvergne Très Haut Debit, Vendée Numérique and others).

In 2019, in order to accelerate its fiber rollouts in private co-financed areas and PIN areas, and to cement its status as the leading alternative FTTH operator, the Group made the strategic decision to enter into a partnership with InfraVia, a French private equity firm specialized in infrastructure. The deal – which finalized on February 28, 2020 – involved setting up a company called IFT (49%-owned by the Group), which is dedicated to co-financing the creation of new FTTH sockets and taking up new co-financing tranches. Since late February 2020, therefore, IFT has provided all of Free's access and information services for the co-financed sockets concerned, under a long-term service agreement, and will also be able to offer the same services to third-party operators.

(iii) Fiber progress report at December 31, 2019

2019 was a record year, both in terms of new connectible sockets and new subscribers connected up to FTTH:

- The number of connectible sockets increased by nearly 45% over the year and totaled 13.9 million at end-December 2019, representing almost one in every two households in France (versus 9.6 million one year earlier). The Group's fiber offerings are now available in roughly 4,400 municipalities (1,100 at end-2018). In addition, after completing its horizontal coverage in very densely populated areas in 2018, the Group almost finished its vertical connections in 2019, with a ratio of around 90% at the year-end.
- The Group's FTTH subscriber base grew by almost 80% in 2019, and stood at 1,760,000 at the year-end. Fourth-quarter 2019 was a record quarter in terms of connections, with 245,000 new subscribers. The sharp year-on-year increase was due to three main factors:
 - French households' growing appetite for FTTH technology.
 - Gradual commencement of marketing Free's FTTH offerings outside very densely populated areas.
 - The successful reorganization of internal procedures for connecting FTTH subscribers, notably by hiring and training employees specialized in subscriber connections.

The strong acceleration in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. With 777,000 new FTTH subscribers in 2019, the target of

topping the 500,000 adds mark for the year as a whole was already reached by the third quarter. In view of this, the Group is standing by its objectives of :

- Have 22 million connectible sockets by 2022 and around 30 million by 2024.
- Topping the 2 million subscriber mark in 2020 and reaching 4.5 million in 2024.

A comprehensive and enriched frequency portfolio

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group then rounded out its portfolio in Metropolitan France in 2015 and 2016 by acquiring additional spectrum in several refarming processes carried out by ARCEP. At December 31, 2019, the Group had a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to deliver high-performing services in both 3G and 4G.

In 2018, ARCEP (the French telecommunications regulator) carried out a procedure to reallocate frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands, whose licenses expire between 2021 and 2024. Following this procedure, the Group will have additional frequencies in the 900 MHz and 2.1 GHz bands. ARCEP announced the spectrum reallocation in a decision dated November 15, 2018, with the Group being allocated an additional 3.7 MHz in the 900 MHz frequency band and an additional 9.8 MHz in the 2.1 GHz band.

This reallocation procedure will gradually lead to a more balanced split of frequencies between France's operators. The frequencies in the 900 MHz and 2.1 GHz bands allocated to Free Mobile will be available when their current licenses expire, i.e., in 2021 and 2024, respectively.

	Frequency portfolio at end-2019	Frequency portfolio at end-2024
700 MHz	2 x 10 MHz	2 x 10 MHz
900 MHz	2 x 5 MHz	2 x 8.8 MHz
1,800 MHz	2 x 15 MHz	2 x 15 MHz
2.1 GHz	2 x 5 MHz	2 x 14.8 MHz
2.6 GHz	2 x 20 MHz	2 x 20 MHz
Total	2 x 55 MHz	2 x 68.6 MHz

Lastly, licenses for the 3.5 GHz frequencies used for 5G will be allocated in 2020, following a spectrum auction. On February 25, Iliad put itself forward as a bidder for one of the blocks, which has a reserve price.

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 fixed transmission network and putting in place specific business units that 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).

The Group accelerated its mobile network rollout drive in 2019, with:

- **The opening of over 2,500 new 3G sites**, bringing the Group's total number of 3G sites to 17,000 at end-2019 and giving it a coverage rate of 97.7% of the French population.
- **Ongoing deployment of 4G technology**. This has been a priority for the Group ever since it launched its Mobile business. And 2019 was no exception, with (i) new 1,800 MHz frequencies made available at over 3,100 additional sites, and (ii) the deployment of 700 MHz frequencies at some 8,800 additional sites across France. The continued deployment of these new frequencies during 2019

enabled the Group to increase its 4G coverage to 95.7% at the year-end and to strengthen its 4G indoor quality. At December 31, 2019, the Group had more than 14,800 4G sites.

■ **Continued investment in the fiber backhaul network for mobile sites.** In view of ever-faster Internet speeds and the growing number 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 December 31, 2019, 93% of the Group's sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds.

■ **Further efforts to develop the shared passive mobile infrastructure offering** with other operators (see the section on the strategic industrial partnership with Cellnex).

Thanks to its rollout momentum, the Group exceeded its coverage objectives for 2019, as well as its target of deploying more than 2,000 new sites during the year. The Group intends to continue its deployment of 700 MHz frequencies across its network.

The depreciation/amortization periods applied for the main assets brought into service in 2019 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.

Strategic industrial partnership with Cellnex

On May 7, 2019, Iliad announced that it had entered into a strategic partnership with Cellnex concerning the Group's passive mobile telecommunications infrastructure in France and Italy. The partnership deal was finalized on December 23, 2019 for France.

In France, Iliad sold to Cellnex 70% of the company that manages its French passive mobile telecommunications infrastructure ("On Tower France"), comprising 5,700 sites at end-2019. The deal was based on an enterprise value of €2 billion for On Tower France.

In addition to this industrial partnership, through which Cellnex and Iliad will together manage and develop On Tower France, Iliad and On Tower France have entered into a long-term access and services agreement, providing for a build-to-suit program encompassing up to 4,500 sites (of which 2,500 have been committed to by Iliad). This program is expected to generate around €400 million for the Group over the next seven years. On Tower France will not only host new clients at its existing sites but will also continue to build new sites to meet the growing demand of all French operators.

Rollout of the distribution network: stores and kiosks

At December 31, 2019, the Group had a full physical presence in France, thanks to:

- its 81 Free Centers;
- its network of self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser, rolled out in partnership with the Maison de la Presse and Mag Presse store network. At December 31, 2019, the Group had approximately 1,500 such kiosks across France.

Italy

A balanced frequency portfolio of 265 MHz (including 45 MHz duplex)

In November 2016, the Italian authorities authorized the transfer of the various frequencies covered by the agreement signed between Iliad and the Hutchison and VimpelCom groups. This gave the Iliad a balanced portfolio of 2 x 35 MHz (duplex) frequencies in Italy, 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.

The purchase price of this portfolio of frequencies was €450 million, payable in installments between 2017 and 2019. At December 31, 2019, the Group had paid all of the amounts due for these frequencies.

