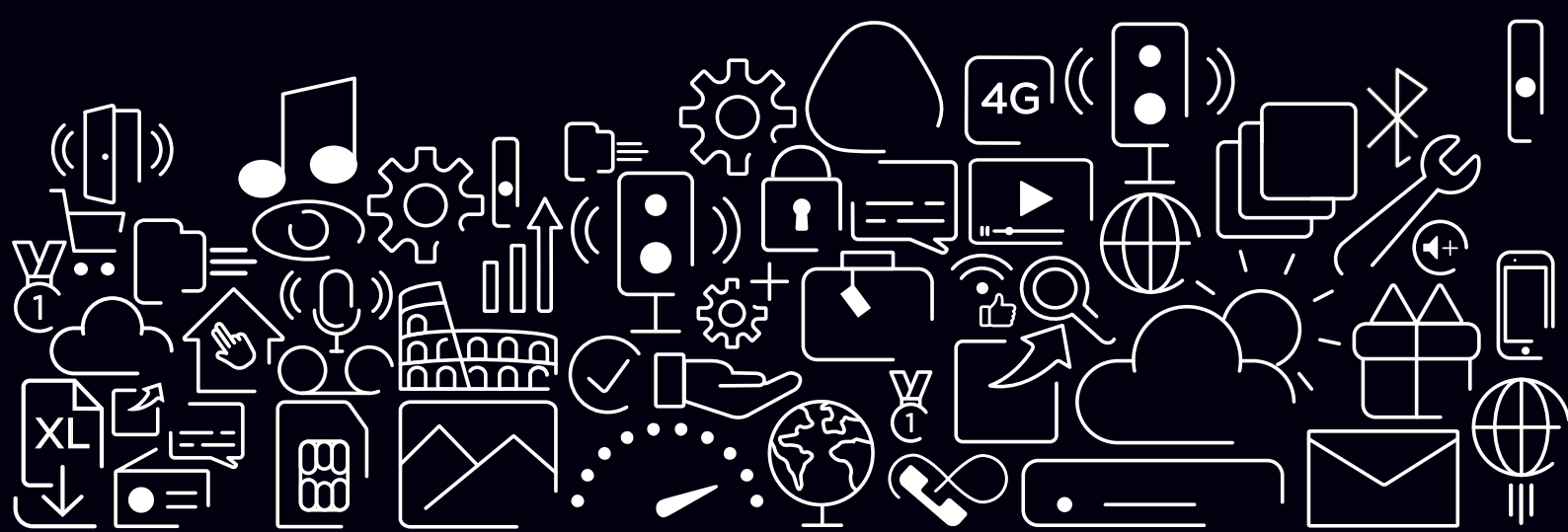
iliad

# 2018 REGISTRATION DOCUMENT ANNUAL FINANCIAL REPORT



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# 2018 REGISTRATION DOCUMENT

## ANNUAL FINANCIAL REPORT

**This Registration Document contains all of the requisite items for the Annual Financial Report**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In accordance with the General Regulations of the *Autorité des Marchés Financiers* (AMF), including Article 212-13, the original French version of this Registration Document was filed with the AMF on April 16, 2019.

This Registration Document may not be used in support of a financial transaction unless it is accompanied by a note d'opération (offering circular) approved by the AMF.

The English language version of this document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein the original language version of the document in French takes precedence over this translation.

Copies of this Registration Document can be obtained free of charge from the Company's registered office (16, rue de la Ville l'Évêque – 75008 Paris, France – Tel.: +33 1 73 50 20 00) and may also be viewed on the Company's website **(www.iliad.fr)** as well as on the website of the AMF **(www.amf-france.org)**.

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# 1.1 THE ILIAD GROUP

## INTRODUCTION

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 landline narrowband Internet Service Provider to an integrated landline and mobile Ultra-Fast Broadband operator. It has some 20 million subscribers in France and 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 2.8 million subscribers in just seven months. Consequently, in the space of 20 years, the Iliad Group has become one of the leading electronic communications players in France and Italy, with some 23 million subscribers and more than 10,000 employees, and generating around €4.9 billion in revenues.

Iliad S.A. (the "Company") 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 business in Italy, the Group now has two geographic segments:

- **France**

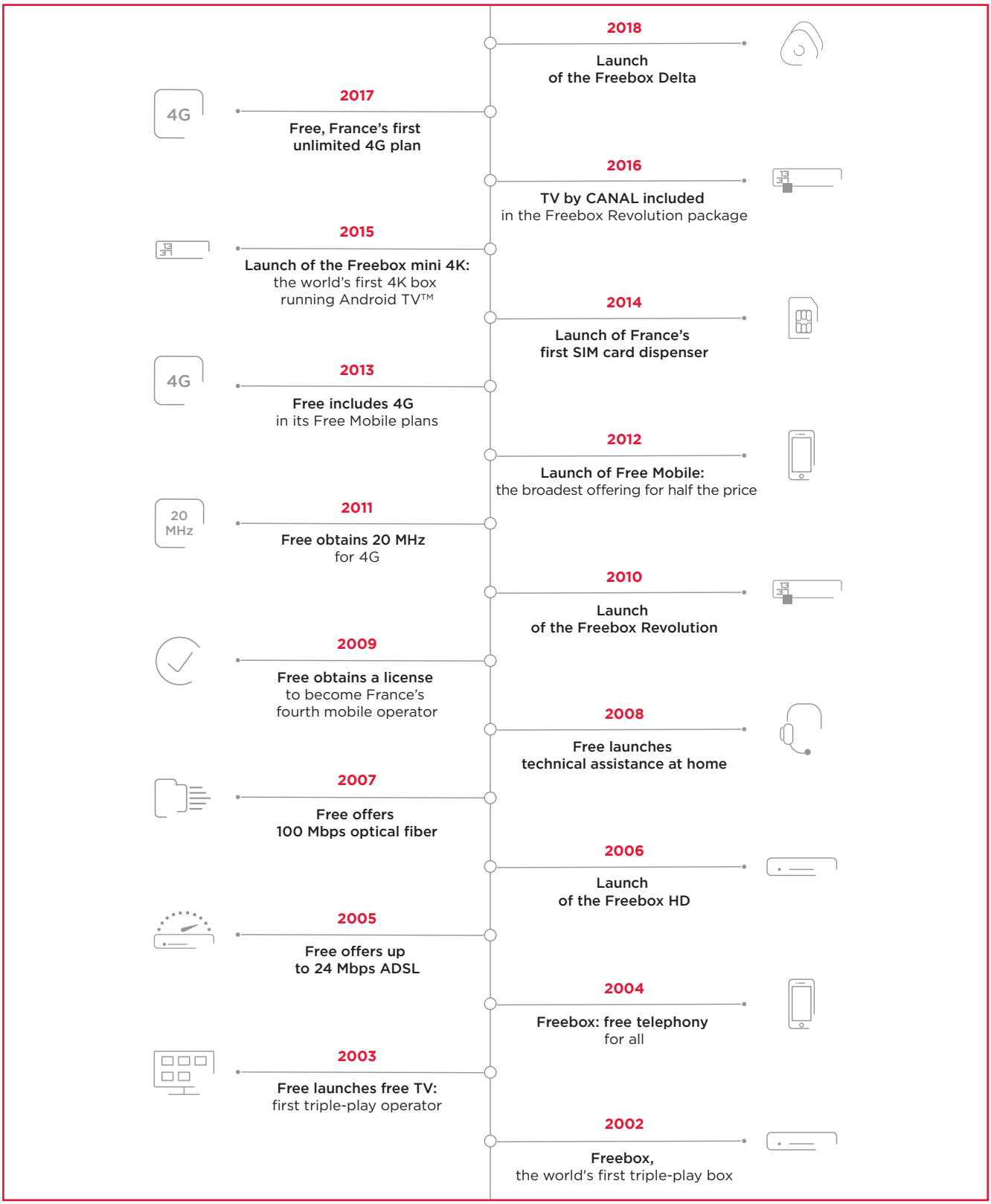
The France segment comprises the Group's historical operations, namely landline Broadband and Ultra-Fast Broadband under the Free brand, and Mobile operations under the Free Mobile brand.

- **Italy**

The Italy segment comprises the Group's operations in Italy, following the launch of its mobile operations on May 29, 2018.

## 1.1.1 FROM AN INTERNET SERVICE PROVIDER TO AN INTEGRATED OPERATOR (LANDLINE AND MOBILE) – THE GROUP'SMILESTONES

Since its formation in 1991, thanks to its expertise in electronic communications networks and the commercial appeal of its retail offerings marketed under the Free brand, the Group has become a major Internet and electronic communications player (landline and mobile) in France.



## A leading Internet service provider in France

In April 1999, Free entered the Internet service provider (ISP) market with a straightforward, no-subscription offering. This commercial strategy was at first based solely on providing "Pay-as-you-go" access and enabled Free to win a large share of the dial-up market with relatively low advertising outlay compared to its competitors. Free has capitalized on the different nuances of its brand name, transforming it from a name implying that the offering is free of charge into a name associated with high-quality paid services and the freedom offered to users of these services.

After completing the rollout of its electronic communications network and interconnecting with the incumbent operator's network in April 2001, Free was in a position to control the cost structure of an offering based on Internet connection time. It therefore launched an attractive and profitable dial-up package, charging a flat fee of €14.94 for 50 hours of Internet usage per month. Following the October 2002 launch of Free's ADSL Broadband offering for €29.99 per month, the Group gradually positioned itself as a major player in the French landline telecommunications market.

When it launched its first mobile offerings in 2012, the Group became an integrated operator present in both the landline Broadband and Ultra-Fast Broadband and mobile segments.

In the 20 years since its beginnings, Free has managed to keep all of the elements that have always set it apart – straightforward offerings, attractive pricing and recognized technical quality.

## Local loop unbundling and the rollout of the FTTH network: key strategies for the profitable growth of the Group's Landline business

### Local loop unbundling

The unbundling of the local loop is a technical operation which allows operators to have direct access to their subscribers and thereby free themselves to a large extent from their dependence on the incumbent operator's network. Local loop unbundling (LLU) is vital for the Group's ADSL and VDSL services, as this enables it to take full advantage of the density and quality of its own network and to set up end-to-end management of the infrastructures connecting it to its subscribers.

LLU allows the Group to offer its subscribers attractive prices and a competitive range of services, providing high transmission speeds combined with telephony and audiovisual services for subscribers with a Freebox modem. LLU is a key element for the Group's profitability due to the high margins that can be generated. Most of the recurring charges paid to the incumbent operator concerning the unbundled local loop relate to the rental of equipment used for connecting the subscriber's modem to the corresponding DSLAM belonging to the Group.

### Rollout of the fiber-to-the-home (FTTH) 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 or 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 FTTH rollout is a logical extension of the Iliad Group'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.

In view of the above ARCEP decision, the Group is rolling out its own FTTH infrastructure in very densely populated areas, which involves:

- 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 loops, the Group directly owns all of its fiber-to-the-home (FTTH) 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.

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

**(ii) Outside very densely populated areas**

In non-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.

**Private co-financed areas (approximately 14 million lines)**

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. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve, through purchases of 5% tranches. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node.

The Group has subsequently extended its co-financing commitments in line with the progress of the incumbent operator's rollouts so that it has FTTH coverage in all of the geographic areas in which the incumbent operator has deployed an FTTH network.

The Group has also signed an access agreement based on co-financing along the same principles with the second operator responsible for deployments in these areas and, as part of this agreement, has undertaken to co-finance the network in several urban areas.

Public Initiative Networks (PINs) in the rest of France

FTTH networks are rolled out in PIN areas in a number of ways, which may require entering into agreements with the public bodies in charge of rolling out the networks or with the private entities that market them. Since 2017, the Group has entered into a number of framework agreements with operators marketing FTTH lines in PIN areas, including Axione, Orange for the Mayenne *département* and Altitude. The Group has also signed agreements directly with public bodies such as Auvergne Très Haut Débit and Vendée Numérique. Under these agreements, the Group can access the networks by leasing the individual lines used, or through co-financing under conditions similar to those applicable in private co-financed areas outside very densely populated areas. The Group has pledged to co-finance some or all of the rollouts in the Aisne, Vaucluse and Vendée *départements,* as well as the *départements* of former regions Nord-Pas-de-Calais and Auvergne (France recently redrew its internal borders, reducing the total number of regions). And in January 2019, it signed a partnership agreement with Covage covering 1.4 million FTTH sockets, which will be deployed by 2023.

Outside very densely populated areas, the Group occasionally has to make a choice between co-financing and rental, in order to optimize its capital expenditure.

## Becoming an integrated operator thanks to the mobile network rollout

### A comprehensive and enriched frequency portfolio

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France by acquiring the following frequencies:

- 5 MHz duplex in the 1,800 MHz frequency band freed up by Bouygues Telecom as part of the refarming process defined by ARCEP in its December 16, 2014 decision. The frequencies concerned gradually became available during the first half of 2015 and have been fully available throughout France since July 1, 2015;
- an additional 10 MHz duplex in the 1,800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz was freed up for the Group's use throughout Metropolitan France on May 25, 2016;
- 10 MHz obtained on November 17, 2015 following the national auction for spectrum in the 700MHz frequency band. This spectrum will be made available gradually on a region-by-region basis starting with the Ile de France region in April 2016 and followed by a further region each quarter from January 1, 2018 through July 1, 2019 (when the frequency in the final region will be freed up). These frequencies were acquired for a total of €933 million, payable in four installments, the last of which was paid in December 2018.

Consequently, the Group now has a total portfolio of 55 MHz duplex (which will be increased to 68.5 MHz following the reallocation process described below for frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands), 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. As mentioned above, Free Mobile already has a license to use frequencies in the 1,800 MHz band.

Only France's four national operators participated in this reallocation procedure and all applicants for the available licenses were required to accept a number of regional digital development obligations.

ARCEP's decision on the reallocation of the frequencies was made on November 15, 2018, and as a result the Group will have 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.

### Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see Section 1.3 above) and putting in place a specific organizational structure to effectively manage and oversee the network rollout process (seeking out sites, undertaking discussions with all types of lessors, carrying out administrative and regulatory procedures, performing installation works and ensuring compliance with the related safety rules, and monitoring the operation and maintenance of radio equipment at sites where it has been installed).

The depreciation/amortization periods applied for the main assets brought into service in 2018 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.

## Becoming Italy's fourth mobile operator

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 Group a balanced portfolio of 2 x 35 MHz 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 these frequencies was €450 million, staggered between 2017 and 2019. At December 31, 2018, the Group had already paid a total of €243 million.

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 its 2018 Finance Act published in late 2017, the Italian government issued its procedures for the assignment of 700 MHz frequencies as well as the 3,600 MHz-3,800 MHz and 26GHz-27GHz frequencies that will be used for 5G. The results of the spectrum auction were announced in October 2018, and the Group was allocated the following (for a total of €1,193 million):

- 2 x 10 MHz 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.

The total purchase price of the frequencies was €1,193 million. In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the amount due is payable in installments over the period 2018-2022 as follows:

| *In € millions* | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Installment | 144 | 9 | 55 | 27 | 959 |

## 1.1.2 SIGNIFICANT EVENTS OF 2018 AND KEY FIGURES

### SELECTED FINANCIAL INFORMATION

| *In € millions* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **INCOME STATEMENT** | | |
| Total revenues | 4,891 | 4,860 |
| **Revenues excluding sales of terminals** | **4,689** | **4,615** |
| **EBITDA** | **1,755** | **1,777** |
| Profit from ordinary activities | 690 | 862 |
| Profit for the period | 330 | 405 |
| **BALANCE SHEET** | | |
| Non-current assets | 9,959 | 7,424 |
| Current assets | 1,277 | 972 |
| *Of which cash and cash equivalents* | *181* | *216* |
| Assets held for sale | 15 | 20 |
| **Total assets** | **11,252** | **8,416** |
| Total equity | 3,606 | 3,374 |
| Non-current liabilities | 4,974 | 2,882 |
| Current liabilities | 2,671 | 2,160 |
| **Total equity and liabilities** | **11,252** | **8,416** |
| **CASH FLOWS** | | |
| Cash flows from operations | 1,693 | 1,737 |
| Capital expenditure – France | (1,555) | (1,460) |
| Capital expenditure – Italy | (261) | (43) |
| Capital expenditure – frequencies* | (605) | (528) |
| Net change in cash and cash equivalents – Group (excluding change in Net debt and dividends) | (1,444) | (754) |
| Dividends | (40) | (26) |
| Net debt | 3,983 | 2,449 |

* *Including €342 million in Italy (second installment paid to Wind Tre and first installment of the 5G spectrum auction) and €263 million in France (including the last installment relating to the acquisition of 700 MHz frequencies).*

In accordance with IFRS 15, €21.4 million has been reclassified from "Capital expenditure – France" to "Cash flows from operations" for 2017.

## Key figures for 2018

### Group

- **Consolidated revenues were up by 0.6% to €4.9 billion. Excluding sales of terminals, growth came in at 1.6%.**
- **Successful launch of Iliad Italia and firm economic resistance in France thanks to the performance of the Mobile business.**
- **Continued solid financial structure**, with a Leverage ratio of 2.3x EBITDA and a significant level of liquidity.

### France

*2018 operational information*

- **Success for the differentiation strategy put in place by the Group in both the Landline and Mobile businesses:**
  - **nearly two-fold increase in the total FTTH subscriber base** to 983,000 at end-2018,
  - **722,000 net adds for the Free Mobile Unlimited 4G Plan** (50/100 GB for non-Freebox subscribers), i.e., 7.8 million subscribers at end-December 2018;
- **Sales performance nevertheless impacted by a fiercer competitive environment in 2018:**
  - contraction in the subscriber base for the €2/month mobile plan (€0/month for Freebox subscribers) and for the Landline business due to the expiry of promotions,

- **a major player in digital transformation, the Group has stepped up its landline and mobile rollouts, making it the leading Alternative operator** of latest-generation networks:
  - **more than 50% increase in FTTH coverage** over the year, to nearly 10 million connectible sockets; the Group's fiber offerings are now available in over 90 *départements*:
    - **best average speed on fiber** for the year[1], with an average download speed of 453 Mbps;
  - **the Group is maintaining the unprecedented pace of its Mobile network rollout**, with nearly 2,400 new sites brought into service in 2018. In February 2019, Free passed the milestone of 15,000 base stations, giving it a coverage rate of over 96% of the French population. Its efforts to develop the shared passive mobile infrastructure offering with other operators continue:
    - **best Alternative operator in terms of average download speed for 4G**[2] – 45 Mbps – more than 30% faster than France's two other Alternative operators. The strong performance of the Group's 4G network is reflected in the average monthly data usage per 4G subscriber, which was 10.9 GB in 2018, one of the highest usage levels in Europe.