In addition, in the second half of 2017, the Group paid €220 million to the Italian government in connection with the process of refarming and extending 1,800 MHz frequencies up to 2029.

In 2018, the Italian government carried out an auction for the allocation of 700 MHz frequencies as well as the 3.6 GHz-3.8 GHz and 26 GHz-27 GHz frequencies that will be used for 5G. The results of the auction were announced in October 2018 and the Group was allocated the following (for a total of €1,193 million):

- 2 x 10 MHz (duplex) in the 700 MHz band;
- 20 MHz in the 3.6-3.8 GHz band;
- 200 MHz in the 26.5-27.5 GHz band.

These frequency purchases were in line with Iliad Italia's aim of strengthening its portfolio in order to pursue its innovation drive, rapidly develop a 5G offering and meet the rising demand for bandwidth in Italy.

	Frequency portfolio at end-2019
700 MHz	2 x 10 MHz
900 MHz	2 x 5 MHz
1,800 MHz	2 x 10 MHz
2.1 GHz	2 x 10 MHz
2.6 GHz	2 x 10 MHz
3.7 GHz	1 x 20MHz
27 GHz	1 x 200MHz
Total	310 MHz

In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the purchase price for the above frequencies is payable in installments over the period 2018-2022 as follows:

In € millions	2018	2019	2020	2021	2022
Installments	144	9	55	27	959

Rollout of a mobile network in Italy

Since late 2016 and the signature of the agreement with the Hutchison and VimpelCom groups, Iliad has been rolling out its mobile network in Italy, which has notably involved:

- Deploying mobile sites. At end-2019, the Group had over 4,000 equipped sites in Italy, versus 1,500 at December 31, 2018, in line with the objectives it set itself at the beginning of 2019. The Group's access to sites has been facilitated by the acquisition of sites scheduled to be decommissioned by Wind/Tre as well as sites made available by major infrastructure lessors and operators.
- Switching on mobile sites, which the Group began during 2019. At the year-end, over 2,000 sites had been switched on in Italy, enabling Iliad Italia to start carrying some traffic on its own network.
- Deploying a backbone of some 26,000 km in order to connect up Italy's principal towns and cities to the Group's two main mobile network centers located in Milan and Rome.
- Rolling out the core network and interconnections with Wind/Tre to manage traffic under the MOCN (Multi-Operator Core Network) solution. This technical solution for connecting up Wind/Tre's radio equipment to the Group's core network creates a more effective and optimal flow of traffic between the two networks compared with a more "conventional" roaming solution.

Strategic industrial partnership with Cellnex

On May 7, 2019, the Group announced that it had entered into a strategic partnership with Cellnex concerning its passive mobile telecommunications infrastructure in France and Italy. In Italy, this partnership comprised the sale of 2,185 sites. The partnership deal was completed by Iliad Italia on December 3, 2019 and a total amount of €600 million was paid to Iliad.

In addition, Cellnex and Iliad Italia have also entered into a long-term access and services agreement, providing for a build-to-suit program encompassing 2,000 sites (of which 1,000 have been committed to by Iliad). This program is expected to generate at least €150 million for the Group over the next six years.

Rollout of a distribution network in Italy

The Group has put in place several different distribution channels for its mobile offering in Italy:

- Physical distribution:
 - A network of 14 stores in major Italian cities.
 - A network of over 800 SIM card dispensers ("Simboxes") located in more than 300 kiosks in busy catchment areas. These kiosks comply with the applicable Italian legislation, particularly "Pisanu's law", which requires identification of subscribers when they take out their subscription.
 - Access to a nationwide network of resellers enabling subscribers to top up their plan.
- Digital distribution:
 - Online distribution accessible via mobile phone, tablet or computer, enabling users to take out their mobile plan online and receive their SIM card at home through the post.

2 SIGNIFICANT EVENTS OF 2019

The key figures and significant events of 2019 are set out below:

<i>In € millions</i>	2019	2018	% change
Revenues – France	4,912	4,768	+3.0%
- <i>Fixed</i>	2,640	2,631	+0.4%
- <i>Mobile</i>	2,049	1,936	+5.8%
<i>Of which revenues invoiced to subscribers</i>	1,636	1,498	+9.2%
- <i>Devices</i>	229	209	+9.4%
- <i>Intra-group sales – France</i>	(6)	(8)	-
Revenues – Italy	427	125	NM
Intra-group sales	(6)	(2)	-
Consolidated revenues	5,332	4,891	+9.0%
Services revenues – France	4,689	4,567	+2.7%
Consolidated services revenues	5,115	4,692	+9.0%
EBITDAaL – France	1,907	1,807	+5.5%
EBITDAaL – Italy	(253)	(52)	NM
Consolidated EBITDAaL	1,654	1,755	-5.8%
Capex – France ⁽¹⁾	1,607	1,555	+3.3%
Capex – Italy ⁽¹⁾	369	261	+41.4%
Consolidated capex⁽¹⁾	1,976	1,816	+8.8%
Profit from ordinary activities	444	690	-35.7%
Profit from ordinary activities – France	861	830	+3.7%
Profit/(loss) from ordinary activities – Italy	(417)	(139)	NM
Profit for the period	1,726	330	NM
Net debt	3,609	3,983	-9.6%
Leverage ratio	2.18x	2.28x	

(1) Excluding frequencies (2) Excluding the non-recurring capital gain on the sale of mobile towers in France and Italy

Group

- **Consolidated revenues up 9.0% to €5.33 billion.**
- **Return to growth for revenues in France (+3.0%), led by a good performance from Mobile** (revenues invoiced to subscribers up more than 9% year on year).
- **Revenues in Italy up almost 3.5-fold in the space of a year, coming in at €427 million.**
- **Higher profitability in France, with EBITDAaL up 5.5% to €1.9 billion.** EBITDAaL for the Group as a whole contracted 5.8% to €1.65 billion due to start-up losses in Italy.

- **€1.73 billion in profit for the period, up sharply on 2018** thanks to a good performance from France and the capital gain generated by the tower deals in France and Italy with Cellnex.
- **Capex up to €1.98 billion**, reflecting (i) the Group's major drive to increase its mobile coverage and bring fiber to all areas of France, and (ii) the fact that 2019 was the Group's first full year of operations in Italy, with a faster pace of mobile network rollouts.
- **A solid balance sheet structure, with a leverage ratio of 2.18x at end-2019 (€3.6 billion in net debt).**
- **A new dividend policy with a dividend per share set at €2.60 per share.**

France

2019 operational information:

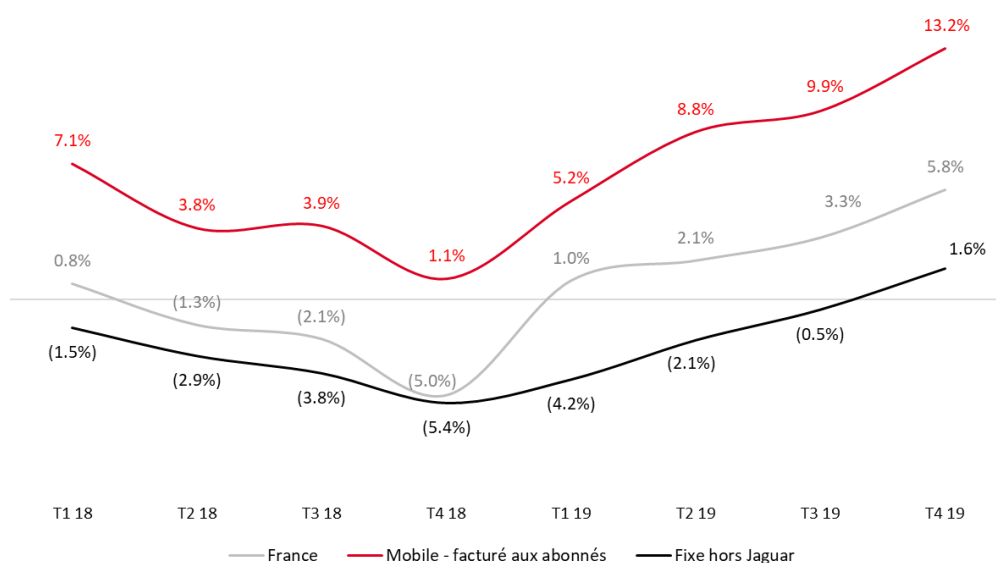
- **Tangible results for the Group's transformation plan launched in 2018:**
 - **A record year for Fiber, with 777,000 new subscribers signed up to the Group's Fiber plans, giving it the highest number of Fiber net adds in France in 2019.** At end-December 2019, the Group's Fiber subscriber base totaled 1.76 million, a rise of nearly 80% in the space of 12 months.
 - **A 33,000 increase in the total Fixed subscriber base in 2019.** The recovery in broadband subscriber numbers was particularly marked in the second half of the year, with a 64,000 gain compared with a 31,000 loss in the first half.
 - **394,000 net adds for 4G offerings, pushing the total 4G subscriber base up to almost 8.2 million at end-December – ARPU invoiced to subscribers rose 11% year on year to an average of €10.2 in 2019,** demonstrating the success of the Group's strategy to gradually upscale its subscriber base. The loss of 128,000 subscribers in 2019 mainly concerned lower added-value plans, and the fourth quarter saw a return to net adds of mobile subscribers (+17,000).
- **Pursuit of the marked acceleration begun a year ago in rollouts of Fiber and mobile networks,** in line with the Group's aim of being the alternative operator of choice for latest-generation networks:
 - **Fixed:**
 - **Largest Fiber network out of France's three alternative operators, with 13.9 million connectible sockets.**
 - **Intensified marketing of the Group's Fiber plans in less densely populated areas,** with an acceleration in commercial launches on France's public initiative networks (PINs). The Group's Fiber offerings are now available in all regions of Metropolitan France.
 - **Best Fiber speeds,** with average speeds of more than 460 Mbps download and 289 Mbps upload according to nPerf. In addition, the Group is the only operator in France to offer 10G Fiber technology and was the first to provide all of its subscribers with a theoretical average upload speed of up to 600 Mbps.
 - **Mobile:**

- **Intensified, large-scale deployment of 700 MHz frequencies, enhancing the 4G experience.** Some 8,800 sites were newly equipped to use 700 MHz frequencies in 2019, compared with 2,300 in 2018. At the same time, Free kept up its brisk pace of new mobile site rollouts, which was even faster than in 2018, with 2,535 new 3G sites added in 2019 (versus 2,354 the previous year), bringing the total number of sites in Metropolitan France to over 17,000 at the year-end. The Group's mobile network now covers more than 97.7% of the French population with 3G, and the 4G coverage rate is 95.7%.
- **Best 4G speed out of France's three alternative operators,** with an average download speed of 44 Mbps, according to nPerf. The strong performance of the Group's 4G network is reflected in the average monthly data usage per 4G subscriber, which was 13.9 GB in 2019.

2019 financial information

- **Revenue upturn in France (3.0% growth during the year),** confirming the positive results of the Group's transformation plan launched in 2018:
 - **2.7% increase in services revenues,** driven by the steady rise in Mobile revenues and the return to growth for Fixed revenues.

Year-on-year change in quarterly revenues in France



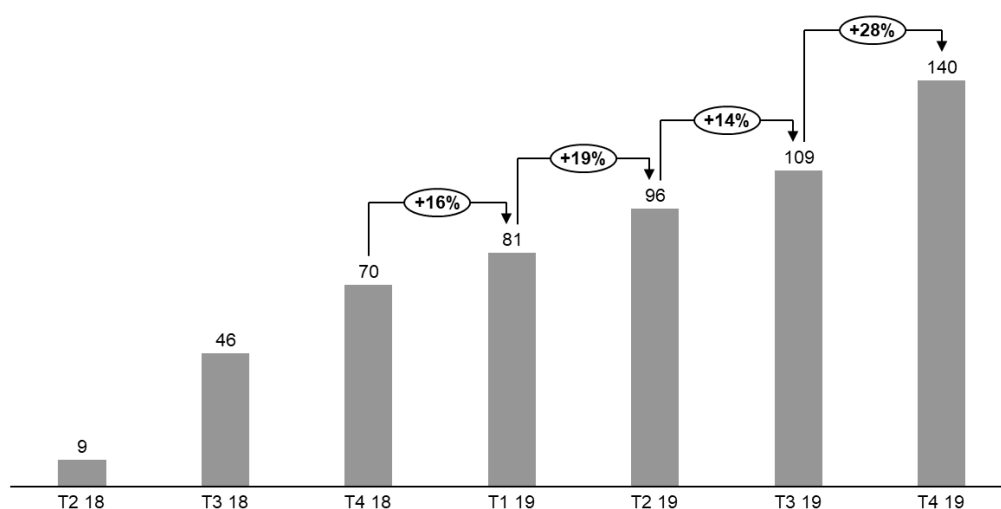
- **Better trends for Fixed services revenues (up 0.4% for the year as a whole, and 3.4% in the fourth quarter).** This reflects the Group's new sales and marketing strategy, the fact that it is no longer dependent on price-slashed deals, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings.
- **An excellent performance from the Mobile business, with a 9% year-on-year rise in revenues invoiced to subscribers (13.2% in the fourth quarter),** stemming from a better subscriber mix, the fact that the Group is no longer dependent on price-slashed deals, automatic switches to standard pricing after a 12-month deal period on mobile plans, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings.