*2018 financial information*

- **Overall financial performance holds firm despite a fiercely competitive environment** that led to a contraction in the subscriber base and trimmed 1.1% off revenues excluding sales of terminals;
  - **landline revenues down 3% against a backdrop of heavy promotions**, due to fierce competition as well as a higher VAT rate,
  - **mobile revenues invoiced to subscribers up 4% year on year** despite a decrease in the total subscriber base, reflecting the improved subscriber mix;
- **a low-point reached in France in fourth-quarter 2018**, but the sales and marketing initiatives launched during the year should drive a return to revenue growth for the Landline business in 2019 and re-boost growth in revenues invoiced to subscribers in the Mobile business;
- **EBITDA up to more than €1.8 billion, representing 37.9% of revenues, demonstrating the success of the Group's strategy of investing in its networks**, and despite a contraction in EBITDA for the Landline business;
- **profit up 13% in France to €476 million**, based on a constant Group structure, excluding the share of the profit/(loss) of eir;
- **ambitious capital expenditure, at €1.55 billion**, supporting the rapid extension of the FTTH network, the opening of new mobile sites and the launch of the new Freeboxes.

### Italy

- **Outstanding commercial success, with 2.8 million subscribers recruited in the space of 7 months** and the creation of a go-to brand. Iliad Italia's launch was the most successful in Europe for a new entrant since that of Free Mobile in 2012;
- **€125 million in revenues;**
- **operating losses** of €52 million;
- **€261 million invested** in the Italian network and the rollout of the MOCN agreement, and €342 million paid for purchases of frequencies.

## KEY FINANCIAL INDICATORS

| *In € millions* | December 31, 2018 | December 31, 2017 | % change |
|---|---|---|---|
| Revenues – France | 4,768 | 4,860 | -1.9% |
| *Landline* | *2,638* | *2,726* | *-3.2%* |
| *Mobile* | *2,139* | *2,143* | *-0.2%* |
| *Intra-group sales* | *(9)* | *(9)* | - |
| Revenues – Italy | 125 | - | - |
| Intra-group sales | (2) | - | - |
| Consolidated revenues | 4,891 | 4,860 | +0.6% |
| **Revenues – France excluding sales of terminals** | **4,566** | **4,615** | **-1.1%** |
| **Group revenues excluding sales of terminals** | **4,689** | **4,615** | **+1.6%** |
| EBITDA - France | 1,807 | 1,777 | +1.7% |
| EBITDA - Italy | (52) | - | - |
| **Consolidated EBITDA** | **1,755** | **1,777** | **-1.2%** |
| **Profit from ordinary activities** | **690** | **862** | **-20.0%** |
| **Profit for the period*** | **330** | **405** | **-18.5%** |
| **Leverage ratio** | **2.3x** | **1.4x** | **+0.9x** |

* *Including the negative contribution of Italy for €121 million, and the Group's share of the profit/(loss) of eir for a negative €25 million.*

*(1) nPerf survey of landline Internet connections for 2018.*

*(2) nPerf survey of mobile connections – Q4 2018.*

BUSINESS ACTIVITIES/KEY OPERATING INDICATORS

| France | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Total mobile subscribers** | **13,441,000** | **13,695,000** |
| *Of which on the Free Mobile Unlimited 4G Plan[1]* | *7,783,000* | *7,060,000* |
| *Of which on the voice-based plan* | *5,658,000* | *6,635,000* |
| **Average 4G data usage (in GB per month per subscriber)** | **10.9 GB** | **8.4 GB** |
| **Total Broadband and Ultra-Fast Broadband subscribers** | *6,427,000* | *6,520,000* |
| *Of which FTTH* | *983,000* | *556,000* |
| **TOTAL MOBILE SUSCRIBERS** | **19,868,000** | **20,215,000** |
| **Broadband and Ultra-Fast Broadband ARPU[2]** *(in €)* | **31.8** | **33.9** |
| **Number of connectible FTTH sockets** | **9.6m** | **6.2m** |

| Italy | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **TOTAL MOBILE SUBSCRIBERS** | **2,837,000** | **-** |

*(1) 50/100 GB for non-Freebox subscribers.*
*(2) €31.3 including restatements as a result of IFRS 15.*

### Exceptional factors that have influenced the Group's main activities or main markets

None.

## 1.2 MARKETS AND STRATEGY

### 1.2.1 PRINCIPAL MARKETS

At end-2018, the Group was an integrated player in France operating in the Internet access market (Landline business) and the mobile telephony market (Mobile business), as well as in the mobile telephony market in Italy.

#### 1.2.1.1 The landline Internet access market in France

General information about the French Broadband and Ultra-Fast Broadband market

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Revenues** *(in millions of euros)* | **8,840** *(9 months ended Sept. 30, 2018; 11,849 on a 12-month rolling basis)* | **11,806** | **11,454** |
| **Number of subscriptions** *(in millions)* | **29.1** | **28.4** | **27.7** |
| *of which Broadband* | *20.1* | *21.5* | *22.3* |
| *of which Ultra-Fast Broadband* | *9.0* | *7.0* | *5.4* |

*Source: ARCEP.*

The total number of Broadband and Ultra-Fast Broadband subscriptions in France rose by 0.7 million in 2018. With an aggregate 29.1 million Broadband and Ultra-Fast Broadband subscribers at December 31, 2018, the penetration rate for French households is one of the highest in Europe. The Broadband and Ultra-Fast Broadband markets in France have reached maturity, which is naturally resulting in a lower rate of growth.

During the first decade of 2000, ADSL was the technology of choice both in France and other Western European countries, led by the fast pace of unbundling. For several years now however, with the development of fiber technology, the number of Ultra-Fast Broadband subscribers has steadily risen, to the detriment of standard Broadband subscribers. At December 31, 2018, 69% of subscriptions were for Ultra-Fast Broadband. This recent trend – which is expected to continue – has led to around 1.5 million additional Ultra-Fast Broadband subscribers a year.

The number of Ultra-Fast Broadband subscriptions in France rose by 2 million in 2018 to a total of 9 million at the year-end, with this sharp increase reflecting the acceleration in fiber rollouts and the use of FTTH technology. At December 31, 2018, Ultra-Fast Broadband subscriptions made up nearly 30% of total Internet subscriptions in France, up by more than 6 points in the space of a year.

Increased utilization of Ultra-Fast Broadband has led to higher use of value-added services and other additional features, especially for television over the Internet (IPTV).

Revenues generated in the overall broadband and Ultra-Fast Broadband market amounted to €8.8 billion in the nine months ended September 30, 2018 (€11.8 billion on a 12-month rolling basis), up slightly on the previous year.

### Players in the landline Internet access market in France

The Group's main competitors in the French landline Internet access market are:

- Internet service providers associated with telecommunications operators: Orange, SFR and Bouygues Telecom;
- independent local access providers; and
- companies offering Internet access as a means of winning customers for other services, such as banks and supermarkets.

## 1.2.1.2 The mobile telephony market in France

### General information about the French mobile telephony market

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Revenues** *(in millions of euros, excluding revenues from incoming calls)** | **13,078** | **14,117** | **14,153** |
| **Number of SIM cards** *(in millions)* **– Metropolitan France only excluding M2M**** | **73.0** | **72.0** | **70.4** |
| *o/w locked-in plans* | *19.1* | *19.6* | *21.0* |
| *o/w no-commitment plans* | *45.8* | *43.2* | *39.1* |
| *o/w prepaid cards* | *8.1* | *9.2* | *10.3* |
| **4G active customer base** *(in millions of SIM cards)* | **47.7** | **41.6** | **31.9** |
| **Average bill** *(in euros per month – on a rolling annual basis)**** | **14.4** | **14.7** | **16.3** |

* *Following the application of the new accounting standard at January 1, 2018. Excluding this impact, 2017 revenues came in at €12,860 million.*
** *Machine to machine communications.*
*** *The 2017 and 2018 figures reflect the new revenue recognition accounting standard.*
*Source: ARCEP.*

At December 31, 2018, the mobile telephony market in Metropolitan France counted 73 million users (corresponding to SIM cards in use excluding M2M), up by 1 million compared with one year earlier[1] and the penetration rate was 112.6%.

The key facts and figures for the mobile networks services market in France in 2018 were as follows:

- an ongoing move towards mobile plans and away from prepaid cards. The downward trend in prepaid cards observed over the last few years intensified in 2018, with the number of such cards falling 12%, whereas the number of mobile plans rose by 3.3% (although this was a lower growth rate than in 2017);
- robust growth for no-commitment plans, with 45.8 million subscribers on this type of plan at December 31, 2018, up by 2.6 million, or 6%, on one year earlier;
- continued very strong development of 4G technology. At end-2018, the number of people using 4G networks to connect to the Internet was 47.7 million, up by 6.1 million on a year earlier and representing around two-thirds of SIM cards in use;
- a sharp increase in new usages:
  - higher use of roaming-out communications: in the fourth quarter of 2018, roaming data traffic had increased by 78% in the space of a year, and roaming calls and text messages had increased by 15% and 5% respectively over the same period,
  - another steep rise in mobile data usage: in the fourth quarter of 2018, average monthly data usage per subscriber was 5 GB, almost 50% higher than for the same period of 2017,
- a contraction in "traditional" voice calls and text messages:
  - in the fourth quarter of 2018, the number of text messages had decreased 6.9% year-on-year to an average of less than 201 text messages per user per month,
  - a slight decrease in the volume of minutes used: in the fourth quarter of 2018, average monthly voice traffic was three hours and twenty-two minutes per user per month, three minutes higher than for third-quarter 2017.

(1) *Source: ARCEP.*

The Group's launch in January 2012 of its Mobile business (see Chapter 1, Section 1.3.2.2 below, "Presentation of the Group's offerings") has played a significant role in shaping the current trends in France's mobile telephony market.

### Mobile telephony players in France

The Group's main competitors in the French mobile telephony market are:

- the other three mobile operators: Orange, SFR and Bouygues Telecom;
- mobile virtual network operators (MVNOs), such as CIC Mobile, NRJ Mobile, La Poste Mobile and Prixtel, which represent a total 7.9 million SIM cards and hold a 10.9% share of the market.

## 1.2.1.3 The mobile telephony market in Italy

### General information about the Italian mobile telephony market

| | 2018* | 2017 | 2016 |
|---|---|---|---|
| **Revenues** *(in billions of euros)* | **N/A** | **15.80** | **16.11** |
| **Number of SIM cards** *(in millions)* **– excluding M2M**** | **83.3** | **83.9** | **86.0** |
| *o/w plans* | *11.5* | *12.1* | *12.6* |
| *o/w prepaid cards* | *71.8* | *71.8* | *73.4* |
| **SIM cards with Internet access** *(in millions)* | **57.3** | **52.2** | **50.6** |
| **Average revenue per user** *(in euros)* | **N/A** | **269** | **273** |

* *At Sept. 30, 2018.*
** *Machine to machine communications.*
*Source: AGCOM.*

At September 30, 2018, the mobile telephony market in Italy counted 83.3 million users (corresponding to SIM cards in use excluding M2M), down by around 0.8 million compared with one year earlier, However, the number of SIM cards (voice and voice and data) was up 0.4 million on the previous quarter(1).

The mobile phone penetration rate in Italy was 138%(2) at September 30, 2018.

The key facts and figures for the mobile networks services market in Italy in 2018(3) were as follows:

- ongoing growth for the prepaid card segment to the detriment of plans. The number of plans continued to decrease in 2018 (down 0.7 million) whereas the number of prepaid cards was on a par with 2017, representing 86% of the total standard (non M2M) SIM cards on the market;
- strong development of mobile Broadband:
  - in the third quarter of 2018, the number of SIM cards with Internet access reached 57.3 million, representing 70.9% of total SIM cards on the market (up 8.7% on the same period of 2017).

This growth was led by Vodafone and Iliad Italia, whose customers nearly all have SIM cards with Internet access;

- a very steep rise in the volume of data exchanged on mobile networks:
  - since the beginning of the year, the volume of mobile data traffic rose 60% versus the equivalent period of 2017,
  - in the third quarter of 2018, average monthly data usage per subscriber was 3.88 GB, up 51% year on year.

Iliad Italia's launch of its Mobile business in May 2018 has undoubtedly helped shape the current trends in Italy's mobile telephony market. At end-September 2018, just four months after its commercial launch, Iliad Italia already held 2.7% of the market(4).

### Mobile telephony players in Italy

The Group's main competitors in the Italian mobile telephony market are:

- the other three mobile operators: Telecom Italia (TIM), Vodafone and Wind Tre, which together account for 72.7 million SIM cards and hold an 87.2% market share;
- mobile virtual network operators (MVNOs), such as Poste Mobile, Fastweb, Lycamobile, Coop Italia, Tiscali, Kena mobile (a Telecom Italia subsidiary) and Ho Mobile (a Vodafone subsidiary). Together, these MVNOs represent a total 8.5 million SIM cards and hold a 10.2% share of the market (the data for Kena Mobile and Ho Mobile are included in the figures of TIM and Vodafone respectively as they are wholly controlled subsidiaries). The largest MVNO is Poste Mobile, which has a market share of 4.8%.

*(1) Source: AGCOM.*

*(2) AGCOM and ISTAT data updated at September 30, 2018.*

*(3) AGCOM data updated at September 30, 2018.*

*(4) Only taking into account SIM cards in service (excluding M2M).*

### 1.2.1.4 Basis for statements made by the Group regarding its competitive position

The statements made in this Registration Document in relation to the Group's competitive position are primarily based on market analyses published by ARCEP in France and AGCOM in Italy.

## 1.2.2 COMPETITIVE ADVANTAGES

The Group believes that it has a number of competitive advantages which should enable it to sustain its profitable growth in France, continue developing its operations in Italy and envisage targeted external growth in domains that are complementary to its existing businesses.

### Free – a powerful brand

As a result of the success of its retail landline services, since its creation in 1999, Free has positioned itself as a major player in the Internet access market in France. Its launches of its dialup "Pay-as-you-go", "50-hour plan" offerings, Broadband and Ultra-Fast Broadband service and mobile offerings have firmly established the credibility and recognition of the Free brand. It is clearly associated with the concepts of freedom, cutting-edge technology, innovation, quality and attractive prices.

### Iliad, a recognized brand in Italy

As a result of the commercial success of its retail mobile services, in less than one year Iliad Italia has become a recognized brand in Italy, with a brand awareness rate of 90%. The Iliad Italia brand is known for its value for money, transparency and simplicity.

### Technically sophisticated and attractively priced retail offerings

The Group's landline and mobile networks enable it to design sustainable service offerings that are straightforward, technically sophisticated and attractively priced. Its landline and mobile Broadband and Ultra-Fast Broadband offerings are among the most competitively priced in the market within their respective segments while providing a high quality of service. This positioning is a central factor in the Group's strategy and is aimed at creating the right environment for lasting and profitable growth in its business.

### An ultra-fast integrated national network adapted to the needs of both the Landline and Mobile businesses

In order to be able to offer high-performing and innovative services to its subscribers and to guarantee the profitability of its business operations, the Group has always placed importance on rolling out its own electronic communications network, so it can control the technical aspects and pricing of its services for the routing of both data (Internet) and voice (over IP or circuit-switched). The skills and experience built up by the Group's network teams now mean that it is able to operate and maintain its networks and guarantee its subscribers a high level of quality and connection speeds. The specific technical features of the network and its high density are key factors for the success and profitability of the Group's service offerings in both its Landline and Mobile businesses. The size, design and scalable architecture of the Group's network make it capable of serving all potential subscribers.

### Research and development capabilities serving the retail market

The Group's investment in research and development of both hardware and software has enabled it to position itself as a front runner in implementing innovative technological solutions for the retail market. The success of this policy stems particularly from Management's commitment to providing high-quality technical equipment and retaining flexibility in its choice of hardware. This in turn has resulted in the design of hardware specifically suited to the Group's offerings and using cutting-edge technologies (such as the Freebox modem/DSLAMs), as well as in the development of innovative software solutions (such as billing software, the subscriber management system and interconnect software). Another example of the Group's innovation capabilities is its launch in France and Italy of the first self-service kiosks for mobile subscriptions with integrated SIM-card dispensers. By relying largely on internal resources, the Group has been able to optimize its capital expenditure from the outset.

### Simplicity as a watchword

In a sector well known for its complexity, the Group proposes straightforward, comprehensive offerings that meet the market's expectations. These offers are essentially distributed online, through the mobile.free.fr and free.fr websites. In addition, the Group has an organizational structure that is simple, horizontal, centralized and reactive. As a result, its objective of achieving simplicity can be seen at all levels of the organization and is one of the keys to the Group's success.

### Control over services

Throughout its growth trajectory, the Iliad Group has followed the strategy of directly controlling all of the active equipment it needs to transmit and carry data, manage its networks and supply its services (voice, audiovisual, etc.) as well as controlling its interconnections to third-party networks and its relations with Internet operators. The Group can freely develop and modify its services, improve them, enrich them and anticipate new usages such as 10G fiber for the Freebox Delta. Combined with its investments in its landline and mobile networks, being in full control of its services gives the Group all of the capacity and resources it needs to react to changes in usages and the competitive environment.

### Control over distribution

The Iliad Group is one of the rare ISPs in Europe to have established itself in the landline market without relying on a physical distribution network, and it has long-standing, unique know-how in online distribution. In addition, since the launch of its Mobile business in France and Italy it has been developing a physical distribution network through its directly-owned stores – Free Centers in France and Iliad Stores in Italy – as well as SIM-card dispensers. Consequently, the Group has direct control over the distribution of its services, which enables it to meet the needs both of online subscribers (and adapt to changes in the e-commerce environment) and subscribers seeking the more conventional physical store.

## Control over subscriber relations

The Iliad Group mainly manages its subscriber relations via a range of methods including online assistance on its portal, direct contact with advisers over the telephone, chat or videocall, or face-to-face in its Free Centers. It designs and develops all of the tools and systems it needs to manage its subscriber relations and communicate with its subscribers.

## Founders with a majority stake in the Company's capital

Iliad's founders hold more than 56% of the Company's capital. This gives the Group the independence to deliver on its long-term vision which is sometimes radically different to that of its competitors. It also enables it to be highly reactive when taking decisions and putting them into action. The management and results of the Group's projects are a daily reminder of the competitive advantage that this ownership structure gives it.

## A renewed management team with complementary skills

In 2018, the Group changed its management team by bringing in new talent to assist with its development.

### 1.2.3 STRATEGY

Ever since its formation, and notably since the launch of its Mobile business, the Iliad Group has always placed network rollouts – and therefore regional digital development – at the heart of its strategy.

Whenever it has entered a market – the French landline market in 1999, then the French mobile market in 2012, and the Italian mobile market in 2018 – the Group's competitors have always been well-established operators or players with far more resources than its own. In order to put down long-term roots and capture market share, the Group adopted an assertive competitive strategy based on innovation and differentiation through its price and services. To reach its objectives, the Group has had to be independent and therefore keep the highest possible level of control over its networks.