- **Sales of devices up 9.4% to €229 million**, due to the combined impact of a sharp decrease in sales of mobile phones offset by sales of the Freebox Delta Player.
- **EBITDAaL for France up €99 million, or 5.5% year on year.** The positive impacts of the better mobile subscriber mix, higher number of Fiber subscribers and increase in direct mobile network coverage were partially offset by fierce competition and higher costs related to the rollout of the Group's Fiber and Mobile networks.
- **Capex for France (excluding payments for frequencies) amounting to €1.6 billion**, to support the Group's expansion of its Fiber and Mobile networks, its Fiber subscriber connections, its outlay for launching the new Freeboxes and the large-scale switch-on of 700 MHz-compatible equipment.

Italy

- **Very strong pace of net adds, with more than 2.4 million subscribers signed up during the year. Despite fierce competition, Iliad Italia accelerated its subscriber recruitment in the fourth quarter of 2019, with over 740,000 net adds.** By creating a go-to brand, Iliad Italia achieved the most successful launch in Europe for a new entrant since that of Free Mobile in 2012.
- **Total subscribers topping the 5 million mark in the fourth quarter of 2019.**
- **€427 million in revenues** in full-year 2019.

Quarterly revenue growth for Iliad Italia since its launch in May 2018



- **A negative €253 million in EBITDAaL**, primarily reflecting (i) roaming costs due to the larger subscriber base and higher average data usage, and (ii) network costs related to Iliad Italia's 4,000 equipped sites at end-2019, with the majority of these costs borne without initially leveraging any of the benefits that coverage brings.
- **€369 million in capex (excluding payments for frequencies), reflecting the expansion of the Group's mobile network in Italy.** The Group equipped 2,500 new sites during the year, bringing the total number of equipped sites to over 4,000 at end-2019. The number of active sites was over 2,000 at December 31, 2019. By the end of the year, the Group had paid out the full amount of around €450 million due for the purchases of frequencies from Wind/Tre, of which €213 million was paid in 2019.

3 COMPARISON OF RESULTS FOR 2019 AND 2018

<i>In € millions</i>	2019	2018	% change
Revenues	5,332	4,891	+9.0%
Services revenues	5,115	4,692	+9.0%
Purchases used in production	(2,084)	(2,129)	-2.1%
Gross profit	3,249	2,762	+17.6%
as a % of revenues	60.9%	56.5%	+4.4 pts
Payroll costs	(292)	(285)	+2.6%
External charges	(526)	(579)	-9.2%
Taxes other than on income	(104)	(97)	+6.9%
Additions to provisions	(109)	(26)	NM
Other income and expenses from operations, net	(36)	(20)	+79.6%
Depreciation of right-of-use assets	(528)	-	-
EBITDAaL	1,654	1,755	-5.8%
as a % of revenues	31.0%	35.9%	-4.9 pts
Share-based payment expense	(27)	(14)	+90.0%
Depreciation, amortization and provisions for impairment of non-current assets	(1,183)	(1,051)	+12.6%
Profit from ordinary activities	444	690	-35.7%
Other operating income and expense, net	1,683	(10)	NM
OPERATING PROFIT	2,127	680	NM
Finance costs, net	(68)	(46)	+48.9%
Other financial income and expense, net	(75)	(42)	-77.4%
Corporate income tax	(245)	(239)	+2.6%
Share of profit/(loss) of equity-accounted investees	(13)	(23)	+44.2%
PROFIT FOR THE PERIOD	1,726	330	NM

a. Analysis of consolidated results

(a) Key indicators

<i>France</i>	2019	2018	Year-on-year change
Total mobile subscribers	13,313k	13,441k	-1.0%
- Of which on the Free Mobile Unlimited 4G Plan*	8,177k	7,783k	+5.1%
- Of which on the voice-based plan	5,136k	5,658k	-9.2%
Average 4G data usage (in GB per month per subscriber)**	13.9	10.9	+27.5%
Total Broadband and Ultra-Fast Broadband subscribers	6,460k	6,427k	+0.5%
- Of which Fiber	1,760k	983k	+79.0%
Total number of subscribers – France	19,773k	19,868k	-0.5%
Number of connectible Fiber sockets	13,900k	9,600k	+44.8%
	Q4 2019	Q4 2018	
Broadband and Ultra-Fast Broadband ARPU** (in €)	32.6	31.8	+2.5%
Mobile ARPU invoiced to subscribers (in €)***	10.6	9.3	+14.0%
	2019	2018	Year-on-year change
<i>Italy</i>			
Total mobile subscribers	5,281k	2,837k	+86.1%

* 50/100 GB for non-Freebox subscribers.

** See glossary for definition.

(b) Fourth-quarter consolidated revenues

<i>In € millions</i>	Q4 19	Q4 18	% change
Revenues – France	1,251	1,183	+5.8%
- Fixed	666	644	+3.4%
- Mobile	527	482	+9.3%
Of which revenues invoiced to subscribers	425	375	+13.2%
- Devices	59	58	+1.3%
- Intra-group sales – France	(1)	(2)	NM
Revenues – Italy	140	70	+101.2%
Intra-group	(2)	(2)	-
Consolidated revenues	1,389	1,251	+11.0%
Services revenues – France	1,194	1,127	+5.8%
Consolidated services revenues	1,334	1,197	+11.5%

(c) Analysis of results for France

The following table presents income statement data for France (up to “Operating profit”) for the years ended December 31, 2019 and December 31, 2018:

<i>In € millions</i>	2019	2018	% change
Revenues	4,912	4,768	+3.0%
Services revenues	4,689	4,567	+2.7%
Purchases used in production	(1,579)	(2,044)	-23.0%
Gross profit	3,338	2,724	+22.6%
as a % of revenues	68.0%	57.1%	+10.9 pts
Payroll costs	(280)	(277)	+0.9%
External charges	(424)	(500)	-15.2%
Taxes other than on income	(103)	(96)	+7.3%
Additions to provisions	(86)	(26)	NM
Other income and expenses from operations, net	(34)	(17)	+99.3%
Depreciation of right-of-use assets	(505)	-	-
EBITDAaL	1,907	1,807	+5.5%
as a % of revenues	+38.8%	37.9%	+0.9 pts
Share-based payment expense	(26)	(14)	+86.3%
Depreciation, amortization and provisions for impairment of non-current assets	(1,020)	(964)	+5.8%
Profit from ordinary activities	861	830	+3.7%
Other operating income and expense, net	1,298	(11)	NM
Operating profit	2,158	819	NM

(i) Revenues

The tables below show the breakdown of consolidated revenues for France by category for 2019 and 2018 as well as for the fourth quarter of 2019 and 2018:

<i>In € millions</i>	2019	2018	% change
Revenues – France	4,912	4,768	+3.0%
Services	4,689	4,567	+2.7%
Devices	229	209	+9.4%
<i>Intra-group sales</i>	(6)	(8)	NM
Services	4,689	4,567	+2.7%
▪ <i>Fixed</i>	2,640	2,631	+0.4%
<i>Of which Jaguar Network</i>	43	-	NM
▪ <i>Mobile</i>	2,049	1,936	+5.8%
<i>Revenues invoiced to subscribers</i>	1,636	1,498	+9.2%
<i>Other</i>	412	438	-5.9%
Revenues – France excluding Jaguar Network	4,869	4,768	+2.1%