For these reasons, Iliad has structured its business strategy around three pillars, which have been the keys to its success:

## Control over networks

In both the landline and mobile sectors, being in control of the network and related costs is essential for maintaining commercial autonomy and therefore being able to propose differentiated service offerings and effectively manage the profitability of those offerings. This in turn boosts margins and cash flows. For all of these reasons, the Group is continuing to actively work on unbundling the local copper loop as well as participating in the rollout of ultra-fast networks across France and deploying its proprietary mobile networks in France and Italy.

### Unbundling

The Group unbundled its first distribution frame in 2002 and now covers over 90% of France with its own direct connections to the local network. This unbundling strategy is not just directed at the most densely populated – and therefore the most profitable – areas. Instead, the Group has unbundled the loop right up to the smallest frames, enabling less populated areas to have triple-play services and fast Internet access via VDSL. Through this strategy the Group has demonstrated its commitment to regional development and bridging the digital divide.

### Ultra-Fast Broadband

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 FTTH rollout is a logical extension of Iliad's strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability. The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned.

### Mobile

Just as in the landline market, being in control of the mobile network is a sure way of achieving differentiation and longevity. It enables a player to be independent, directly manage its offerings and service quality, and be innovative and reactive.

In France, the Group kept up the pace of its mobile rollouts in 2018, adding some 2,400 new sites and bringing its total network to over 14,500 sites as of end-2018, giving it a coverage rate of 96% of the population for 3G and 92% for 4G.

The Group launched its first rollouts in Italy during 2018, with the aim of building up a high-quality and competitive proprietary network. It had 1,500 3G and 4G sites in Italy as of end-2018.

### Convergence

When the Group launched its Mobile business in France, it leveraged synergies between its landline network (particularly thanks to unbundling) and its mobile network, to create shared backhaul for the two networks, with the mobile sites connected to the copper network for traffic backhauling purposes. However, the development of 4G and the upcoming arrival of 5G have rendered obsolete the backhaul of mobile traffic via the wired local loop or terrestrial Broadband links as the bandwidth available is insufficient to provide a proper 4G service. Consequently, as from 2014, the Group started to connect up its antenna using dedicated fiber links between its mobile sites.

## Innovation

Innovation is part of the Iliad Group's DNA. Since launching its very first landline offer, Iliad has stood out for its innovation capabilities.

### Technical innovation

The Group's first innovation was to choose to develop its own equipment for carrying and transmitting data (e.g., DSLAMs), as well as its own software and boxes. No other operator has made this choice, which is radically different from the general model of using third-party OEMs for all types of equipment.

Thanks to this strategy, the Group has control over the technological solutions it uses and is free to change and develop them in line with the commercial and technical choices it makes. In 2013, this control over its equipment enabled Free to integrate the VDSL2 into its offering at no extra cost for its subscribers, and to equip all of its DSLAMs with VDSL2 in the space of just a few months. And in 2018, Free was able to independently integrate 10G fiber into the Freebox Delta. The Group has also regularly incorporated new services into its landline and mobile offerings (4G, FreeWifi, Femtocells, and more).

### Sales and marketing innovation

The Iliad Group's second innovation is its sales and marketing model which enabled it to enter and become a major player of the landline market The Group has won both landline and mobile subscribers by proposing straightforward, no-commitment offerings which it constantly enriches with new services. In the Landline business, the Group regularly proposes new television services in its basic offering, has integrated VDSL2 at no extra cost, includes calls to certain destinations and much more. In the Mobile business, it has broken away from the standard practice of the incumbent operators who make their plans more expensive whenever they add a new service. The Group has integrated 4G into its offerings at no extra cost, as well as unlimited texts into the €2 plan, roaming into the Free Mobile Plan and again, much more. It has also innovated in how it sells its mobile plans by launching the first SIM-card dispensers in France and Italy, which make it easy for subscribers to sign up and immediately receive the right SIM card for their phone.

### The Freebox

The Group's most visible and emblematic innovation is the triple-play box, which Iliad invented. The Freebox not only enables the Iliad Group to develop its offering of added-value services and meet demand for new usages but also helps it stand out from the competition and foster subscriber loyalty.

In 2018, the Iliad Group launched the Freebox Delta and the Freebox One. With the Freebox Delta, Iliad has put the box at the heart of households. Designed by the Iliad Group's R&D teams, it is the first box which, as well as having triple-play services, has an exceptional sound system, can become a smart speaker, incorporates voice assistants and can be used to control different screens and smart objects. And for the first time, the box itself has become a smart object that subscribers can keep for themselves as the Player can be used as a smart speaker or a voice assistant independently from Free. The Freebox Delta constitutes a change in the Group's financial model with subscribers invited to purchase the Player.

## Capital expenditure

The Group employs a proactive capital expenditure policy aimed at supporting its business as a telecommunications operator (unbundling, building and co-financing FTTH networks, rolling out mobile networks in France and Italy and purchasing spectrum in France and Italy, including 5G frequencies in Italy in 2018) and establishing its commercial presence (through physical stores and SIM-card dispensers in France and Italy). Its policy is also designed to enhance its subscriber relations (by communicating through all media including video calls and virtual assistance) and to develop new products and services (such as the Freebox Delta).

Thanks to this strategy, the Group:

- has one of the largest IP networks in France, both in terms of coverage and traffic volumes;
- is the leading alternative FTTH operator in France, with 10 million connectible sockets and 1 million FTTH subscribers;
- accelerated its rollout in Italy on the back of resounding commercial success since it entered the market.

## Continuing the growth trajectory in Italy

In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries (the "Wind Tre" merger), enabling Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – provides for the following over the period from 2018-2020: (i) the transfer of a set of frequencies (35 MHz), (ii) an undertaking to acquire macro sites of the merged network, (iii) a possibility either to bring into force a RAN sharing agreement covering rural areas or to acquire macro sites in those areas, and (iv) an all-technologies roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period.

On May 29, 2018, the Group began to market its offerings as Italy's fourth mobile operator, under the "Iliad" brand. The launch was a huge success, with one million subscribers signing up in just 50 days. By end-2018 the subscriber base was 2.8 million, representing a market share of more than 3% achieved only seven months after the commercial launch.

Iliad Italia has two main growth objectives:

- continue to grow its subscriber base;
- roll out a third-, fourth- and fifth-generation mobile communications network to ensure network coverage for areas where there are peak concentrations of mobile subscriber traffic as well as continuity of coverage between these areas, with a view to reducing the costs of mobile services, notably those generated in connection with the roaming agreement signed with Wind Tre.

## Keeping on the lookout for acquisition opportunities to drive growth

Although internal growth remains at the heart of its strategy, the Group also has a targeted external expansion policy that it implements if opportunities arise in areas that strongly complement its existing business or would result in improved use of its network and expertise.

# 1.3 THE GROUP'S BUSINESSES

## 1.3.1 THE LANDLINE BUSINESS IN FRANCE

### 1.3.1.1 Presentation of the Group's offerings

In 2018, the Group put in place a new sales and marketing approach based on:

- **a more streamlined pricing and promotions policy.** The Group overhauled the pricing for its long-standing deals by offering an automatic discount for the first 12 months. It also introduced a 12-month contract period and a €49 activation fee. Consequently, the Group now has four Internet access deals offered at a discounted price. All of these deals come with a Freebox and are priced at between €9.99 and €29.99 per month for the first 12 months and then €24.99 to €44.99 per month. It also has a premium offering, with no discount, priced at €49.99 a month;
- differentiation through innovation, with the launch of the Freebox Delta and the Freebox One in December 2018, aimed at upscaling the Group's offerings and achieving a better segmentation of the subscriber mix.

At December 31, 2018, therefore, the Group had five main landline offerings:

- **the Freebox Delta – Free's premium offering (€49.99 per month)** – which delivers the fastest possible speeds, whether via fiber, through 10G fiber technology, or DSL, by bonding xDSL and 4G. The following services are included: 280 TV channels and calls to landline and mobile numbers. The Freebox Delta plan includes Netflix Essential for S-VOD (4K HDR possible if the subscriber has Netflix Premium), and LeKiosk for unlimited access to newspapers and magazines. Subscribers also become owners of the Freebox Delta Player (invoiced at €480), which comes with a Devialet speaker, two voice assistants (OK Freebox and Amazon Alexa), a smart-home hub and a security pack (optional). Lastly, subscribers can store up to 1 TB of data via NAS (also optional). If subscribers wish to sign up to the Freebox Delta deal without purchasing the Free-Devialet Player they can opt for the Freebox Delta S plan, which excludes TV services, OK Freebox and Amazon Alexa but has a lower monthly price than the full Freebox Delta offering;
- **the Freebox One (€29.99 per month for one year and then €39.99 per month),** which has a Server and a Player combined in a single box. The Freebox One plan includes Netflix Essential and provides access to 4K HDR download-to-own content through the Canal VOD platform. The standard services such as 220 channels with Freebox TV and 110 telephone destinations to landlines and mobiles are also included. And, of course, the Freebox One is compatible with FTTH and xDSL technologies;
- **the Freebox Revolution (€19.99 per month for one year and then €44.99 per month),** which allows subscribers to connect several terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative services, such as the NAS server which has storage capacity of up to 250 GB accessible from anywhere at any time, and a Blu-Ray™ player as well as calls to mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (power line communication), a gyroscopic remote control, a gamepad and speakers;
- **the Freebox mini 4K (€14.99 per month for one year and then €34.99 per month),** which is the world's first triple-play box that has integrated AndroidTV™ – the Google™ platform for TV – and is compatible with 4K technology (Ultra High Definition). It has Bluetooth™ technology and offers many other innovative services, such as a remote control with a voice search function and the possibility of using a mobile phone as the remote control. It is also the most compact box on the market, measuring 11 x 15 cm;
- **the Freebox Crystal (€9.99 per month for one year and then €24.99 per month).** Since it was replaced by the Freebox mini 4K, the Freebox Crystal has been withdrawn from the Group's commercial offerings. However, when the Group overhauled its landline offerings it decided to bring back the Freebox Crystal as an entry-level offering.

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);
- **via ADSL,** which allows subscribers to access the Internet at a speed of at least 2 Mbps and up to 22.4 Mbps in areas where the local loop is unbundled, and 17.6 Mbps in non-unbundled areas, depending on whether a subscriber's line is eligible (IP speeds);
- **VDLS2,** which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload;
- **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.

Through the Group's offerings, depending on the plan they choose, subscribers are provided with the services described below:

- **telephony:** all subscribers have access to a telephone service under which they can make calls through their Freebox to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to over 110 landline destinations outside Metropolitan France depending on the terms of their plan. Additionally, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France;
- **Free proposes the largest 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 channels, 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 also offers numerous value-added services** including Freebox Replay (its catch-up TV service), video on demand (VOD), subscription video on demand (S-VOD), such as Netflix, 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). Lastly, 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 offers and services available under the Online, Dedibox and Iliad Entreprises brands

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

- **Hosting services,** which correspond to (i) providing dedicated servers to private individuals and SMEs that 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;
- **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.

## 1.3.1.2 Manufacturing operations for the Landline business

### Freebox

The Group has chosen to develop its own Broadband and Ultra-Fast Broadband Internet upload and download equipment in-house in order to win as many new subscribers as possible in a competitive and fast-growing market by providing differentiated service offerings. As a result of the technological resources of the development team at Freebox S.A.S. combined with an extremely selective purchasing policy, the Group has been able to optimize the cost of designing DSLAMs and a modem capable of meeting the high bandwidth requirements necessary to offer high value-added services. The use of both DSLAMs and modems developed by the Group's in-house teams enables Iliad to provide its subscribers with a first-rate technical service offering capable of transmitting bandwidth-intensive voice, data and audiovisual content simultaneously and over long distances.

### Freebox DSLAMs

Freebox S.A.S. has developed various transmission devices (DSLAMs) used by the Group for the ADSL, VDSL and optical fiber technologies that it proposes. The DSLAMs developed by Freebox S.A.S. were designed to leverage the Free network, which uses only IP protocol, and accommodate the high bandwidth requirements of audiovisual services.

### The Freebox modem

In 2001, the Iliad Group invented the concept of the "box" – a multi-service modem box offering Internet access as well as telephony (VOIP) and television services (IPTV). Developed by Iliad's in-house teams, the Freebox is an easy-to-install scalable modem with multiple functions that enables householders to converge their multimedia requirements.

Designed and developed by the Group's research and development teams, the Freebox modem and the Freebox DSLAMs include components acquired from third-party suppliers and assembled by companies which are not part of the Group.

The Freebox is now in its seventh version and boasts a host of functions, some of which are exclusive to Free.

The main Freebox versions that are currently available are shown below, along with their principal functions:

*Freebox Crystal*

- **The Freebox Crystal** (launched in June 2013). Free upgraded its successful Freebox HD (V5) by giving it a new design, a new TV interface and new packaging. The Freebox Crystal is made up of two boxes (a modem and a set-top box) connected together using PLC technology, and features a 40 GB digital hard drive and Wi-Fi using MIMO 802.11n technology.

*Freebox Revolution (V6)*

- In December 2010, the Group launched the **Freebox Revolution,** comprising a modem (the Freebox Server) and a set-top box (the Freebox Player). Developed by Freebox S.A.S.'s technical teams, this equipment can be used by both ADSL/VDSL and FTTH subscribers. The modem has numerous connection interfaces (Wi-Fi 802.11ac, a DECT base, USB ports, a Switch with 4 Gigabit Ethernet ports, an e-SATA port, audio/stereo input/output, etc.) and has been designed to connect to any device, therefore providing subscribers with optimal Internet access. As well as integrating two loudspeakers, the Freebox Revolution has a 250 GB NAS hard drive to cover all new multimedia usages and to simplify content sharing between different users and equipment. The offer also includes pre-associated Freeplugs that integrate Power Line Communication (PLC) technology with a view to creating a straightforward and secure link between the Freebox Player and the Freebox Server. The Freebox Player was developed in the aim of simplifying the use of television over the Internet while offering the best of TV. In order to offer subscribers optimal comfort of use it contains an Intel Atom CE4100 processor that combines high performance, miniaturization and low energy consumption. Thanks to its high-quality smooth performance users can fully reap the benefits of the services available, including TV, VOD, online games and the integrated Blu-Ray™ player.

The software used in the Group's boxes is mainly developed in-house based on open source software such as Linux, which enables the developer community to contribute to creating numerous applications.

*Freebox mini 4K*

- On March 10, 2015, Free launched the **Freebox mini 4K**, and was the first operator in the world to offer an ADSL/VDSL/FTTH box with 4K technology (Ultra High Definition) and running Android TV™. The resolution of 4K (3,840 x 2,160 pixels) is four times higher than Full HD, and the Freebox mini 4K is able to offer this innovative technology thanks to (i) the powerful dual-core A15 processor in the Freebox mini 4K Player, which runs at 1.5 GHz and has 2 GB of RAM; (ii) the latest-generation HEVC compression standard (H.265), which significantly improves the encoding of video streams and enables the Freebox mini 4K to read 4K content; and (iii) the HDMI port, which is used to connect the Player to the subscriber's 4K (UHD) television set. Android TV™ gives Freebox mini 4K subscribers access to a universe of content and applications specifically developed for TV, as well as to Google Cast so that they can easily transmit directly on their TV the content they have on their mobile phone, tablet or computer (such as photos, videos, YouTube videos and music). In addition, with the Freebox mini 4K, Free is the first operator to offer a remote control with an integrated microphone to make voice searches. This smart remote control uses Bluetooth™ technology and makes it easy to access all of the available services.

*Freebox One*

- On December 4, 2018, Free launched the **Freebox One** – an all-in-ONE box in terms of both multi-services and hardware. The Freebox One has a Server and a Player combined in a single box and its basic offering includes 220 TV channels and Netflix Essential. Despite its small format (23 x 19.5 x 5.5 cm), this Freebox can show 4K HDR 10 images thanks to its Qualcomm ARMv8 quad-core processor – the most powerful processor on the market and its 2 GB of RAM. At the same time it offers everything a bigger box does, including calls to mobiles in France and landlines in 110 destinations, as well as WiFi in 2.4 GHz, or 5 GHz to make the most of an FTTH connection offering download speeds of up to 1 Gbps download and 400 Mbps upload. The Freebox One is also xDSL compatible.

*Freebox Delta (V7 of the Freebox)*

- On December 4, 2018, Free launched the much-awaited V7 of the Freebox – the **Freebox Delta** – with a completely rethought approach to the notion of a box with a Server and a Player. The Server is the first in France to offer 10 G fiber technology and xDSL+4G bonding, and also has Tri-Band MU-MIMO WiFi capable of delivering speeds of up to 4.4 Gbps on fiber. The Freebox Delta is also compatible with xDSL. Its server includes a smart-home hub, an NAS that can store up to 1 TB of data (with optional hard drives), and a built-in alarm with an optional home security pack. The other major innovation of this Freebox is its Player, which was created in conjunction with the multi award-winning audio engineering start-up, Devialet. The Freebox Delta Player combines the expertise of Free and Devialet to produce the perfect sound experience, both in terms of hardware (six speakers and Dolby) and software, thanks to SPACE™ technology, which scans the listener's room and adapts the sound to fill it. So this "set-top box" is much more than just a box. It is an exceptional quality speaker with two voice assistants (OK Freebox and Amazon Alexa). And as everything is different with the Freebox Delta, its Player is being offered to subscribers to purchase for €480, either outright or through an interest-free loan taken out with Younited, with 48 monthly repayments of €10. Lastly, to ensure the images relayed to subscribers match the sound experience, the Freebox Delta Player has the fastest processor ever integrated in a Freebox – the Qualcomm ARMv8 – as well as 2 GB of RAM, which means it can transmit compatible content in 4K HDR 10 with perfect picture clarity. The Player also obviously gives access to the Freebox TV service (280 channels with TV by CANAL and Netflix Essential) and 4K HDR VOD with Canal VOD, and the Freebox Delta plan includes calls to mobiles in France and to landlines in 110 destinations.

*Freebox Delta S*

- Launched on December 19, 2018, the **Freebox Delta S** ("S" for Server or Speed or Simple) is a simplified version of the Free Delta plan, which focuses on Internet access via the Server and does not include the Free Devialet Player and its related services. The Server provides the fastest-available speeds thanks to 10G fiber technology and xDSL+4G bonding, and the Freebox Delta S Plan includes voice calls to mobiles and landlines. The Server also comes with a smart-home hub (compatible with Somfy, Philips Hue and more) and a built-in alarm that can be used as part of an optional home security pack (which includes a surveillance camera, a movement detector, an intrusion detector and a remote control). Lastly, it has an NAS enabling subscribers to store up to 1 TB of data (with optional hard drives).