<i>In € millions</i>	Q4 19	Q4 18	% change
Revenues – France	1,251	1,183	+5.8%
Services	1,194	1,127	+5.9%
Devices	59	58	+1.3%
<i>Intra-group sales</i>	(1)	(2)	NM
Services	1,194	1,127	+5.8%
▪ <i>Fixed</i>	666	644	+3.4%
<i>Of which Jaguar Network</i>	11	-	NM
▪ <i>Mobile</i>	527	482	+9.3%
<i>Revenues invoiced to subscribers</i>	425	375	+13.2%
<i>Other</i>	103	107	-4.1%
Revenues – France excluding Jaguar Network	1,239	1,183	+4.8%

Fixed services revenues

Services revenues generated by the Fixed business rose 0.4% to €2,640 million in 2019. After beginning to trend up at the start of the year, the increase continued quarter on quarter, with fourth-quarter revenue growth coming in at 3.4% (1.7% excluding Jaguar Network). The slight overall year-on-year rise was achieved in a less fiercely competitive operating context in the second half of the year than in the first six months. The main factors underlying the performance of Fixed services in 2019 were as follows:

- **Free ended the year with the highest number of FTTH net adds in the market, with 777,000 new subscribers, of which 245,000 in the fourth quarter alone.** This performance demonstrates the success of the Group's overhaul of its rollout and subscriber connection processes, and cements its position as France's leading alternative Fiber operator. By the third quarter of the year, the Group had already exceeded its objective of signing up 500,000 new Fiber subscribers in 2019. More than 27% of the Group's subscribers now have Fiber corresponding to a total of 1.76 million Fiber subscribers at end-December 2019, as well as 13.9 million connectible sockets, i.e., 4.3 million more than one year earlier.
- **The business returned to positive net adds, with 33,000 net new subscribers during the year, reflecting:**
 - **The end of the Group's dependence on price-slashed deals, as well as better price positioning.** The number of subscribers on aggressively promotional deals was more than halved in the space of a year. The Group also regained its competitive edge thanks to the repositioning of its entry-level and mid-range plans launched in June 2018, with a 12-month promotional period now offered as standard.
 - **The excellent performance delivered by Fiber.** With a step-up in the pace of rollouts and the marketing of Free Fiber plans in medium-density population areas covered by co-financing agreements, and on public initiative networks ("PINs"), Fiber continues to be a tool for winning new subscribers, with most of those signing up to Free Fiber being completely new subscribers (i.e. not switching from other plans).
 - **The positive effects of the Freebox Delta launch,** both directly as a result of its stand-out premium positioning, and indirectly thanks to its innovative features and the boost it has given to Free's brand visibility.
- **In parallel, Free offers the best Fiber service quality on the market to its subscribers and the best Fiber speeds,** with an average download speed of over 460 Mbps, according to nPerf. In addition, Free is France's only operator to offer 10G Fiber technology and an upload speed of up to 600 Mbps.
- **Broadband and Ultra-Fast Broadband ARPU rose in the fourth quarter, for the second quarter in a row,** coming in at €32.6, which is 80 euro cents higher than the Q4 2018 figure. The subscriber mix is improving, with a higher proportion of subscribers now on value-added plans, particularly thanks to the Group's more restricted use of flash sales, but also due to the ramp-up of Fiber. The ARPU figure was also pushed up during the period by the inclusion of e-book offerings in some plans.

Mobile services revenues

Mobile services revenues climbed 5.8% to €2.05 billion for 2019 as a whole, propelled by a 9.3% year-on-year increase in the fourth-quarter to €527 million. Growth for revenue invoiced to subscribers was even more robust, coming in at 9.2% for the full year and 13.2% in the fourth quarter. The main factors underlying the performance of Mobile services in 2019 were as follows:

- **A return to positive net adds in the fourth quarter, with 17,000 net new subscribers.**
- **A further improvement in the subscriber mix, despite an intensely competitive environment, with 394,000 new subscribers signing up to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).** The number of subscribers on the €2/month plan (€0/month for Freebox subscribers) decreased in 2019 due to subscribers switching to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), and the effect of market competition. Overall, the mobile subscriber base saw a reduction of 128,000 subscribers during the year. At December 31, 2019, the Group had a total of

13.3 million mobile subscribers, of which 8.2 million were on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).

- **An excellent level of revenues invoiced to subscribers, with 9.2% growth for the year as a whole, and 13.2% in the fourth quarter.** The number of subscribers on price-slashed deals has been reduced seven-fold in the space of a year, mechanically pushing up ARPU, which rose 14% in the fourth quarter to €10.6. This strong performance was due to the Group's decision to restrict its use of flash sales and to its successful strategy of encouraging subscribers to switch from the voice-based plan to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers). The increase in revenues invoiced to subscribers was also partly driven by the positive effects of including e-book offerings in certain plans.
- **A further contraction in other Mobile services revenues, which were down 4.7% year on year** at €417 million. Primarily stemming from interconnections between operators for voice and text message services, these revenues generate low margins and have been adversely affected from a structural standpoint by a decreasing use of text messages as mobile data usage rises.
- **Rapid deployment of 700 MHz frequencies for the 4G network, with some 8,800 sites newly equipped to use these frequencies, significantly enhancing the subscriber experience.** Free Mobile has the best 4G speeds out of France's three alternative operators according to nPerf (average download speed of 44 Mbps), and is the operator that is deploying its 700 MHz frequencies across France at the fastest pace. The average monthly 4G data usage of a Free Mobile subscriber is now 13.9 GB. In line with the development of its 4G network, the Group is continuing to roll out its mobile network across France and at end-2019 had over 17,000 mobile sites altogether.

Devices

Sales of devices advanced 9% to €229 million for full-year 2019, but remained relatively stable in the fourth quarter, at €59 million. This performance reflects two contrasting trends: mobile phone sales continued to retreat significantly, due to the Group's stricter policy for phone rentals since 2018, but this was offset by the revenues generated from sales of the Freebox Delta Player.

(ii) Gross profit

Gross profit for France amounted to €3,338 million and was up by almost 11 percentage points on 2018 as a percentage of revenues.

The main reason for the year-on-year growth was the first-time application of IFRS 16, but it was also driven by (i) lower roaming costs resulting from higher traffic volumes carried directly on the Group's own network, (ii) a better mobile subscriber mix, and (iii) savings on unbundling costs stemming from the increase in the Fiber subscriber base. However, as a percentage of revenues, gross profit for the year was negatively impacted by the sharp increase in sales of devices, which generate low margins for the Group.

(iii) Payroll costs

Excluding Italy, the Group's headcount was 10,600 at December 31, 2019, representing an increase of nearly 800 compared with December 31, 2018.

The rise was due to (i) the integration of Jaguar Network's employees, (ii) new hires to support the Group's faster pace of Fiber rollouts and connections, and (iii) new recruits for the mobile and hosting businesses and the expansion of the distribution network.