## 1.3.2 THE MOBILE BUSINESS IN FRANCE

### 1.3.2.1 Presentation of the Group's offerings

As part of its new sales and marketing strategy launched in 2018, the Group is particularly focusing on improving its subscriber mix by increasing the proportion of its subscribers on the Free Mobile Unlimited 4G Plan. The following measures were taken during the year to help achieve this objective:

- launch of an intermediate deal at €8.99/month for the first year, with automatic migration to the Free Mobile Unlimited 4G Plan at the end of 12 months, which will lead to an increase in revenues invoiced to subscribers;
- stepping up campaigns for migrating subscribers on the €2 plan to the Free Mobile Unlimited 4G Plan.

At December 31, 2018, the Group had the following mobile offerings:

- **the €2/month plan (€0 /month for Freebox subscribers),** which includes:
  - 120 minutes of voice calls per month in Metropolitan France and (i) to mobiles in the United States, Canada, China and the French overseas departments (*départements d'outre-mer* – DOM) as well as to 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM,
  - unlimited texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM,
  - 50 MB of 3G/4G mobile data plus an additional 50 MB usable in Europe and the DOM, as well as unlimited access to the FreeWifi network.

  This no-commitment plan – which also includes services such as voice mail, caller display and usage monitoring – was primarily designed for subscribers mainly wanting to make voice calls at a competitive price. Under the plan, subscribers can opt for extra minutes and data volume as well as for calls to additional foreign countries and from abroad;
- **the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers) at **€19.99/month (€15.99/month for Freebox subscribers),** which includes:
  - unlimited voice calls (i) to mobiles and landlines in Metropolitan France, mobiles in the United States, Canada, China and the DOM and 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM and from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France,
  - unlimited SMS/MMS in Metropolitan France and from within Europe and the DOM to Metropolitan France, Europe and the DOM (not MMS to Mayotte), as well as from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France,

- unlimited 4G data for Freebox subscribers in Metropolitan France (50/100 GB/month for non-Freebox subscribers) and 25 GB/month of data in Europe, the DOM, Switzerland, the United States, South Africa, Australia, Canada, Mexico, Turkey, Algeria, Thailand, Russia, Brazil, Israel, New Zealand, Ukraine, Jersey, Guernsey and the Isle of Man.

The Group also has a special version of its Free Mobile Unlimited 4G Plan – the Free 4G Series Plan – which costs €8.99 per month for 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).

### 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 paying for it in installments: four interest-free installments or 24 installments, depending on the model;
- renting a phone: subscribers can rent high-end smartphones for a minimum of 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €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.

## 1.3.2.2 Mobile network rollout operations in France

Since the Group obtained its 3G mobile license in January 2010, it has (i) continued to enrich its frequency portfolio and (ii) launched the rollout of a 3G and 4G mobile network in order to obtain national coverage across France.

### 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 the following frequencies:

- 5 MHz duplex in the 1,800 MHz frequency band freed up by Bouygues Telecom as part of the refarming process defined by ARCEP in its December 16, 2014 decision. The frequencies concerned gradually became available during the first half of 2015 and have been fully available throughout France since July 1, 2015;
- an additional 10 MHz duplex in the 1,800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz was freed up for the Group's use throughout Metropolitan France on May 25, 2016;
- 10 MHz obtained on November 17, 2015 following the national auction for spectrum in the 700 MHz frequency band. This spectrum will be made available gradually on a region-by-region basis starting with the Ile de France region in April 2016 and followed by a further region each quarter from January 1, 2018 through July 1, 2019 (when the frequency in the final region will be freed up). It was acquired for a total €933 million, payable in four installments, the last of which was paid in December 2018.

Consequently, the Group now has a total portfolio of 55 MHz duplex (which will be increased to 68.5 MHz following the reallocation process described below for frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands), with balanced coverage across Metropolitan France, enabling it to deliver high-performing services in both 3G and 4G.

In 2018, ARCEP 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. Free Mobile already has a license to use frequencies in the 1,800 MHz band.

Only France's four national operators participated in this reallocation procedure and all applicants for the available licenses were required to accept a number of regional digital development obligations.

ARCEP's decision on the reallocation of the frequencies was made on November 15, 2018, and as a result the Group will have 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.

### Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see Section 1.3.a above) and putting in place business lines to effectively manage and oversee the network rollout process (seeking out sites, undertaking discussions with all types of lessors, carrying out administrative and regulatory procedures, performing installation works and ensuring compliance with the related safety rules, and monitoring the operation and maintenance of radio equipment at sites where it has been installed).

The Group continued its mobile network rollout drive in 2018, with:

- **the opening of almost 2,400 new 3G sites**, bringing the Group's total number of 3G sites to 14,500 at end-2018 and giving it a 3G coverage rate of over 96% of the French population;

- **ongoing deployment of 4G technology,** which has been a priority for the Group since it first launched its Mobile business. This priority was put into practice in 2018, with (i) new 1,800 MHz frequencies made available at over 3,000 additional sites, and (ii) the deployment – in accordance with the applicable regulatory schedule for their availability – of 700 MHz frequencies at 2,300 additional sites. The continued deployment of these new frequencies during 2018 enabled the Group to increase its 4G coverage to 92% at the year-end and to strengthen its 4G indoor quality. At December 31, 2018, the Group had more than 12,000 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, 2018, 92% of the Group's sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds;
- **continued efforts to develop the shared passive mobile infrastructure offering** with other operators.

Thanks to these advances, the Group exceeded its coverage objectives for the year, as well as its target of deploying more than 2,000 new sites in 2018. The Group intends to (i) continue its gradual deployment of 700 MHz frequencies in eligible areas as these frequencies become available in line with the regulatory schedule, and (ii) finalize bringing into service 1,800 MHz frequencies at its directly-owned 4G sites.

The depreciation/amortization periods applied for the main assets brought into service in 2018 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.

## 1.3.3 THE MOBILE BUSINESS IN ITALY

### 1.3.3.1 Presentation of the Group's offerings

On May 29, 2018, the Group announced the launch of its mobile business in Italy, with a straightforward and innovative offering at an attractive price. 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 from Europe) plus a €9.99 SIM card activation fee. Iliad Italia subsequently upscaled its offer, proposing 40 GB/month for €6.99 a month. Since September 6, 2018, Iliad Italia has offered a plan costing €7.99/month which includes:

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

  This no-commitment plan – which also includes services such as voice mail, caller display and usage monitoring – 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:

- voice call minutes in Italy and to over 60 international destinations, including landlines and mobiles in the USA and Canada, as well as from Europe to landlines 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 usable in Europe.

  This no-commitment plan has no hidden costs, is guaranteed for life and includes the same services as the 50 GB and 40 GB Plans.

The Group's Italian offering also includes a selection of the latest Apple iPhones (iPhone XR, XS, XS Max and 8). 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. Currently the solution offered by Iliad Italia for acquiring a phone is outright purchase with upfront payment.

### 1.3.3.2 Presentation of the Group's industrial operations

In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries, which provided for Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – involved (i) the transfer of a set of 35 MHz frequencies, (ii) an undertaking to acquire macro sites of the merged network, (iii) a possibility either to bring into force a RAN sharing agreement covering rural areas or to acquire macro sites in those areas, and (iv) an all-technologies roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period.

#### 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 Group 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. The purchase price of these frequencies was €450 million was staggered between 2017 and 2019. At December 31, 2018, the Group had already paid a total of €243 million.

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 its 2018 Finance Act published in late 2017, the Italian government issued its procedures for the assignment of 700 MHz frequencies as well as the 3,600 MHz-3,800 MHz and 26GHz-27GHz frequencies that will be used for 5G. The results of the spectrum 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.

The total purchase price of the frequencies was €1,193 million. In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the amount due 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 notably involves:

- setting up a local structure for deploying the mobile sites using (a) sites that are scheduled to be decommissioned by Wind Tre, mainly from 2018 through 2020 and (b) sites made available by major infrastructure lessors and operators. At end-December 2018, the Group was fully dependent on its roaming agreement with Wind Tre and had already secured 2,500 sites, of which 1,500 are already fully equipped;
- deploying a backbone of some 10,000 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.

## 1.3.4 SUBSCRIBER RELATIONS AND PHYSICAL DISTRIBUTION NETWORK IN FRANCE

### 1.3.4.1 Support services and subscriber relations

The Group's landline and mobile subscribers are provided with technical support and after-sales services through a telephone helpdesk platform run by Iliad subsidiaries. Iliad is currently focusing on strengthening and training its technical and after-sales support teams, developing new systems to optimize the services provided to subscribers, and enhancing subscriber relations. The main objectives set by the Subscriber Relations Department are to improve service quality and subscriber satisfaction rates, effectively manage the number and length of calls as well as repeat calls, optimize the call handling process, strengthen career development measures for staff and apply them consistently across the various subscriber support sites, and to launch new projects.

As well as 7/7 telephone assistance on sales and technical issues, the Subscriber Relations Department provides subscribers with an online support service available through the Free and Free Mobile websites. This service gives answers to user FAQs and allows subscribers to ask the support service specific questions via email or chat.

The latest innovative service launched by the Subscriber Relations Department is "Face to Free", which gives subscribers an additional source of contact by being able to communicate with FreeHelpers via a video link and remote access technical support. This meets current user demand as it means that subscribers can actually see how the FreeHelpers solve the technical issues concerned.

The management teams of the call centers implement a strict quality policy based on respect for subscribers. As a result, the Iliad Group – whose call centers have obtained NF Service (AFAQ/AFNOR) certification – continually develops new high value-added services both for its subscribers and its helpdesk staff. These include extending local support services (through free home visits by technicians organized in rapid time frames), creating laboratories, regularly updating the quality manual and related guidelines, setting up on-site steering committees and operations committees to ensure across-the-board performance and the effective implementation of action plans, regularly carrying out analyses of complaints with the French General Directorate for Competition Policy, Consumer Affairs and Fraud Control (*Direction générale de la Concurrence de la Consommation et de la Répression des Fraudes* – DGCCRF), performing audits and setting benchmarks, closely co-operating with the *Service National Consommateur* (the French ombudsman responsible for settling consumer complaints and disputes), contacting subscribers through text messages, setting up subscriber telephone surveys to verify service quality, and providing a personalized online account management interface for subscribers that can only be accessed with the user's individual log-in and password.

All of the above measures contribute to the Group's overall objective of constantly enhancing and developing the services offered to subscribers in order to effectively meet their existing requirements while at the same time anticipating their future needs. With the same aims in mind, the Group's internal processes (related to subscriber recruitment, incident tracking, changes of address, payment and service utilization, etc.) are continually reviewed in order to make them as straightforward and easy to use as possible for subscribers.

### 1.3.4.2 The Free Center retail network

At end-2018, the Group had a network of 59 Free stores (Free Centers) located throughout France, with a flagship store of over 600 sq.m based in central Paris.

The Free Centers have a three-fold objective:

- to increase the Group's subscriber base by attracting new subscribers or by encouraging existing landline subscribers to add mobile services and vice versa;
- to provide after-sales services to subscribers and reassurance through one-on-one contact;
- to showcase the Free brand by bringing it physically closer to subscribers and promoting the benefits of its offering.

### 1.3.4.3 Self-service kiosks with SIM-card dispensers

The Group's research and development teams have devised self-service kiosks for mobile subscriptions with integrated SIM-card dispensers. These kiosks – which are fully automated and can be used to take out a subscription or change SIM card in a matter of minutes – have been installed in partnership with the *Maison de la Presse* and *Mag Presse* store network and have allowed the Group to further extend its physical presence in France. At December 31, 2018, the Group had approximately 1,500 such kiosks across France.

## 1.3.5 SUBSCRIBER RELATIONS AND PHYSICAL DISTRIBUTION NETWORK IN ITALY

### Support services and subscriber relations

The Group's mobile subscribers are provided with technical support and after-sales services through a telephone helpdesk platform run by Iliad subsidiaries. Iliad is currently focusing on strengthening and training its technical and after-sales support teams, developing new systems to optimize the services provided to subscribers, and enhancing subscriber relations. The main objectives set by the Subscriber Relations Department are to improve service quality and subscriber satisfaction rates, effectively manage the number and length of calls as well as repeat calls, optimize the call handling process, strengthen career development measures for staff and apply them consistently across the various subscriber support sites, and to launch new projects.

As well as 7/7 telephone assistance on sales and technical issues, the Subscriber Relations Department provides subscribers with an online support service available through Iliad's website. This service gives answers to user FAQs and allows subscribers to ask the support service specific questions.

Iliad's Subscriber Relations Department can be contacted by phone, fax, regular mail or via social media (Facebook, Twitter and Instagram). Social media contacts are managed entirely in-house in almost real time in the aim of giving subscribers fast, competent answers to technical and sales queries. The Social Media team operates via a technological platform that agents can use to track and classify each interaction in order to improve self-assistance functions, process automation, and ultimately enhance subscriber satisfaction. Service quality is assessed by subscribers themselves via questionnaires sent out at the end of each interaction with the Subscriber Relations Department. Maintaining high quality services is the support service's primary objective and is a means for Iliad to stand out from its competitors in the Italian telecommunications market in terms of CSI and NPS key performance indicators. Each support service interaction is looked on as a way of finding out more about subscribers and of improving the processes and services delivered.

All of the above measures contribute to the Group's overall objective of constantly enhancing and developing the services offered to subscribers in order to effectively meet their existing requirements while at the same time anticipating their future needs. With the same aims in mind, the Group's internal processes (related to subscriber recruitment, incident tracking payment and service utilization, etc.) are continually reviewed in order to make them as straightforward and easy to use as possible for subscribers.

### Distribution channels

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

- physical distribution:
  - a network of 11 stores in major Italian cities,
  - a network of over 500 SIM card dispenser kiosks ("Simboxes"), with 138 located 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 on line and receive their SIM card at home through the post.

## 1.4 A NETWORK SERVING THE GROUP'S INTERNET AND TELEPHONY OPERATIONS

In line with the strategy presented in Chapter 1, Section 1.2.3, the Group maintains a proactive capital expenditure policy in its networks in France and Italy in order to offer subscribers the best connectivity.

The Group's networks are based on:

- long-distance transmission infrastructure;
- local landline loop through unbundling and fiber optic rollout;
- rollout of mobile networks in France and Italy.

### 1.4.1 BACKBONE TRANSMISSION INFRASTRUCTURE

#### 1.4.1.1 Backbone transmission network technology

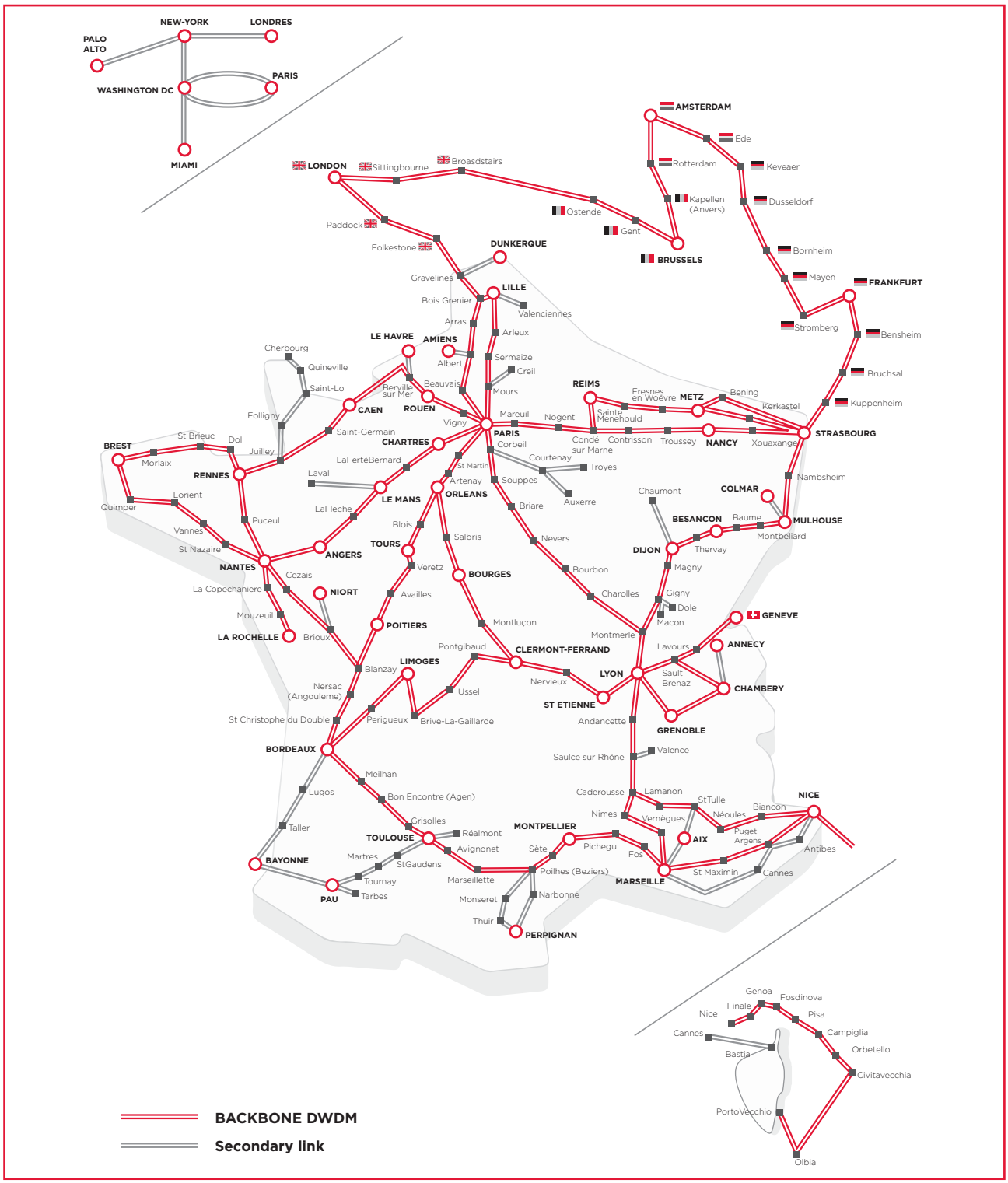
The Group's backbone transmission network is entirely built with optical fiber. Its optical communications technology is based on the Dense Wavelength Division Multiplexing (DWDM) technique which enables several wavelengths to be carried on the same optical fiber.

Using the optical transmission equipment set up by the Group, every wave carries a signal at a very high speed (10 Gbps and 100 Gbps), and at least 32 different waves can be carried on the same optical fiber. This means that each link has a capacity of several hundred Gbps, which can be considered as practically an "infinite" transmission capacity.

The Group has full control over its transmission capacities as it has built or leased the sections of dark optical fiber it requires (see below) and operates its transmission equipment itself thanks to its investments in multiplexers.