Despite the higher headcount, payroll costs rose only slightly year on year, reflecting the fact that a portion of the Group's payroll costs are capitalized, notably costs related to Fiber rollouts and connections.

(iv) External charges

External charges contracted by 15.2% to €424 million in 2019, directly attributable to the first-time application of IFRS 16. Excluding the impact of IFRS 16, external charges were higher than in 2018 as a result of (i) over 2,500 mobile sites being deployed in 2019, and (ii) the faster pace of Fiber rollouts and connections (a near-45% increase in the number of connectible sockets in the space of a year and an 80% rise in the Fiber subscriber base). These factors led to additional expenses, such as rental, maintenance, energy, insurance, sub-contracting and easement costs.

(v) Taxes other than on income

Taxes other than on income edged up to €103 million, owing to the larger number of mobile sites.

(vi) Additions to provisions

Additions to provisions for bad debts, impairment of inventories, and contingencies and charges totaled €86 million in 2019. The main amounts recognized during the year related to provisions for bad debts and for claims and litigation.

(vii) Other income and expenses from operations, net

This item represented a net expense of €34 million in 2019.

(viii) Depreciation of right-of-use assets

Depreciation of right-of-use assets amounted to €505 million in 2019. This new income statement item derives from IFRS 16, Leases, which the Group applied for the first time at January 1, 2019, using the retrospective approach without restating comparative prior periods.

(ix) EBITDAaL

EBITDAaL generated in France rose 5.5% to €1.91 billion, representing an EBITDAaL margin of 38.8%, up 0.9 points on 2018.

2019 was the first full year to see the beneficial impact of the Group's transformation plan launched in 2018, which has entailed overhauling its business model and sales and marketing strategy as well as increasing the independence of its networks.

The results of this plan can be seen in the faster pace of Fiber rollouts and connections, and a better mobile subscriber mix with more subscribers on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers). At the same time, the launch of the new Freeboxes has led to sales of devices, which have a dilutive impact on margins.

The main factors affecting EBITDAaL generated in France in 2019 were as follows:

■ **Positive factors:**

- **A significant operating leverage effect** stemming from the €138 million year-on-year increase in mobile services revenues invoiced to subscribers.
- **Large-scale opening of sites newly equipped for 700 MHz frequencies and continued rollouts of new sites, giving the Group better mobile coverage.** This enabled the Group to use roaming services less and switch more subscribers to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).
- **An increase in the total number of Fiber subscribers** to 1.76 million, resulting in operating cost savings in very densely populated areas. This positive effect is beginning to feed through to gross profit and therefore to EBITDAaL.

- **The inclusion of digital books in some of the Group's fixed and mobile plans in February 2019**, which pushed up ARPU and EBITDAaL.

■ **Negative factors:**

- **The higher number of mobile sites**, meaning higher rental and energy costs.
- **The ongoing rollout of the Group's Fiber network**, generating more maintenance and rental costs.
- **Fierce competition**, which, although less intense than in 2018, nevertheless eroded the subscriber base at the beginning of the year, especially in the Mobile business, and therefore drove down the related margins, as did the impact of promotional deals.
- **Dilutive impact on EBITDAaL margin of increased sales of devices** due to sales of the Freebox Delta Player.

(x) Profit from ordinary activities

Profit from ordinary activities in France advanced 3.7% to €861 million in 2019. The year-on-year increase reflects the rise in EBITDAaL, which more than offset the higher depreciation and amortization expenses deriving from the extension of the Group's Fiber and mobile networks and, to a lesser degree, the exercise of stock options by employees.

(d) Analysis of results for Italy

The following table presents a simplified income statement for the Italy segment for 2019 and 2018.

<i>In € millions</i>	2019	2018⁽¹⁾	% change
Revenues – Italy	427	124	+241.7%
Gross profit/(loss)	(87)	39	NM
EBITDAaL	(253)	(52)	NM
<i>as a % of revenues</i>	<i>(59.2%)</i>	<i>(42.0%)</i>	<i>-17.2 pts</i>
Profit/(loss) from ordinary activities	(417)	(139)	NM
Operating profit/(loss)	(31)	(139)	NM

(1): Seven months of operations in 2018.

(i) Revenues

Revenues generated by the Group in Italy totaled €427 million for 2019 as a whole, and €140 million in the fourth quarter. The main factors underlying performance in Italy in 2019 were as follows:

- **An excellent sales performance throughout the year, with over 2.4 million net adds, including 740,000 in the fourth quarter.** The Group had a total of 5.3 million subscribers in Italy at end-December 2019, just 18 months after launching its mobile operations there.
- **An even faster pace of net adds in the fourth quarter, which was achieved despite competitors launching targeted and more aggressively-priced offerings, clearly demonstrating the strength of the Iliad Italia brand.** The Group has seen its popularity soar in Italy, and in a number of surveys it is ranked as the country's favorite telecom brand.

- **Continued rollout of the mobile network, with the pace particularly stepped up in the second half of the year. Over 2,500 new sites were equipped in 2019, bringing the total number of equipped sites in Italy to 4,000 at December 31**, well above the Group's objective of having 3,500 by that date. The Group also started carrying some of its mobile traffic on its own network, thanks to the 1,200 sites it activated during the second half.
- **Further expansion of the Italian distribution network.** At December 31, 2019, the Group's Italian business had a total of 14 stores and more than 800 Simboxes located in 300 busy catchment areas.

(ii) EBITDAaL

The Italy segment ended 2019 with negative EBITDAaL of €253 million.

This operating loss was due to the following factors:

- **Higher roaming costs** attributable to the success of the Group's mobile offerings in Italy, which led to an increase in both the subscriber base and mobile data usage.
- **Expenses related to the Group's mobile network** (which comprised over 4,000 equipped sites at end-December 2019), mainly corresponding to rental costs.
- **Interconnection costs.**
- **Marketing and advertising costs, and structural expenses** such as payroll costs and subscriber relations costs.

(iii) Profit/(loss) from ordinary activities

The Group's Italian operations generated a €417 million loss from ordinary activities in 2019, including the depreciation/amortization expense for the network's components and frequencies.

b. Consolidated cash flows and capital expenditure

<i>In € millions</i>	2019	2018	% change
Consolidated cash flows from operations	2,186	1,693	+25.8%
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(585)	-	NM
Change in working capital requirement	(106)	31	NM
Operating free cash flow after IFRS 16	1,496	1,725	-13.2%
Capital expenditure – France (excluding payments for frequencies)	(1,607)	(1,555)	+3.3%
Capital expenditure – Italy (excluding payments for frequencies)	(369)	(261)	+41.4%
Income tax paid	(340)	(306)	+11.1%
Other	1,502	(441)	NM
Consolidated free cash flow (excluding payments for frequencies, financing activities and dividends)	682	(839)	NM
Capital expenditure – payments for frequencies – France	(27)	(263)	NM
Capital expenditure – payments for frequencies – Italy	(225)	(342)	-34.2%
Consolidated free cash flow (excluding financing activities and dividends)	430	(1,444)	NM
Dividends	(59)	(40)	+47.5%
Cash and cash equivalents at end of year	1,590	173	NM

Consolidated free cash flow

In 2019, the Group pursued its capex programs focused on rolling out its Fiber and mobile networks in France and its mobile network in Italy, enabling it to become more autonomous and increase its profitability while at the same time enhancing its subscriber service quality. Altogether in 2019, the Group invested €1.98 billion in its networks, and €252 million for the purchase of frequencies in France and Italy.