## France

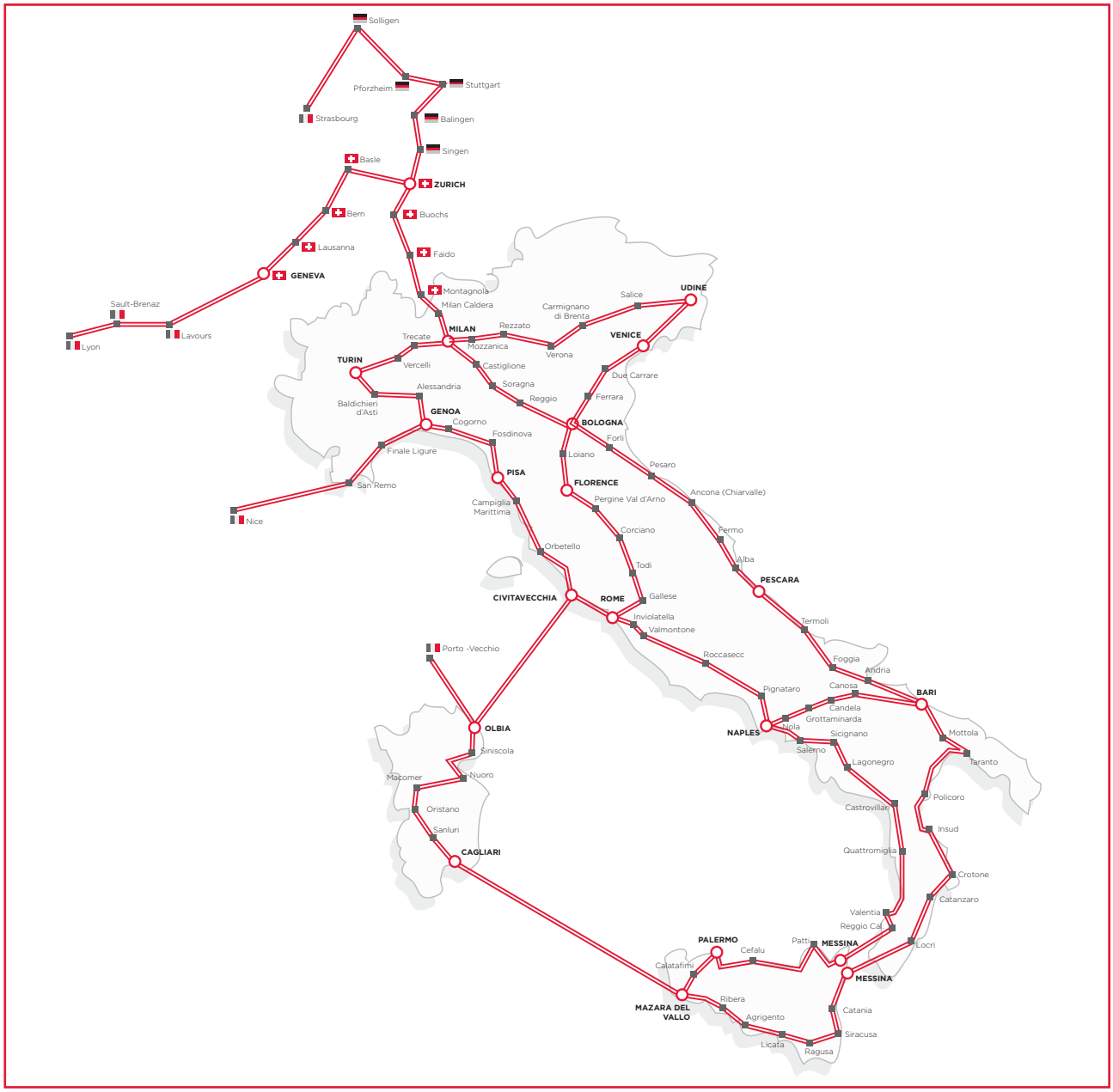
### MAP SHOWING THE GROUP'S BACKBONE NETWORK IN FRANCE



## Italy

As part of its business development project in Italy, the Group has rolled out an optical fiber backbone network that connects up Italy's principal towns and cities between themselves and to the Group's main mobile network centers located in Milan and Rome. The network set up in Italy is interconnected at different points to the Group's long-standing backbone network in France.

### MAP SHOWING THE GROUP'S BACKBONE NETWORK IN ITALY




At December 31, 2018, the Group's backbone network comprised over 140,000 linear km of optical fiber, including some 10,000 km in Italy.

#### 1.4.1.2 Ownership of the network

Part of the network is held under Indefeasible Rights of Use (IRU) agreements, Free's preferred method. Under these long-term agreements, the Group has acquired the indefeasible right to use the fibers for a given period, without having to obtain any right-of-way easements.

The sections of the network that are not covered by such agreements are either leased or owned outright, notably following joint construction projects undertaken with private operators or local authorities.

### 1.4.2 LANDLINE NETWORKS AND LOCAL LOOPS IN FRANCE

#### 1.4.2.1 Interconnection architecture between the Group's network and the incumbent operator's network

In order to interconnect to the incumbent operator's network in a given trunk exchange area, the Alternative operator must install a physical connection from a point-of-presence (POP) to a switch located in one of the incumbent operator's 18 digital main switching units.

The Alternative operator may also connect to the lowest hierarchical level of switches installed on the network, i.e., the digital local exchange, which is the switch closest to the user.

In turn, each user of the incumbent operator's landline telephone services is connected to a digital local exchange by means of a local concentrator.

In view of the high density of the Group's network, it is directly connected to almost all of the incumbent operator's digital local exchanges in Metropolitan France.

#### 1.4.2.2 Local loop unbundling

The local loop is the part of the network located between the telephone socket on the subscriber's premises and the main distribution frame (or local concentrator) to which the subscriber's line is connected.

The incumbent operator must, upon request, provide any Other Licensed Operator (OLO) with direct access to the local loop. This access, which is referred to as unbundling, allows the OLOs to control access to their subscribers by operating their own equipment.

In an unbundled system, the copper pair (the part of the subscriber's line which connects the subscriber to the closest digital local exchange) is not connected directly to the equipment managed by the incumbent operator, but rather to an ADSL/VDSL line concentrator (also called a DSLAM) installed in co-location facilities or dedicated spaces provided for this purpose in the incumbent operator's exchanges and managed by the operator chosen by the subscriber.

Local loop unbundling enables OLOs to become largely independent from the incumbent operator's network. The recurring charges payable to the incumbent operator relate primarily to the rental of the copper pair, the splitter (only for partial unbundling) and the copper tie cable linking the subscriber's modem to the operator's DSLAM.

##### Transmission network and unbundling the local loop

Having laid over 130,000 km of fiber, the Group has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. It draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In 2018, the Group continued to extend its coverage by opening 1,700 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to 13,300 throughout France at the year-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with VDLS2 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.

##### Operating costs and capital expenditure by subscriber

The Group's Landline business is operated according to two different options:

- option 1 (subscribers on an unbundled line), whereby the Group markets services entirely on its own network (excluding the local loop);
- option 5 (subscribers not on an unbundled line), representing a wholesale offer proposed by the incumbent operator that is sold on to subscribers by Free.

The main costs that the Group capitalizes for Option 1 relate to the following:

- the boxes provided to subscribers;
- fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees), which amount to €50 per subscriber for full unbundling and €66 per subscriber for partial unbundling;
- logistics and modem dispatch costs.

All of the above items (Freebox modems, access fees and logistics costs) are depreciated over a period of five or seven years.

Under Option 5, total capital expenditure is lower as the majority of new subscribers are provided with Freebox Crystal modems.

The main capitalized costs under Option 5 correspond to access fees billed by the incumbent operator, which are as follows:

- fees for access to the DSL Access service: €56.00
- fees for access to the DSL Access Only service: €61.00
- fees for access to the DSL Access Only service (where operator access was already in place): €17.00

Capitalized access fees are depreciated over a period of seven years as from when the related services are provided.

#### 1.4.2.3 Rollout of ultra-fast landline networks

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.

By rolling out its own optical fiber local loops, the Group directly owns all of its fiber-to-the-home (FTTH) infrastructure and is therefore totally independent from the incumbent operator. This means that it has complete control over its service quality and subscriber relations, and can provide its subscribers with access to a technology that fully meets their growing bandwidth requirements.

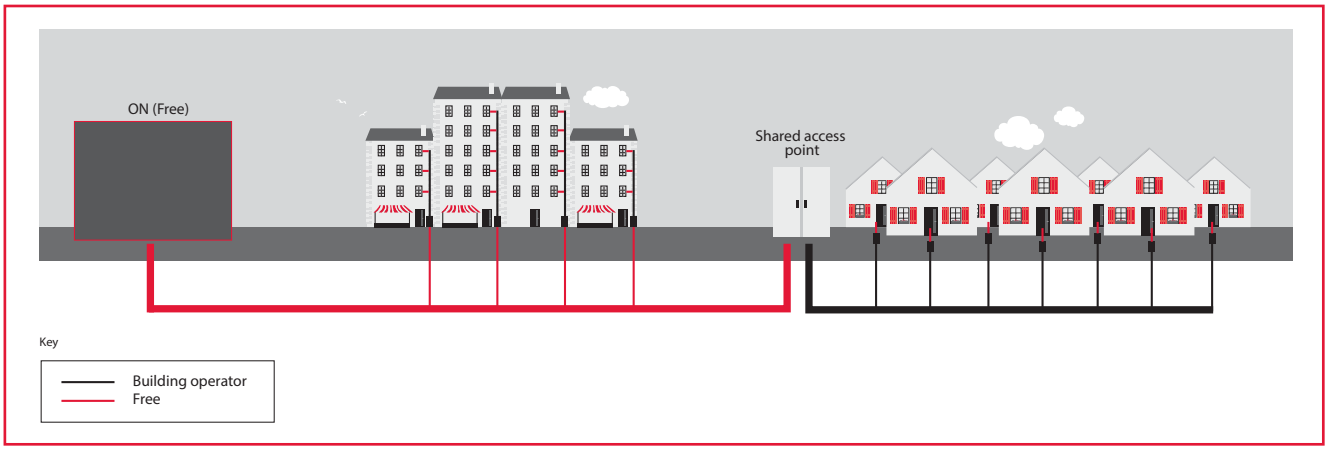
The FTTH rollout is a logical extension of the Iliad Groupp's strategy of investing in the deployment of its own infrastructure with the aim of increasing margins and profitability.

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

### Rollout of optical fiber local loops in very densely populated areas (approximately 7 million lines)

In its decision no. 2013-1475 dated December 10, 2013, ARCEP issued a list of 106 municipalities that it classified as "very densely populated areas" (representing around 6 million homes). In these areas, each operator is responsible for rolling out its own network up to shared access points which are generally located inside buildings and the indoor cabling is then shared between the operators.

To support the rollout of its FTTH network, the Group is making major investments in network infrastructure.




In view of the above ARCEP decision, the Group is rolling out its own FTTH infrastructure in very densely populated areas, which involves:

- 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 loops, the Group directly owns all of its fiber-to-the-home infrastructure and is therefore totally independent from the incumbent operator. This means that it has complete control over its service quality and subscriber relations, and can provide its subscribers with access to a technology that fully meets their growing bandwidth requirements.

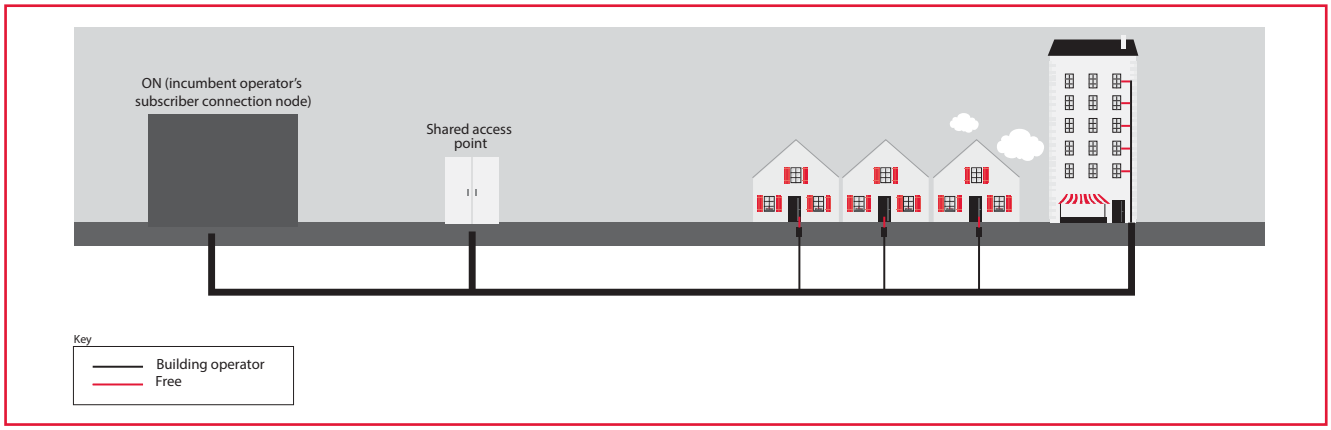
The FTTH rollout is a logical extension of the Iliad Group's strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability.

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

### Rollout of optical fiber local loops in non-densely populated areas

In non-densely populated areas, in order to optimize fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP decision no. 2010-1312 dated December 14, 2010) provides for more extensive infrastructure-sharing as it requires operators that roll out networks to create shared access points located outside private property boundaries which can each be used for around 1,000 lines.

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




#### *Private co-financed areas (approximately 14 million lines)*

The Iliad 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. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve, through purchases of 5% tranches. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node.

The Iliad Group has subsequently extended its co-financing commitments in line with the progress of the incumbent operator's rollouts so that it has FTTH coverage in all of the geographic areas in which the incumbent operator has deployed an FTTH network.

#### *Public Initiative Networks (PINs) in the rest of France*

In 2017 the Group gave its first commitments relating to the Public Initiative Networks (PINs) that are being rolled out in sparsely populated areas of France, notably by signing (i) an agreement with Axione which will ultimately give the Group access to more than 2 million additional FTTH sockets, and (ii) a co-financing agreement with the incumbent operator concerning 110,000 FTTH sockets in the Mayenne *département*. In 2018, the Group continued its commitment to supporting the rollout of PINs by signing (i) a national framework agreement with Altitude Infrastructure, and (ii) a co-financing agreement for 70,000 lines in the Vendée *département*.

Outside very densely populated areas, the Group occasionally has to make a choice between co-financing and rental, in order to optimize its capital expenditure.

### FTTH progress report at December 31, 2018

2018 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 more than 50% over the year and totaled 9.6 million at end-December 2018 (versus 6.2 million one year earlier). The Group's fiber offerings are now available in some 1,100 municipalities. In addition, the Group completed its horizontal coverage in very densely populated areas in 2018;
- the Group's FTTH subscriber base grew by 75% in 2018, bringing the total to 983,000 at the year-end. Fourth-quarter 2018 was a record quarter in terms of connections, with over 140,000 new subscribers (i.e. almost double the number for fourth-quarter 2017). The year-on-year surge was due to three main factors:
  - French households' growing appetite for FTTH technology,
  - the gradual start-up of marketing of 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 sharp acceleration in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. As a result, it significantly exceeded its objective of having 9 million connectible sockets by end-2018, and reached its target of one million FTTH subscribers in early 2019. The Group therefore confirms that it intends to:

- have installed 20 million connectible sockets by 2022;
- connect up around 500,000 subscribers per year.

## 1.4.3 ROLLOUT OF THIRD- AND FOURTH-GENERATION MOBILE COMMUNICATIONS NETWORKS

### 1.4.3.1 Rollout of a third-and fourth-generation mobile communications network in France

In line with the approach it adopted for constructing its IP network and developing its landline telephony services, the Group believes that when building a mobile network – even a 3G network – it needs to completely break away from what other operators have done in the past. Consequently, it decided to draw on the recommended architectures for 4G networks (LTE and Wimax).

The mobile network must be able to meet the requirements of tomorrow (mobile Internet) as well as to fit seamlessly with the rest of the Group's all-IP network. Iliad's overall vision is for its mobile network to be simply a peripheral add-on component to the IP and voice transit network already in place.

As IP technology is already used in a large number of mobile core networks across the world, equipment manufacturers are fully aware of and factor in its restrictions and consequences. In addition, the topology of the Group's IP network and the length of the rings deployed for the national network do not give rise to any significant problems in terms of latency or jitter.

The Free Mobile network has therefore simply been grafted onto the Group's existing network infrastructure. Since it acquired its 3G license in January 2010, the Group has put in place business lines to manage and oversee with its internal teams:

**a)** the rollout and use of its mobile network:

- seeking out sites, which entails site identification and reporting on each site's mobile coverage potential,
- undertaking discussions with all types of lessors, including private individuals, condominium owners, housing associations, corporate and institutional lessors, mobile operators and companies with substantial real estate portfolios such as hotel chains,
- carrying out administrative and regulatory procedures to obtain the necessary authorizations to perform works (such as preliminary planning statements, building permits etc.),
- organizing, planning and managing projects, as well as coordinating the work of the various people and entities involved in both the validation process and subsequent site construction work, notably via a collaborative information system,
- ensuring a full understanding of and compliance with safety rules related to performing installation works at height and the use of mobile communications equipment,
- monitoring the operation and maintenance of radio equipment at sites where it has been installed.

**b) operation of its sites and passive mobile infrastructure:**

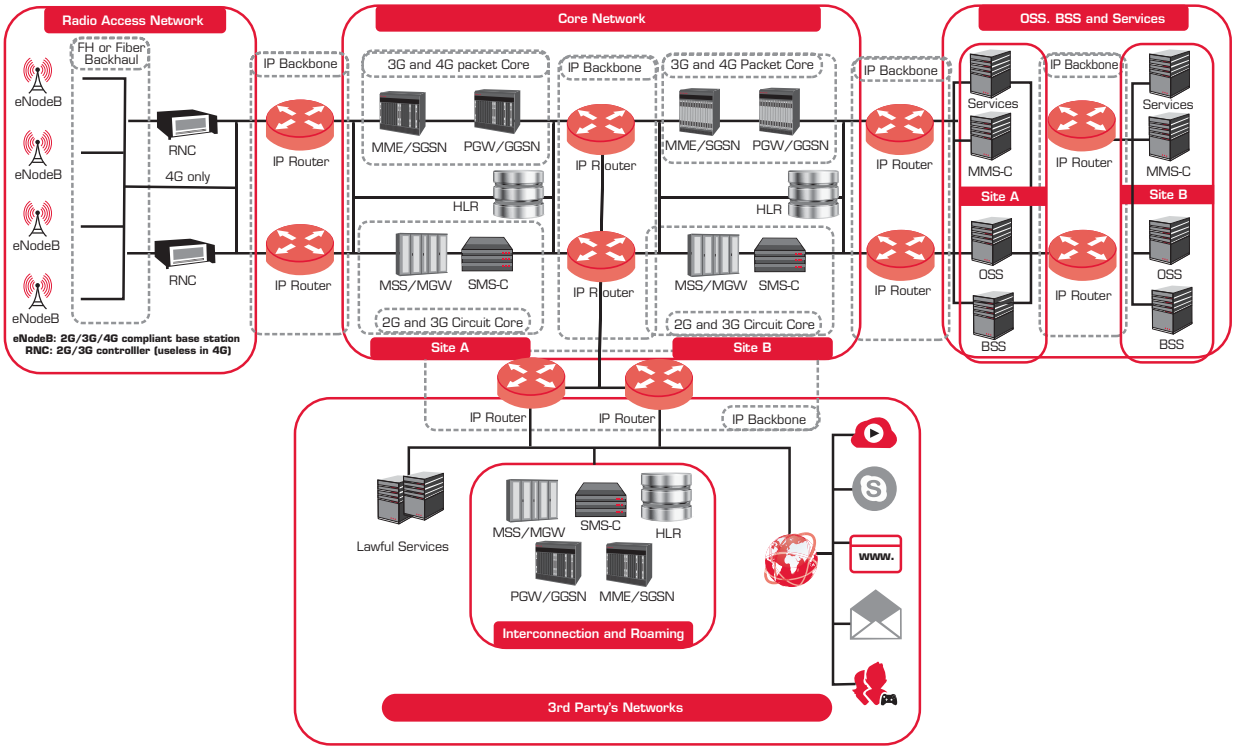
- monitoring relationships with lessors to maintain and develop sites,
- carrying out maintenance work on passive mobile infrastructure and overseeing projects to upgrade installations,
- overseeing projects welcoming third-party operators.

The Group intends to draw on this organizational structure to roll out its network of mobile masts in order to have its own network offering national coverage across France. The progress of the mobile network rollout process is described in Chapter 5 of this Registration Document. With this in mind, the Group is studying opportunities for an industrial partnership in the business (see Chapter 5, Section 5.4.2.2).

### Architecture of the mobile network in France

The architecture of the Group's mobile network in France is summarized in the diagram below:

DIAGRAM OF THE ARCHITECTURE OF FREE MOBILE'S 3G/4G MOBILE NETWORK




Free Mobile's 3G/4G mobile network is therefore a smooth fit with the landline Next Generation Network (NGN) currently used by the Group:

- in terms of logical architecture:
  - the two networks use the same addressing plan,
  - the Free Mobile core network directly interacts with the network equipment and services of the landline network (in particular switches, interconnection capacity with third-party PLMN/PSTN networks, and multimedia applications such as e-mail and voice messaging),
- in terms of physical architecture:
  - the links to the mobile core network are provided through Internet Protocol (IP) links and the capacities of the landline network,
  - the equipment for the mobile core network is located in the infrastructure (sites and secured rooms) used for the landline network and is co-located wherever possible with the landline network equipment with which it is interfaced.

In addition, pursuant to the roaming agreement signed with France's incumbent operator, the Free Mobile network is interconnected with the Orange mobile network at three points for voice and two points for data.

These interconnections between the Free Mobile and Orange France networks are necessary for carrying traffic (Internet, voice, text messages etc.) of subscribers in areas not covered by the Free Mobile network.

#### 1.4.3.2 Rollout of a third- and fourth-generation mobile communications network in Italy

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

- rolling out the core network and interconnections with Wind Tre to manage traffic under the selected 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;
- putting in place a local team for overseeing the deployment of the network of mobile sites, using (i) sites that Wind Tre is scheduled to transfer to Iliad Italia by end-2020 under agreements signed in July 2016, and (ii) sites made available by major tower companies

and other lessors in Italy. At December 31, 2018, more than 1,500 mobile sites had been connected;

- leveraging synergies with the Iliad Group by involving the French technical and operations teams (notably for network management, information systems and radioplanning) and drawing on the infrastructure and platforms already deployed in France that can be shared with the Italian business.

### 1.4.4 REAL ESTATE

For the purpose of its FTTH rollouts in France, the Group acquires, either directly or under finance leases, premises to house optical nodes (ONs).

The majority of the premises used by the Group are occupied under long-term lease agreements entered into with third parties, and are principally located in the Paris area.

For further details on the Group's real estate see Note 19 to the 2018 consolidated financial statements in Chapter 6 of this Registration Document.

## 1.5 RESEARCH & DEVELOPMENT

### 1.5.1 RESEARCH & DEVELOPMENT

The Iliad Group devotes significant resources to creating innovative products and services within the information and communication technologies sector. Its research & development ("R&D") policy is structured around two main objectives: (i) offering differentiated services to subscribers thanks to dedicated equipment, and (ii) reducing costs relating to the construction and operation of its network.

It is with these objectives in mind that the Group develops new generations of Freeboxes that incorporate the latest technical innovations, and is deploying innovative xDSL, optical fiber and mobile network equipment.

R&D expenditure includes research work, the costs of creating new products, and expenses incurred for changing and adapting existing products. The Group also intends to continue its in-house development for the architecture of the equipment used both in the operation of its networks and in the provision of services to its subscribers, as well as for the Linux-based software applications that are used by all Group companies.

In 2018, the Group spent €15.7 million on R&D related to its xDSL, optical fiber and mobile activities.

### 1.5.2 INTELLECTUAL PROPERTY

#### Patents

At the date this Registration Document was filed, the Group had filed 43 patent families in the areas of optical fiber, multimedia flow distribution, PLC data transmission, femtocell boxes and hosting servers.

#### Trademarks

See Chapter 2, Section 2.1.4.4 of this Registration Document for further information on intellectual property.

## 1.6 REGULATORY FRAMEWORK

The Group's business activities are subject to the specific legislation and regulations of France, Italy and the European Union governing the electronic communications sector and the information society.

### 1.6.1 REGULATION OF ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES IN FRANCE

#### The regulatory framework for electronic communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are set out in the French Post and Electronic Communications Code (CPCE). This Code sets out the applicable formal legal framework and transposes the related European Union (EU) Directives into French law.

At EU level, in 2018 talks were completed on the new Telecoms Package and the European Electronic Communications Code was adopted on December 17, 2018. The provisions of this Code need to be implemented into national laws across the EU within two years of its entry into force. Based on an initial analysis, there does not appear to be any major incompatibility between France's current national laws and the new EU regulatory framework, particularly in terms of the regulations concerning unbundling and fiber. Another EU regulation was also adopted on December 17, 2018, which sets the pricing framework for intra-EU calls in the retail market, with price caps coming into force on May 15, 2019.

In France, no major legislative changes specifically relating to telecommunications took place in 2018.

The Finance Act led to a rebalancing of the IFER flat-rate tax by widening the applicable base to include cable and FTTH (rather than just copper), subject to conditions concerning the age of the lines concerned. This change will lead to relative stability in both the amount of the IFER tax per active line and the prices of copper unbundling. The Finance Act also restricted the ability for operators providing multi-media services (such as media and audiovisual services) in a multi-service package to apply a reduced rate of VAT.

## Asymmetric regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. *Ex-ante* asymmetric regulation is focused on market segments – mainly wholesale markets – in which distortion of competition and dominant market positions have been identified. ARCEP is required, under the supervision of the European Commission and on the recommendation of the French antitrust authorities, to (i) define the relevant markets applicable in France, (ii) analyze the relevant markets and identify companies which have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

Descriptions of each market analyzed during each phase of the process, along with a table tracking market developments, can be viewed on ARCEP website. The main ARCEP decisions currently in force that are relevant to the Iliad Group are the following:

- concerning the regulation of landline and mobile termination charges: decision no. 2017-1453 dated December 12, 2017 on (i) determining the relevant markets for voice call terminations on landline and mobile networks in France, and (ii) designating the operators that exercise significant power in these markets and their related obligations for the three-year period between 2017 and 2020. This decision renewed the majority of the terms of the framework that was previously in place;
- concerning the regulation of wholesale markets for Broadband and Ultra-Fast Broadband : unbundling operations for these markets are regulated by decision no. 2017-1347 dated December 14, 2017 relating to (i) the definition of the relevant market for wholesale local access provided at a fixed location, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market. Orange – which was designated by ARCEP as the operator with significant market power ("SMP") in the wholesale FTTH market – has undertaken not to discriminate between the services that its network provides to its retail arm and those that it provides to third-party commercial operators. In early 2019, ARCEP published an audit report in which it found that there was no discrimination between the in-house IT processes used by Orange's retail arm and the IT processes made available by Orange to third-party operators. Orange has undertaken that for its future IT processes, and as far as possible, it will use the same tools for its retail arm as those it makes available to third-party operators. Bitstream offerings are regulated by decision no. 2017-1570 dated December 21, 2017 concerning (i) the definition of the relevant market for wholesale bitstream access offers for Broadband and Ultra-Fast Broadband delivered at sub-national level, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market;
- ARCEP has set price caps for the rental of copper pairs from the incumbent operator at €9.31, €9.41 and €9.51 per month for 2018, 2019 and 2020 respectively, including the IFER tax for copper pairs. In view of the recent amendments to the IFER tax regime, the price of unbundling services has been set at €9.828 per month for 2019, which is lower than the original cap.

Iliad Group subsidiaries were parties in two disputes that were settled by ARCEP in 2018. The settlement decisions are available on ARCEP's website.

By way of decision no. 2018-0435-RDPI, ARCEP settled a dispute between Orange and Free and Free Mobile concerning the technical specifications of the IP interconnection interface (IPv4, PRACK protocol and DTMF protocol) provided for in their interconnection offerings. ARCEP ruled in favor of Orange in relation to IPv4 and PRACK and rejected its application concerning DTMF. Free and Free Mobile have appealed this decision.

By way of decision no. 2018-0569-RDPI, ARCEP settled a dispute between Free and Orange concerning certain aspects of the co-financing agreement between the two parties relating to FTTH lines deployed by Orange in medium-populated areas of France ("AMII areas"). The dispute involved the duration of the rights granted to Free in return for its co-financing obligations, Orange's disclosure of the costs of its network, and Free's ability to connect its mobile base stations to the FTTH network. ARCEP's ruling was mainly in Free's favor and has been appealed by Orange. Orange applied for a stay of execution of ARCEP's decision but its application was rejected. The appeal is still pending.

## Symmetric regulation

ARCEP also regulates in a "symmetric" way, i.e., by imposing the same obligations on all operators, using the regulatory powers vested in it by law. The decisions it makes in terms of symmetric regulation are approved by the French Minister for Electronic Communications. FTTH networks are mainly regulated in a symmetric way.

For the optical fiber networks located in France's 148 most densely populated municipalities, ARCEP decision 2009-1106 regulates access to the terminal section of networks installed by operators in the risers of buildings. If they so wish, operators can co-invest in networks installed by other operators and can ask to have access to a dedicated fiber. Decision no. 2013-1475 dated December 10, 2013 amended the list of very densely populated municipalities that was originally defined in decision no. 2009-1106, reducing their number to 106. On January 11, 2014, ARCEP issued a recommendation concerning FTTH

rollouts for small buildings with fewer than 12 premises in very densely populated areas. For these buildings ARCEP recommends rollouts from shared access points comprising around 100 single-fiber lines located outside the private property line, using a point-to-point architecture.

ARCEP decision no. 2010-1312 of December 14, 2010 sets out the terms and conditions for access to ultra-fast optical fiber electronic communications lines in those parts of France other than very densely populated areas. Under this decision, operators are required to establish shared access points that are sufficiently large to enable other operators to gain access at reasonable prices. It also requires operators rolling out a network to store the active or passive network devices of other operators (such as street units, shelters, etc.) at these shared access points.

In 2015, ARCEP adopted decision no. 2015-0776 of July 2, 2015 related to the technical and operational processes for the sharing of ultra-fast optical fiber electronic communications networks. The aim of this decision is to create a regulatory framework for and to standardize the processes concerning (i) the provision of information prior to fiber rollouts (relating to rollout plans, which buildings are included in the rollouts, eligible premises, etc.) and (ii) the delivery of optical routes by building operators. The provisions of the decision came into effect in three phases, with the last phase taking place in mid-2017.

By way of decision no. 2017-0830 of July 4, 2017, ARCEP set the rate of return on capital employed to be used for calculating the costs and pricing of regulated landline and mobile operations. This rate will be 7.6% (pre-tax) for the three-year period from 2018 to 2020.

On June 24, 2018 ARCEP published a recommendation on the consistency of FTTH network rollouts and the completeness of the rollouts in the operators' coverage areas. In late 2018 ARCEP launched legal procedures against several operators, including the Iliad Group, on the basis of Article L. 36-11 of the French Post and Electronic Communications Code, relating to the non-completeness of their FTTH rollouts outside very densely populated areas. The procedure against the Iliad Group concerns rollouts launched in all or some of a dozen municipalities outside very densely populated areas.

## Roaming and shared use of mobile networks

Following a referral by the French Minister for Industry and the Minister in charge of SMEs, Innovation and the Digital Economy, on March 11, 2013, the French Antitrust Authority issued Opinion 13-A-08 relating to the terms and conditions of the joint usage of and roaming on mobile networks. In this Opinion, the Authority advised that Free Mobile's national roaming agreement should be brought to an end within a reasonable timeframe. It also provided for a framework for the sharing of mobile networks (RAN sharing). This Opinion was opened up to consultation.

In early 2014, Bouygues Telecom and SFR announced that they had entered into a mobile network-sharing agreement for an area covering 57% of the population of Metropolitan France. Orange referred this agreement to the French antitrust authorities, challenging its content and applying for interim protective measures. The application for interim protective measures was rejected.

In accordance with France's economic reform law (the "Macron Act"), which came into force in 2015, ARCEP has been assigned new powers under which it is entitled to analyze the mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. Accordingly, in June 2016 ARCEP adopted a set of guidelines on roaming and mobile network-sharing, following which the operators made amendments to their agreements in force. Free Mobile stated that it would gradually reduce the peak speed for its roaming subscribers from 1 Mbps in 2017 to 384 Kbps in 2020. To date, ARCEP has not itself amended any of the operators' network-sharing or roaming agreements.

In 2016, Free Mobile signed up to a new program for mobile operators to provide 2G and 3G coverage in white spots. Under this program, it benefited from 2G roaming and 3G RAN sharing (currently being upgraded to 4G) for the 2,400 existing sites in white spots. Free Mobile was the lead operator for the rollout of additional sites, for which it proposed symmetrical 3G/4G RAN sharing to the other operators.

This program was replaced in early 2018 by a new governmental action plan called the "New Deal", under which France's four mobile operators have undertaken to deploy 2,000 new sites in white spots and 3,000 in "grey spots". Grey spots are areas that are only covered by certain operators and the aim of building the new sites in these areas is to bring in the services of all operators. The operators have also undertaken to (i) provide better information to subscribers about sites with technical failures and (ii) to market a 4G landline offering in areas where the landline network is insufficient and market a multi-operator indoor coverage offering. Free Mobile has published a list of its sites that are undergoing maintenance. However, the operators have not yet officially published their 4G landline or indirect coverage offerings.

These undertakings have been turned into binding commitments that are contained in the frequency licenses currently in force in Metropolitan France and will be included in the new licenses recently awarded and applicable until 2030. The new licenses were granted following a reallocation process carried out by ARCEP aimed at creating a more balanced split of frequencies between France's operators. The additional 3.8 MHz in the 900 MHz frequency band and 10 MHz in the 2.1 GHz band allocated to Free Mobile will become available on a gradual basis between 2021 and 2024.

## Licenses to use frequencies in France

Licenses to use radio frequencies have been issued to the following Group subsidiaries:

- Free Mobile for 5 MHz in the 900 MHz band and 5 MHz in the 2,100 MHz band (ARCEP decision no. 2010-0043 dated January 12, 2010, amended by decision no. 2018-068 dated July 3, 2018);
- Free Mobile for 20 MHz in the 2,600 MHz band (ARCEP decision no. 2011-1169 dated October 11, 2011);

- Free Mobile for 15 MHz in the 1,800 MHz band (ARCEP decision no. 2014-1542 dated December 16, 2014, amended by decision no. 2015-1080 dated September 8, 2015 and further amended by decision no. 2018-068 of July 3, 2018);
- Free Mobile for an additional 3.8 MHz in the 900 MHz band and an additional 10 MHz in the 2.1 GHz band, which will gradually be made available between 2021 and 2024 (ARCEP decision no. 2018-1391 dated November 15, 2018);
- Free Caraïbe for 10 MHz in the 800 MHz band, 20 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision no. 2016-1520 dated November 22, 2016) in Guadeloupe and Martinique;
- Free Caraïbe for 10 MHz in the 800 MHz band, 4 MHz in the 900 MHz band, 20 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision no. 2016-1520 dated November 22, 2016) in Saint-Barthélemy and Saint-Martin;
- Free Caraïbe for 15 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 20 MHz in the 2,600 MHz band (ARCEP decision no. 2016-1520 dated November 22, 2016) in French Guiana;
- Telco OI for 10 MHz in the 800 MHz band, 10 MHz in the 1,800 MHz band, 9.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision no. 2016-1526 dated November 22, 2016) and 9.8 MHz in the 900 MHz band (ARCEP decision no. 2015-0661 dated June 25, 2015) in Reunion Island;
- Telco OI for 10 MHz in the 800 MHz band, 11.2 MHz in the 1,800 MHz band, 9.8 MHz in the 2,100 MHz band, and 20 MHz in the 2,600 MHz band (ARCEP decision no. 2016-1526 dated November 22, 2016) and 8.8 MHz in the 900 MHz band (ARCEP decision no. 2015-0661 dated June 25, 2015) for Mayotte.

These licenses all carry obligations, including population coverage requirements. Free Mobile has undertaken to roll out (i) a 3G network covering at least 90% of the French population (target achieved) and (ii) a 4G network covering 60% of the population by 2018 (target achieved), 75% by 2023 (target achieved five years ahead of schedule), 98% by 2027 and 99.6% by 2030. Free Caraïbe and Telco OI have not met the coverage obligations provided for in their licenses and ARCEP has therefore launched legal proceedings against them on the basis of Article L. 36-11 of the French Post and Electronic Communications Code.

## Other regulatory provisions

### Interconnection

The applicable regulations provide that any operator of a network open to the public must enable any other operator that so wishes to interconnect with its voice network. Interconnection agreements are subject to private law but the main tariffs are set by ARCEP. Free and Free Mobile have entered into interconnection agreements with France's three incumbent mobile operators and the main national landline operators. These interconnections are gradually being switched from TDM mode to IP mode.

Free Mobile has also entered into reciprocal SMS and MMS interconnection agreements with France's three incumbent mobile operators as well as with several international operators and operators in the French overseas territories. SMS and MMS messages to other operators' networks are connected through the BICS international transit platform. SMS and MMS prices are not regulated and the flows exchanged between operators are generally more or less symmetrical.