The year-on-year change in consolidated free cash flow mainly reflects the following:

- €2.19 billion in consolidated cash flows from operations, before €585 million in lease payments and interest expense on lease liabilities recognized on the first-time application of IFRS 16. Adjusted for the impact of IFRS 16, consolidated cash flow from operations contracted by 13%, with the year-on-year increase in France offset by operating losses in Italy.

- A €106 million negative change in working capital requirement, primarily due to the increase in revenues in Italy as well as to Italy's VAT repayment schedule.
- A 3% increase in capital expenditure for France to €1.61 billion, slightly higher than the Group's objective of a figure on par with 2018. In 2019, the Group broadened its Fiber footprint, deploying over 4.3 million new connectible sockets and connecting up more than 777,000 new Fiber subscribers. It also opened over 8,800 sites equipped for 700 MHz frequencies and extended its mobile network, which comprised over 17,000 sites at December 31, 2019.
- €369 million invested in the Italian network and MOCN agreement and €225 million paid for the purchase of frequencies from Wind/Tre as part of the EU remedy package. At end-2019, the Group had paid the full amount of approximately €450 million due for the frequencies purchased from Wind/Tre.
- €340 million in income tax paid.
- Other: including (i) an inflow from the deals in France and Italy with Cellnex (net of outflows and fees related to the transaction), (ii) the outflow for the Group's acquisition of a stake in Jaguar Network, and (iii) outflows for the Group's purchase of Iliad shares on the market.

Net change in cash and cash equivalents

The Group ended the year with €1.59 billion in available cash and cash equivalents.

c. Consolidated debt

The Group is not subject to any liquidity risk or the risk of breaching financial covenants (ratios, targets, etc.).

At December 31, 2019, it had gross debt of €5,202 million and net debt of €3,609 million (excluding the impact of IFRS 16). The Group now has an extremely high level of liquidity due to the sale proceeds recognized in December 2019 on the close of the deal with Cellnex, as well as favorable borrowing conditions.

It is therefore in a position to pursue its strategy of investing in major industrial projects that will generate substantial future cash flows, while maintaining a solid financial structure. At December 31, 2019, the Group's leverage ratio was 2.18x EBITDAaL.

The Group's gross debt primarily comprised the following at December 31, 2019:

(a) Borrowings due within one year

- A €1.4 billion NEU CP program.

The Group has set up a short-term NEU CP program, whose maximum amount was increased on September 16, 2019 by €400 million to €1.4 billion. At December 31, 2019, €995 million of this program had been used.

- Loans granted by the European Investment Bank (EIB)

The EIB has granted Iliad several loans in order to help finance the rollout of its ADSL and Fiber networks. These loans are repayable in installments and have long maturities. At December 31, 2019, the Group had the following EIB loan due within one year:

- a €150 million loan granted in 2010 with the final installment due in July 2020;

(b) Borrowings due beyond one year

Bank borrowings

■ Loans granted by the European Investment Bank (EIB)

The EIB has granted Iliad several loans in order to help finance the rollout of its ADSL and Fiber networks. These loans are repayable in installments and have long maturities. At December 31, 2019, the Group had the following EIB loans due beyond one year:

- a €200 million loan granted in 2012 with the final installment due in May 2022;
- a €200 million loan granted in 2016 with the final installment due in September 2030 (on January 31, 2020 the Group requested to early repay the full outstanding amount of this loan, which was approved on February 5, 2020 with the repayment taking effect on February 28, 2020);
- a €300 million loan granted in 2018 with the final installment due in December 2032;

■ Loans granted by KfW IPEX-Bank

KfW IPEX-Bank has granted Iliad several loans in order to help finance the rollout of its Fiber and mobile networks in France and Italy. These loans – which are repayable in installments and have long maturities – were as follows at December 31, 2019:

- a €90 million loan granted in 2017 with the final installment due in March 2028;
- a €150 million loan granted in 2019 with a final maturity of up to April 2030, unused at December 31, 2019.

The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.20% per year depending on the Group's leverage ratio.

■ A €500 million syndicated credit facility maturing in 2023

The Group had a €500 million syndicated credit facility with a pool of international banks, originally set up on January 8, 2016 and renewed on July 16, 2018. This credit facility – which takes the form of a term loan – matures in 2023. On December 24, 2019, the Group requested to early repay the full outstanding amount of this facility, and the repayment took effect on January 9, 2020.

■ A €1,650 million syndicated revolving credit facility maturing in 2025

The Group has a €1,650 million syndicated revolving credit facility set up with a pool of international banks, with a final maturity of up to 2025. None of this facility had been drawn down at December 31, 2019 and it was therefore still available in full.

The applicable interest rate is based on Euribor for the period plus a margin of between 0.25% and 1.20% per year depending on the Group's leverage ratio.

■ A €50 million bilateral credit facility maturing in 2023

On November 29, 2018, the Group set up a five-year €50 million bilateral credit facility with a bank. The facility was repayable at maturity.

On January 16, 2020, the Group requested to early repay the full outstanding amount of this facility, and the repayment took effect on January 27, 2020.

The Group's bank borrowings are subject to financial covenants based on its leverage ratio. None of these covenants had been breached at December 31, 2019.

Bonds

■ €650 million worth of bonds maturing in 2022

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

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

■ €650 million worth of bonds maturing in 2024

On October 5, 2017, the Group issued €650 million worth of bonds which pay interest at 1.5% per year.

The bonds will be redeemed at face value at maturity on October 14, 2024.

■ €1,150 million worth of bonds issued in two tranches

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.

Schuldschein notes

On May 22, 2019, iliad carried out a *Schuldscheindarlehen* issue (*Schuldschein* notes), raising a total of €500 million in six tranches:

- three fixed-rate tranches totaling €175 million, paying interest at 1.400%, 1.845% and 2.038%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively;
- three variable-rate tranches totaling €325 million, with lending margins of 1.40%, 1.70% and 1.80%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively.

Summary of the Group's borrowings due beyond one year:

<i>In € millions</i>	Maturity	Type of repayment/redemption	Total amount of financing	Amount used	Amount available
<u>Bank borrowings</u>					
EIB - 2012	May 2022	In installments	200	83 ¹	-
EIB - 2016	September 2030	In installments	200	200	-
EIB - 2018	December 2032	In installments	300	300	-
KFW - 2017	May 2029	In installments	90	85	-
KFW - 2019	October 2030	In installments	150	-	150
Bilateral credit facility	November 2023	At maturity	50	50 ²	-
Syndicated term loan - 2016	July 2023	At maturity	500	500 ³	-
Syndicated revolving credit facility - 2015	July 2024	At maturity	1,650	-	1,650
<u>Bonds</u>					
Ordinary bonds - 2015	December 2022	At maturity	650	650	-
Ordinary bonds - 2017	October 2024	At maturity	650	650	-
Ordinary bonds - 2018	November 2021 and April 2025	At maturity	500 and 650	1,150	-
<i>Schuldschein</i> notes	May 2023, 2026 and 2027	At maturity	500	500	-

^{1, 2, 3} The full amount of these loans/facilities were repaid early, on February 28, January 27 and January 9, 2020, respectively, and were accordingly reclassified within borrowings due within one year.

d. Ownership structure at December 31, 2019

At December 31, 2019, Iliad's share capital was made up of 59,162,081 ordinary shares, held by the following shareholders:

- Executive Management: 33,316,649 shares, representing 56.31% of the share capital.
- Public: 25,073,890 shares, representing 42.38% of the share capital.
- Treasury shares: 771,542 shares, representing 1.30% of the share capital.

At December 31, 2019 there were:

- Two Iliad stock option plans in place with a total of 265,271 shares under option.
- Three share grant plans in place representing a potential 869,310 new Iliad shares.

2 ADDITIONAL INFORMATION

a. Strategic objectives

In addition to the human impact, the current coronavirus epidemic will generate an economic slowdown in certain regions. The social and financial impacts for the Iliad Group are currently limited. Nevertheless, the epidemic could impact the Iliad Group and its objectives, as is the case for all companies in the telecommunications sector. Possible impacts include the shortage of certain electronic components and a slower rollout of Fixed and Mobile networks.

France

- Fixed:
 - Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term.
 - Have 2 million Fiber subscribers by 2020 and 4.5 million by 2024.
 - Have 22 million connectible Fiber sockets by end-2022 and around 30 million by end-2024.
- Mobile:
 - Have more than 80% of the subscriber base signed up to the Free Mobile Unlimited 4G Plan² by 2024.
 - Have over 25,000 sites by 2024.
 - Achieve a 25% share of the mobile market in the long term.
- B2B:
 - Obtain a B2B market share of around 4% to 5% by 2024.
 - Generate B2B revenues of between €400 million and €500 million by 2024.
- Financial targets:
 - EBITDAaL margin in France (excluding B2B and sales of devices) of over 40% in 2020.
 - EBITDAaL less CAPEX figure in France (excluding B2B activities) of more than €800 million in 2020 and around €1 billion in 2021.

Italy

- Have around 5,000 active sites by end-2020.
- Based on this target number of active sites, we expect EBITDAaL losses to be lower in 2020 than in 2019.
- Have rolled out between 10,000 and 12,000 sites by end-2024.
- Achieve EBITDAaL break-even with a market share of less than 10%.
- Generate €1.5 billion in revenues in Italy in the long term.

² 50/100 GB for non-Freebox subscribers.

b. Events after the balance sheet date

- On January 16, 2020, Iliad announced the results of its public share buyback offer launched on November 12, 2019. This offer – which ran from December 23, 2019 to January 13, 2020 (inclusive) – gave shareholders the possibility of selling their Iliad shares back to the Company at a price of €120 per share, subject to an overall ceiling of 11,666,666 shares. As the total number of shares tendered to the buyback offer, i.e., 15,239,719, was in excess of the maximum 11,666,666 that Iliad had undertaken to repurchase, the number of shares in the buyback requests was reduced proportionately in line with shareholders' ownership interests in the Company (in accordance with Article R. 225-155 of the French Commercial Code). Consequently, Iliad repurchased 11,666,666 of its own ordinary shares, representing 19.7% of its share capital. The buyback offer was fully financed by a capital increase carried out via a share issue on the open market, for which existing shareholders did not have pre-emptive subscription rights but were given a priority subscription period. As a result of this capital increase, the buyback offer had no impact on Iliad's debt or on its earnings per share because the repurchased shares were subsequently canceled.

The share issue – which was launched on January 20, 2020 and represented the same amount as the share buyback offer – was open to all Iliad shareholders and was fully guaranteed by Xavier Niel (via a company wholly controlled by Xavier Niel). The results of the share issue – which were published on January 27, 2020 – were that 10.7 million new shares were purchased directly and indirectly by Xavier Niel, and the remaining 940,888 new shares were purchased by other shareholders.

- On February 28, 2020, Iliad S.A. announced that in accordance with the agreement announced on September 3, 2019, it had closed its strategic partnership deal with InfraVia (a French private equity firm specialized in infrastructure) through the sale to InfraVia of 51% of Investissements dans la Fibre de Territoires (IFT), based on a full enterprise value for IFT of €600 million. Formed specifically for the purpose of this partnership, IFT is a company dedicated to actively managing fiber lines. In particular, it is tasked with acquiring and operating the Group's co-financed FTTH tranches outside very densely populated areas of France. Under a very long-term service agreement, IFT provides Free with all access and information services for the co-financed sockets concerned and will also be able to offer the same services to third-party operators.

c. 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 switching from one offer to another or cancellation fees), divided by the total number of Broadband and Ultra-Fast Broadband subscribers invoiced for the last month of the quarter.

Broadband and Ultra-Fast Broadband subscribers: Subscribers who have signed up for the Group's ADSL, VDSL or Fiber offerings.

Connectible Fiber socket: A socket for which the link between the shared access point and the optical splitter has been put in place by the building operator, which the Group can access in accordance with its co-financing commitments, and for which the connection to the Group's network has been completed or is in progress.

EBITDAaL: profit from ordinary activities before depreciation, amortization and impairment of property, plant and equipment and intangible assets, and impact of stock option-/share-based payment expense.

FCF: Free cash flow.

Fiber: 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 EBITDAaL.

M2M: Machine to machine communications.

Mobile ARPU invoiced to subscribers: includes revenues invoiced to subscribers divided by the total number of Mobile subscribers during the period.

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

Net debt: Difference between short- and long-term financial liabilities, and available cash and cash equivalents as presented in the balance sheet.

Revenues invoiced to subscribers: Revenues generated from services invoiced directly to subscribers (services included in subscribers' mobile plans as well as additional services).

Services revenues: Revenues excluding sales of devices.

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 – France: 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.

Total mobile subscribers – Italy: Represents, at the end of a period, the total number of subscribers, identified by their telephone lines, who have subscribed to an Iliad Italia mobile offering and who have issued or received at least one communication during the preceding three months.

Unbundled subscribers: Subscribers who have signed up for the Group's ADSL, VDSL or Fiber offerings through a telephone exchange unbundled by Free.