Free also has access to Internet interconnections provided through (i) free peering agreements (for operators with symmetrical flows of traffic), (ii) paid peering agreements (for content suppliers with more outbound than inbound traffic), and (iii) international transit agreements enabling traffic to be exchanged with all Internet users. Internet interconnection is not regulated but in accordance with French government order no. 2011-1012 dated August 24, 2011, ARCEP has the power to arbitrate any disputes. In addition, by way of decision no. 2012-0366 dated March 29, 2012, ARCEP introduced a process whereby Internet service providers and the main providers of public online communication services are required to report information on Internet interconnections to ARCEP on a twice-yearly basis. This information collection process is currently being reviewed.

### Portability

Number portability is a symmetric obligation that applies to all operators connecting end-subscribers. Free and Free Mobile are members of two organizations – the APNF and the GIE EGP – which comprise all of France's main operators and are respectively responsible for managing the information required for users to retain their landline and mobile numbers. Following its decision adopted in 2012 which strengthened the regulatory framework applicable to mobile number portability, on June 25, 2013 ARCEP issued a similar decision concerning landline number portability. One of the key provisions was to extend the use of the operator identity statement (RIO) system, which had already been tried and tested in the mobile market. This decision was approved by a government order dated October 23, 2013 and took full effect in October 2015. Free amended its commercial processes to ensure that it complies with this regulatory framework.

### Directories and provision of subscriber lists

All landline and mobile operators that connect end-subscribers are required to supply their subscriber lists for the purpose of publishing directories and/or providing information services. The terms and conditions governing whether or not subscribers are included in these lists depend on the type of service concerned: landline subscribers have to opt out if they do not wish their details to be published whereas mobile subscribers need to opt in. ARCEP decision no. 06-0639 – which was approved by a government order dated March 8, 2007 – sets out the technical and pricing terms and conditions applicable to supplying subscriber lists.

The Group has an electronic directory business operated under the "ANNU" brand and has entered into agreements with France's main landline and mobile operators under which they provide their subscriber lists for the purpose of publishing universal directories and/or providing universal information services. Likewise, Free and Free Mobile have signed an agreement with the main players operating in the universal directory and/or information service markets under which Free and Free Mobile supply a list of their subscribers (subject to any restrictive options chosen by subscribers).

### Contribution to universal service funding

The operator or operators required to guarantee the provision of the universal service are designated on the basis of calls for tender. Following a tender process carried out during 2013, on October 31, 2013 the incumbent operator was designated as the operator responsible for providing, for a period of three years, the three components of the universal service in France: connection to the telephone network and service, subscriber directory and information services, and public phones.

In accordance with the applicable law, the cost of the universal service is shared between operators pro rata to their revenues derived from electronic communication services "excluding revenues from interconnection and access services subject to the agreements defined in paragraph I of Article L. 34-8, and other services provided or billed on behalf of third party operators".

France's economic reform law no. 2015-990 dated August 6, 2015 removed the public phone component from the universal service as well as the need for the government to designate an operator responsible for providing the universal subscriber directory and information services.

### Broadcasting of audiovisual services

The French broadcasting watchdog, the *Conseil supérieur de l'audiovisuel*, is in charge of regulating all radio and television services in France.

In its capacity as a provider of audiovisual services via electronic communications networks, Free is subject to the regulatory "must-carry" provisions which involve two legal requirements: (i) the service provider (which includes Free) has to carry certain public channels, including free-to-air terrestrial channels, the TV5 channel and local public channels that provide information on local activities, and (ii) the must-carry channels have to agree to be carried by the service provider, except if they consider that the service provider's service offering is incompatible with their public service objective. This must-carry obligation also requires service providers to bear the technical costs of broadcasting the channels concerned.

Under French Act no. 2007-309, like all television distributors, broadcasters of television channels via ADSL are required to pay contributions to the *Compte de Soutien à l'Industrie de Programmes Audiovisuels* ("COSIP") – via the television services tax (see above) – which is calculated based on the revenue generated by broadcasting television services. In addition, a law reforming the public audiovisual sector has set a new development framework for public service television channels in France and created a regulatory framework for new audiovisual services such as video on demand. This law also provides for a number of taxes to offset the impact of the phased ban on advertising on public channels, including a tax on electronic communications operators such as Free. The European Commission contested the legality of this tax but in late 2013 the European Court of Justice ruled that it is compliant with European Union law. In addition, a dispute resolution system has been put in place for disputes between operators and publishers of on-demand audiovisual media by way of a law on the public audiovisual sector introduced in France in the fall of 2013.

Providers of audiovisual services on demand, such as Free, are also required to pay a tax on these services, corresponding to 2% of the related revenues net of tax (10% for adult-content programs).

## 1.6.2 REGULATION OF ELECTRONIC COMMUNICATIONS CONTENT IN FRANCE

### Content of online services and liability provisions for Internet market players

In French law, the liability provisions applicable to intermediary ISPs are set out in Act no. 2004-575 dated June 21, 2004 and the French Post and Electronic Communications Code. They include the following:

- providers of online communication services must identify themselves, directly or indirectly. Access and hosting providers are required to keep data that could identify persons having participated in the creation of the content of the services which they provide, in order to be able to pass on such data to the legal authorities, if required;
- hosting providers can only be held civilly liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances making this unlawful nature obvious, or if, as soon as they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it;
- access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances where either they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or selected and/or modified the transmitted content;
- electronic communications operators are required to store the technical data related to connections that is necessary for criminal investigations or for the *Autorité Nationale de la Sécurité des Systèmes d'Information* (ANSSI) or the *Haute Autorité pour la Diffusion des oeuvres et la Protection des droits sur Internet* (HADOPI) to carry out their regulatory duties. They may also keep the technical data required for their invoice payments. Apart from these two specific cases, the operators concerned must delete or render anonymous all data relating to a communication once the communication concerned has been carried out. However, the applicable law on storing and accessing personal data may change in the future following the December 21, 2016 Judgment issued by the Court of Justice of the European Union in Joined Cases C-203/15 Tele2 Sverige AB v Post-och telestyrelsen and C-698/15 Secretary of State for the Home Department v Tom Watson and Others, which held that EU Member States may not impose a general obligation to retain data on providers of electronic communications services.

Statutory provisions have also been introduced in France concerning requirements for ISPs to block access to certain websites and online content (such as illegal gaming sites and pedo-pornographic content), where ordered by ARJEL (France's online gaming regulator) or the Ministry of the Interior (Act no. 2010-476 of May 13, 2010 on online betting and gaming and Act no. 2011-267 of March 14, 2011 on internal security).

French Act no. 2016-1321 dated October 7, 2016 (the "French Digital Republic Act") requires providers of electronic communications services to make their services accessible to end-customers who are deaf, hard of hearing, blind or aphasic, by providing a written and visual simultaneous translation service for calls made and received. An implementing decree will be issued to set the terms and conditions for applying this requirement. The French Digital Republic Act also introduces the right for disadvantaged people to temporarily keep their

Internet connection if they fail to pay for the service. In such a case, the connection must be maintained by the provider for the time it takes for the person's application to the local authorities for financial assistance to be processed.

## Intellectual property rights and the Internet

The purpose of Directive 2001/-1929/EC of May 22, 2001 on the harmonization of certain aspects of copyright and related rights in the information society was to adapt intellectual property law to the specifics of digital broadcasting. However, it has not achieved its primary stated objective of harmonization, as Member States can choose whether or not to adopt other optional exceptions, such as the exception for reproduction of material for private use, provided that the rights-holders receive fair compensation.

These provisions were initially transposed into French law by way of Act no. 2006-961 dated August 1, 2006 (the DADVSI Act) concerning copyright and related rights in the information society. However, following the "Elysée Agreements" of November 2007 the system based on the DADVSI Act was significantly amended by the "HADOPI" Acts adopted on June 12, 2009 (Act no. 2009-669) and October 29, 2009 (Act no. 2009-1311).

Act no. 2009-669 promotes the dissemination and protection of creative works on the Internet and introduced a specific "graduated response" system in the aim of combating illegal downloads. The first stage in this system is an email sent to any Internet subscriber whose connection is used to illegally download a protected work, which informs the subscriber that they have breached the applicable law and warns them that they need to protect their Internet access to ensure it does not happen again. An independent administrative body – the *Haute Autorité pour la Diffusion des Oeuvres et la Protection des Droits sur Internet* (HADOPI) – was specifically created in order to manage and issue these messages.

The Act adopted on October 29, 2009 is aimed at protecting literary and artistic property on the Internet and rounds out the graduated response system by providing that in the event of repeat offenses a judge can impose a fine or even suspend the subscriber's Internet access.

These statutory provisions have been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (Decree no. 2010-536 of March 5, 2010), (ii) the obligation for ISPs to act as a vector for the recommendations issued by the HADOPI (Decree no. 2010-1202 of October 12, 2010), (iii) the terms and conditions for providing compensation for the identifiable and specific additional costs borne by electronic communications operators in order to comply with the HADOPI's requirements (Decree no. 2017-313 of March 9, 2017), and (iv) the amount of compensation to be awarded for each identified and specific additional cost borne by electronic communications operators in order to comply with the HADOPI's requirements (governmental order dated March 23, 2017).

The French Digital Republic Act of October 7, 2016 introduced the principle of net neutrality into Article L. 33-1 of the French Post and Electronic Communications Code. In accordance with EU Regulation no. 2015-2120 of November 25, 2015, this Article sets out measures concerning open Internet access and prohibits ISPs from discriminating by type of service for access to their networks. In order to ensure that this obligation is respected, ARCEP has been given supplementary powers in terms of oversight and sanctions.

Decree no. 2017-159 dated February 9, 2017 concerning digital advertising services, which came into force on January 1, 2018, has introduced a duty of transparency for sellers of digital advertising. Consequently, all digital advertising sellers must provide the advertiser with certain compulsory information, including the date and place that the advert will appear, the overall price of the campaign and the unit price of each advertising space invoiced. Even more stringent information disclosure requirements apply for digital advertising campaigns that use real-time services purchasing methods where the display of the adverts is not guaranteed.

## Processing of personal data and protection of individuals

Act no. 2004-801 of August 6, 2004 on the protection of individuals with respect to the processing of personal data, amending Act no. 78-17 of January 6, 1978 relating to information technology, computer files and civil liberties, transposed the Framework Directive of October 24, 1995 and certain provisions of the Directive of July 12, 2002 into French law. Act no. 2004-575 of June 21, 2004 on confidence in the digital economy and Act no. 2004-669 of July 9, 2004 on electronic communications and audiovisual communication services also transposed into French law certain provisions of Directive no. 2002/58/EC dated July 12, 2002. Lastly, French government order no. 2011-1012 of August 24, 2011 transposed into French law the EU directives adopted in November 2009.

Concerning data relating to the use of its services, since June 18, 2008, the Group has been required to store all user identification data for a period of five years following subscription termination. In accordance with Article L. 34-1 of the French Post and Electronic Communications Code, technical data relating to connections has to be stored and then anonymized after a period of one year.

The Group may be required to pass on data it has in its possession on the identification, location and connection of a user of its services but such data may only be provided to duly authorized national legal and administrative authorities. The information passed on does not include any data concerning the content of any communications or information consulted.

In accordance with Article 100 of the French Criminal Procedure Code (*Code de procédure pénale*) and Chapter IV of the French National Security Code (*Code de la sécurité intérieure*), the Group may also be required to carry out legal interceptions of the electronic communications transmitted over its landline and mobile networks where required by the duly authorized legal and administrative authorities. This type of interception is carried out in accordance with a strict supervisory framework by qualified professionals using equipment that is duly authorized and controlled by the relevant authorities.

The French Digital Republic Act (Act no. 2016-1321 dated October 7, 2016) has (i) created new rights for individuals (confirmation of the right to control the use of personal data, confidentiality of electronic correspondence, the "right to be forgotten" for minors, the possibility for data users to determine what will happen to their personal data after their death, and the possibility for individuals to exercise

their rights electronically), (ii) increased the information that electronic communications service providers have to disclose in relation to their service contracts (neutrality, information on protecting individuals' private lives and personal data and the consequences on the quality of Internet access of any limitations in terms of volume, speeds or other factors), and (iii) strengthened the responsibilities and the enforcement powers of the CNIL (the French data protection authority).

Certain provisions of the Digital Republic Act were an early adoption of the requirements of EU Regulation no. 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation, or "GDPR", which came into force on May 25, 2018). The GDPR, which repeals Directive no. 95/46/EC, extends the scope of the regulatory framework for personal data protection, strengthens privacy rights and increases the maximum amount of the fine that may be imposed for non-compliance to 4% of global revenue.

Since the GDPR came into force, French Act no. 2018-493 on personal data protection and decree no. 2018-687 have been introduced, in order to amend France's previous Data Protection Act (Act no. 78-17 of January 6, 1978) and bring France's legislation into compliance with the GDPR and EU Directive no. 2016/680 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data. This new Personal Data Protection Act also gives additional powers to the CNIL and removes the existing system of prior declaration to and authorization from the CNIL for personal data processing.

Following the introduction of the new French Personal Data Protection Act, on December 12, 2018 a government order (no. 2018-1125) was issued to clarify the provisions of the previous Data Protection Act (Act no. 78-17) related to information technology, computer files and civil liberties. A further government order is currently being drafted to create additional consistency between the various laws applicable to personal data protection in France.

In order to take into account the specific characteristics of the electronic communications sector, another EU regulation concerning privacy and personal data protection in electronic communications is currently being drafted, which will repeal Directive no. 2002/58/EC.

### Domain names

Domain names are assigned to the digital addresses of the servers connected to the Internet and constitute Internet addresses. The Group has registered a certain number of domain names in France, which have been recognized as assets. The French courts have now strengthened the protection of domain names as they consider that improper use of a domain name can infringe trademark rights.

## 1.6.3 REGULATION OF ELECTRONIC COMMUNICATIONS CONTENT IN ITALY

On July 1, 2016, Iliad S.A. entered into an agreement with the companies that control Wind Telecomunicazioni S.p.A (Vimpelcom Amsterdam B.V.) and H3G S.p.A. (Hutchison Europe Telecommunications S.A R.L. and Hutchison 3G Italy Investments S.A R.L.) in order to set out the terms and conditions applicable to (i) the implementation of the roaming and multi-operator core network (MOCN) services to be provided by Wind and H3G to Iliad Italia and (ii) the transfer of sites and frequency usage licenses to Iliad Italia. An addendum to this agreement was signed on July 18, 2016. The aim of the agreement is to enable Iliad Italia to provide mobile services in Italy following the merger of the two Italian operators, Wind and Tre. The agreement was approved by the European Commission in its decision issued on September 1, 2016 concerning Concentration Case M.7758 – Hutchison 3G Italy/Wind/JV. This European Commission decision has been appealed by the operator Fastweb.

On July 29, 2016, Iliad was authorized by the Italian Ministry of Economic Development (MiSE) to be a mobile network operator (MNO) and therefore to provide mobile electronic communications services in Italy. This authorization was subsequently transferred to Iliad Italia S.p.A., which was then registered in the register of communications operators (*Registro degli Operatori di Comunicazione*, or "ROC") of the Italian telecommunications regulatory authority (*Autorità per le Garanzie nelle Comunicazioni*, or "AGCOM") on September 29, 2016.

On November 4, 2016 the MiSE granted an authorization for the frequency usage licenses held by Wind and H3G to be transferred to Iliad Italia. These frequencies will become available in line with the timeframe specified in the above-mentioned July 1, 2016 agreement. As a result of this authorization, Iliad Italia S.p.A. now holds the licenses for the following frequencies:

- 5 MHz in the 900 MHz band: this license expires on December 31, 2019 but AGCOM Resolution no. 541/08/CONS provides that it may be extended until December 31, 2021 if requested by the license holder;
- 5 MHz duplex in the 1,800 MHz band: this license was originally due to expire on June 3, 2018 but the Italian 2017 Budget Act adopted in late 2016 provided that it could be extended until December 31, 2029 if the license holder submitted a request before February 15, 2017 and undertook to pay the related fees in a lump sum. Iliad Italia submitted its renewal request and the related undertaking within the required timeframe;
- 5 MHz duplex in the 2,100 MHz band: this license expires on December 31, 2029;
- 5 MHz in the 2,600 MHz band: this license expires on December 31, 2029.

When the Iliad Group launches its wholesale (call termination) and retail services (to end-customers) in Italy, it will be subject to all of the regulatory and legal provisions applicable in the Italian market. These will be relatively similar to those to which it is subject in France as the national regulations in both countries are based on the same European framework.

### The regulatory framework for electronic communications

The majority of the regulatory provisions applicable in Italy to the telecommunications sector are set out in the Italian Post and Electronic Communications Code ("CCE" – legislative decree no. 259/2003 and its successive amendments).

At EU level, the European Electronic Communications Code was adopted on December 17, 2018 and its provisions have to be implemented into national laws across the EU within two years of its entry into force.

### Mobile networks and services

#### 5G frequencies

In application of the Italian Finance Act (Act 205) dated December 27, 2017, on February 26, 2018 the Italian Communications Regulatory Authority, AGCOM, issued Resolution no. 89/18/CONS, launching a public consultation on the procedures and rules for the allocation and use of frequencies available in the 700 MHz, 3,600-3,800 GHz and 26-27 GHz bands for terrestrial electronic

communication systems in order to facilitate transition to 5G technology. On May 8, 2018, AGCOM adopted its final resolution (no. 231/18/CONS). This Resolution provided for two blocks of spectrum (corresponding to 10 MHz duplex) in the 700 MHz band to be reserved and pre-auctioned to new entrants and the remedy taker.

In July 2018, the Italian Ministry of Economic Development published a notice of calls for tender and the rules concerning the allocation of the above frequencies. The auction ran from September 10, 2018 to October 2, 2018 and Iliad was allocated a block in each frequency band and the corresponding licenses:

- a block of 10 MHz duplex in the 700 MHz band, which will be freed up from July 1, 2022 (at the latest) with a license expiring on December 31, 2037;
- a 20 MHz block in the 3,600-3,800 GHz band and a 200 MHz block in the 26-27 GHz band. These frequencies have been available to Iliad since January 1, 2019 and their license expires on December 31, 2037.

### Analysis of the mobile markets

On December 5, 2017, AGCOM issued Resolution no. 481/17/CONS, launching the sixth cycle of analysis of the market for mobile network voice termination services. In this Resolution, which submits the new market analysis to public consultation, AGCOM proposed:

- identifying 12 operators that supply or will supply voice termination services on their mobile networks;
- confirming the use of the cost model prescribed in Resolution no. 60/11/CONS for setting the prices of termination service for the years 2018 to 2021, using symmetric pricing for all identified operators;
- imposing an obligation to control prices for the supply of interconnection kits and removing the cost accounting obligation imposed on Telecom Italia, Vodafone and Wind Tre as a result of AGCOM Resolution no. 497/15/CONS;
- confirming the imposition of a price control obligation only for calls from the European Economic Area;
- for calls from non-European countries that have regulated prices, requiring the identified operators to use those regulated prices as the caps for the prices of their services.

The final resolution is expected in January 2019.

### European regulation on net neutrality

In application of EU Regulation no. 2120/2015, laying down new protection measures concerning open Internet access (net neutrality), in August 2018 AGCOM adopted Resolution no. 348/18/CONS. This resolution establishes the right for users to freely choose the terminals they wish to use to access the Internet via landline networks, by imposing specific obligations on operators. Consequently, operators may not (i) refuse to connect a terminal to their network if the equipment chosen by the user meets the basic requirements set down in EU law, (ii) impose additional costs on the user, or subject the user to unjustified delays, or discriminate the service quality included in their offering if the user uses a terminal of their own choice.

## 1.7 ORGANIZATIONAL STRUCTURE

A presentation of the Group's businesses and its main subsidiaries is provided in Chapter 1, Section 1.3 of this Registration Document.

The Group is organized around Iliad S.A. which acts as a holding company and performs a strategic coordination role. In this role it defines the Group's overall corporate strategy and manages its equity interests and financial strategy, including sources of financing. The Group has created a streamlined, simplified organizational structure around Iliad, which directly owns all the Group's subsidiaries including during the implementation of strategic partnerships.

See Note 36 to the 2018 consolidated financial statements (Section 6) for a list of the Group's consolidated companies at December 31, 2018 and Note 2.3.4 to the parent company financial statements (Section 7) for a list of Iliad's subsidiaries and affiliates.

The financial relations between the Group's holding company and its subsidiaries mainly consist of (i) billings by Iliad S.A. to subsidiaries for services and support provided in the areas of training, financial management, accounting, legal matters etc. and (ii) the organization of financing.

Executive Management functions within the Group are centralized at the holding company level, with senior managers of the parent company performing the same duties in the Group's main subsidiaries. Group Management is structured around a Management Committee, which constitutes an operational decision-making body. A number of specialized committees have been set up which report to Executive Management and are responsible for the Group-wide application and control of Iliad's internal guidelines. These guidelines are also reviewed by the Audit Committee.

There are strong operating links between the Group's subsidiaries at several levels: (i) the Group's telecommunications network is housed within Free and Free Mobile, which are responsible for carrying the traffic of all of the Group's entities, (ii) Free and Free Mobile manage all services relating to the invoicing system for all of the Group's subsidiaries, and (iii) certain Group subsidiaries provide support services – notably telephone support – for all Group entities.

There are no significant non-controlling interests in the Group.

# 2

# RISK FACTORS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Iliad conducts its business in a very competitive environment in France and Italy. It entered the Italian mobile electronic communications market following the merger between the Italian subsidiaries of the Hutchison and VimpelCom groups which was approved by the European Commission on September 1, 2016. The electronic communications market in both France and Italy is undergoing rapid change which poses numerous risks for the Group, some of which are outside its control. Investors are advised to give careful consideration to all the risks set out below and to all the information contained in this Registration Document. The risks and uncertainties presented below are not the only ones facing the Group, as other risks and uncertainties of which the Group is not currently aware, or which it does not consider to be significant at the publication date of this Registration Document, could also have a negative impact on its business, results and overall financial position. The Group's risk management procedures are set out in Chapter 2, Section 2.3 of this Registration Document.

# 2.1 RISK FACTORS

## 2.1.1 RISKS RELATING TO THE GROUP AND ITS STRUCTURE

### 2.1.1.1 Dependence on executives and key employees

The Group's success is highly dependent on maintaining its relationship with Xavier Niel – who is a director, Senior Vice-President and the majority shareholder of the Company – as well as with its other executives and key employees. The Group has a strong culture of teamwork and motivation. Its key employees have an ownership stake in the share capital of Iliad and/or its subsidiaries, which significantly contributes to building loyalty. However, there can be no assurance that these key employees will remain with the Group.

In order to guarantee the long-term future of its business, the Group takes particular care to ensure that the engineers and technicians working on its platforms and network and on designing and developing "in-house" hardware such as the Freebox, SIMbox and Freebox DSLAM are skilled in a number of different areas. The Group's ability to attract, train, retain and motivate highly qualified employees and executives will play a key role in its future success. However, since competition to attract employees and executives with such qualifications is intense, there can be no assurance that the Group will be able to do so.

The loss of one or more key employees or an executive, or an inability to replace them or to attract other qualified employees and executives could have a material adverse effect on the Group's revenues, earnings and overall financial position.

### 2.1.1.2 Dependence on the principal shareholder

Xavier Niel holds a substantial percentage of the Company's share capital and is a Senior Vice-President. He is thus in a position to have a decisive influence over most of the Group's strategic decisions and in particular those requiring shareholder approval (such as the election and removal of directors, payment of dividends, amendments to the bylaws, share issues and decisions concerning important Group transactions, notably external growth transactions in France and abroad).

### 2.1.1.3 Risks relating to the availability of equipment for the operation of the Group's network and services and development of its offerings

The Group considers that the components and other items used to manufacture its network equipment and build its network, such as Freeboxes, Freebox DSLAMs, SIM cards and fiber are standardized and substitutable, and that its purchasing policy for these components and other items allows it to anticipate growth in demand for landline and mobile Broadband and Ultra-Fast Broadband Internet access. Nevertheless, a shortage in the availability of these components and other items, a significant increase in their price, a prohibition on sale, or any delivery delays could hinder the Group's ability to provide subscribers, in a timely manner, with the equipment required to access value-added services, or could prevent it from increasing its network capacity. In such a case, the Group's growth could be negatively impacted, which could have a material adverse effect on its revenues, earnings and overall financial position.

### 2.1.1.4 Risks relating to acquisitions and investments

As part of its external growth strategy, which may take the form of acquisitions, partnerships or alliances, the Group may make acquisitions and investments in any of its business segments either in France or abroad. Part of these acquisitions and investments could be paid for in the form of new Iliad shares, which could result in dilution for the Group's existing shareholders. Such acquisitions and investments, whether paid for in cash or shares, could have an adverse effect on Iliad's share price. In addition, carrying out such acquisitions and investments – such as those in Italy and Ireland – and their consequences could have a negative effect on the Group's business, results of operations, financial position and image, as well as on its ability to meet its objectives.

The Group conducts some of its business through companies over which it does not have full control. The documents or agreements that govern some of these operations stipulate that certain important decisions such as the approval of business plans require approval from the partners concerned.

Any disagreement between the Group and its partners in relation to such decisions could negatively impact the profitability of the investments, their contribution to Group earnings and the Group's strategy in the host countries of the companies concerned.

#### 2.1.1.5 Risks relating to the need to improve the technical features and functions of the services offered by the Group

The electronic communications market is characterized by very rapid changes in technology (exacerbated by fierce competition) and in the types of services and features offered to subscribers. To remain competitive, the Group will continually have to improve the speed with which it responds to technological or other changes, as well as the functions and features of its products and services. It will also have to develop new products and services that are appealing to consumers. The Group may not succeed in making these improvements or developments in a timely manner, which would have an adverse effect on its business, financial position and results of operations as well as on its ability to meet its objectives.

### 2.1.2 OPERATING RISKS

#### 2.1.2.1 Risks relating to the landline and mobile markets in France

A major portion of the Group's revenues depends on the number of subscribers to its landline and mobile services, which is closely linked, directly or indirectly, to the increase in the overall number of Internet and mobile phone users in France. The Group's revenues also depend on the prices it charges. In a market characterized by strong competition in the form of promotional offers, the Group has to be able to propose such offers in order to ensure its growth. Future revenue levels from landline and mobile subscriptions are therefore difficult to predict, especially for mature markets such as France. If the number of Internet and mobile phone users decreases in France, the Group's business, results of operations and overall financial position could be seriously affected and it could be unable to meet all or some of its objectives.

**Risks relating to the Group's highly competitive operating environment**

*The landline market in France*

Competition for Internet access services is intense and is likely to increase significantly in the future. The Group anticipates that competition in its market will increase due to (i) the fact that gaining market share has become more difficult in the landline Internet market, which has reached maturity, (ii) the number of strategic and capital alliances between the Group's competitors, which could rise, (iii) the introduction by some of the Group's competitors of pricing policies intended to counter Free's aggressive offerings, (iv) the presence in the market of multinational companies with greater financial resources than those of the Group and which are targeting related markets with a view to enriching and increasing the appeal of offerings that compete with those of the Group, and (v) the fact that new, international, competitors could enter the market.

The landline telephony sector in France is a mature market and is heavily dominated by the incumbent operator. Although the Group considers that it possesses a number of competitive advantages in this market, such as having a proprietary network, it cannot guarantee that it will manage to continue to develop its landline telephony business as planned in a sector where the players are principally multinational companies whose financial resources exceed those of the Group and whose capacity for investment, particularly in advertising, presents a considerable advantage.

Competition was fierce in 2018 for television and video services via landline electronic communications networks, and is likely to further intensify. During the year, the sector was particularly marked by a number of the Group's competitors putting in place strategies that involve the convergence of electronic communications and media, which led to some of these players increasing their dominance in terms of access to premium content. The sector was also marked by the reallocation of broadcasting rights for France's *Ligue 1 Conforama* football matches, which created uncertainty regarding availability of these rights for the Group as from the 2020/2021 season. Although the Group considers that it has competitive advantages in this market, notably through the use of its Freeboxes (Delta, One, Revolution and mini 4K), which protect the transmission of content, it cannot guarantee that it will be able to maintain or develop its audiovisual operations as planned in a market where exclusive rights are being granted to certain operators, particularly for Premium content. In particular, some TV channel owners now require subscribers to have paid for access to value-added, fee-based services in order to be able to access channels that are free to air using terrestrial frequencies. This affects the appeal of the audiovisual offering and could impact the Group's results. This risk is exacerbated by the fact that one of the Group's competitors has been given exclusive rights for direct access to certain premium channels, which means that the Group cannot match that competitor's TV offerings. The development of the Group's audiovisual operations will depend on the content offered and on it being able to expand its networks, especially in unbundled areas.

*The mobile telephony market*

France

Since the Group first entered the French mobile telephony market in 2012, it has constantly enriched its mobile offerings by including new services such as roaming in many countries, a fair-usage data allowance in several foreign countries, self-service subscription kiosks and the latest mobile technologies such as 4G+. The arrival of Free Mobile as France's fourth mobile operator, and its rapid growth, in an already mature French market, heightened competition and prompted the market's incumbent mobile operators – notably the multinationals that have greater financial resources than those of the Group – to launch a marketing counter-offensive. This resulted in the incumbent mobile operators and MVNOs bringing out deals to compete with Free Mobile's attractive offers. The Group's success in the French mobile market will depend on its ability to ensure that (i) its offers and services

are and remain sufficiently appealing compared with those of its competitors and (ii) it can offer its services to a sufficiently large number of subscribers in France through the rollout of its own mobile network.

**Italy**

The Group has been authorized to use frequencies in the 700 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,600 MHz, 3,600 MHz and 26-27 GHz bands, enabling it to become a mobile electronic communications operator in Italy. The Group launched its highly attractive mobile offerings in the Italian market on May 29, 2018. The arrival of Iliad Italia as Italy's fourth mobile operator, and its rapid growth on a mature market heightened competition and prompted the market's other mobile operators – notably the multinationals that have greater financial resources than those of the Group – to launch a marketing counter-offensive. The Group's success in Italy will depend on its ability to maintain the appeal of its offers and services compared with those of its competitors in order to speed up the Italian market's digital transition.

### Risks relating to the rapid changes in pricing and technical aspects of access offerings

The market for landline and mobile access services in France is characterized by very rapidly changing pricing structures (such as unlimited use packages, free access, promotional offers and including European roaming since July 1, 2017) as well as by technical access methods (including dial-up access, ADSL, VDSL, FTTH, 2G, HSPA, 3G, H+, 4G, 4G+ etc.). The competitiveness of an electronic communications operator notably depends on its ability to rapidly propose the latest technologies at the best price.

In addition, the Group has included 4G and 4G+ services in its mobile plans at no extra cost to subscribers. In order to keep its competitive edge in this market, where competition is fierce, it is in the Group's strategic interests to roll out its own mobile network.

With a view to encouraging growth in the 4G and 4G+ markets, the Group offers its subscribers the possibility of renting a high-end smartphone, therefore providing them with an alternative to purchasing a phone – which is also an option offered by the Group. This aim of making 4G/4G+ phones available to a greater number of people at an attractive price is to step up the pace at which 4G and 4G+ technology can be brought within everyone's reach, in a market where around 20% of subscribers in France still do not have access to 3G technology due to their mobile phones being incompatible. Offering subscribers the possibility of replacing their old mobile phones by 4G/4G+ compatible handsets at attractive prices is one of the keys to the future success of the Group's 4G/4G+ services. However, the success of the mobile phone rental offering depends on how many consumers opt for it.

Throughout 2018, the Group continued to promote the use of its Free Mobile Plan both in France and abroad. A new offer was launched in France during the year, giving subscribers a one-year promotional price in response to competitors' aggressive pricing strategies. At the same time, the Free Mobile Plan continued to be enriched and it now includes roaming services, all year round and at no extra cost, in more than 65 countries with a data allowance of 25 GB per month. The Group's underlying aim is to win new Free Mobile Plan subscribers and to encourage existing subscribers on the €2/month plan to switch to the Free Mobile Plan.

The mobile access services market in Italy is also fiercely competitive with many targeted and aggressively-priced promotional deals. The competitiveness of an electronic communications operator notably depends on its ability to rapidly propose the latest technologies at the best price.

The assumptions used by the Group for the purpose of its business plan could be undermined by (i) the introduction of new types of offerings in the French and/or Italian markets – such as new pricing structures or the integration of new services at no extra cost – within a highly competitive market characterized by falling prices and new access methods created for differing financial models, (ii) unforeseen changes in the weighting of existing access offerings, or (iii) the development of replacement technologies. This in turn could have an adverse effect on the Group's business, results of operations, financial position and image as well as on its ability to meet its objectives.

## 2.1.2.2 Rollout risks

### Risks relating to the rollout of the optical fiber-to-the-home network

The rollout of the optical fiber-to-the-home (FTTH) network is conditional upon (i) obtaining the necessary authorizations (occupancy of public property, right of entry into buildings, etc.), (ii) the completion of the work entrusted to third-party service providers, and (iii) in very densely populated areas, the implementation of decision 2009-1106 issued by the French electronic communications regulatory authority (*Autorité de Régulation des Communications Electroniques et des Postes* – ARCEP) on December 22, 2009 concerning the rollout of optical fiber in those areas and network-sharing agreements. The Group's FTTH rollout plan could be held up if there are delays in obtaining the requisite authorizations or carrying out the work concerned, or if all FTTH operators delay in implementing ARCEP decision 2009-1106. In addition, Orange – designated by ARCEP as France's operator with significant market power ("SMP") in the wholesale FTTH market – has undertaken not to discriminate between the services provided by its own network to its retail arm and those that it provides to third-party commercial operators. The pace of the Group's rollouts will be impacted if Orange does not respect this commitment. There is also some confusion among consumers about the cable technology referred to as "fiber" that has been installed in many homes since the French government launched its *Plan Câble* in the early 1980s aimed at cabling 52 of France's main towns and cities over a ten-year period, and the FTTH networks that France's telecom operators are currently rolling out. This could also be a factor in slowing down the rollout if there is insufficient consumer demand for this new technology which requires works to be carried out in consumers' homes. Also, in the light of regulatory and operational uncertainties, the Group cannot provide assurance that it will be able to meet its FTTH objectives.

Lastly, a report on the transition to ultra-fast networks and the phase-out of the copper network was submitted to the French government on February 19, 2015 by Paul Champsaur, the former President of ARCEP, in which it is recommended that (i) the public authorities should pro-actively manage the transition to ultra-fast networks, (ii) the price of unbundling should be increased, and (iii) the existing copper network should only be phased out in areas that are fully equipped with FTTH. Any such changes in the regulations applicable to the Group's operations could have a material adverse effect on its image, business, results of operations and financial position.

## Risks relating to the rollout of a third- and fourth-generation mobile communications network

### *France*

In order to meet coverage obligations and service quality criteria, the rollout of a third- and fourth-generation mobile communications network is contingent, for each base transceiver, on (i) obtaining the requisite authorizations (e.g., occupancy of public or private property, urban planning permits, authorization from the French National Frequencies Agency, etc.) and (ii) the completion of the work entrusted to third party service providers. Delays in obtaining such authorizations or in the completion of such work could hold up the rollout schedule and lead to significant operating losses.

Any such delays in the rollout schedule for Metropolitan France could result in the Group being unable to guarantee subscriber service quality or could prevent it from fulfilling its contractual obligations with its main partners or meeting the regulatory coverage requirements for its mobile network provided for in the ARCEP decisions that authorized Free Mobile to use frequencies to set up and operate a third- and fourth-generation mobile communications network open to public use, i.e., decisions no. 2010-0043 dated January 12, 2010 (900 and 2,100 MHz), no. 2011-1169 dated October 11, 2011 (2,600 MHz), 2014-1542 dated December 16, 2014 (1,800 MHz) and no. 2015-1567 dated December 8, 2015 (700 MHz). At end-2018, Free Mobile covered almost 96% of the French population for 3G and more than 92% for 4G. The upcoming regulatory coverage requirements for the rollout of its 4G mobile network are as follows: 60% coverage of the French population by October 11, 2019 (2,600 MHz and 1,800 MHz); and 50% coverage of the population in priority areas and 60% coverage for daily train services by January 17, 2022 (700 MHz).

Any delays in the rollout schedule for Guadeloupe, French Guiana, Martinique, Saint-Barthélemy and Saint-Martin could result in the Group being unable to guarantee subscriber service quality or could prevent it from fulfilling its legal and contractual obligations with its main partners or meeting the regulatory coverage requirements for its mobile network provided for in the ARCEP decisions that authorized Free Caraïbe to use frequencies to set up and operate a fourth-generation mobile communications network open to public use, i.e., decision 2016-1520 dated November 22, 2016 for Guadeloupe and Martinique (800, 1,800, 2,100 and 2,600 MHz), decision 2016-1520 dated November 22, 2016 for Saint-Barthélemy and Saint Martin (800, 900, 1,800, 2,100 and 2,600 MHz), and decision 2016-1520 dated November 22, 2016 for French Guiana (1,800, 2,100 and 2,600 MHz). The regulatory requirements for population coverage rates by the Group's network by end-2018 are as follows: 50% for Guadeloupe and Martinique, 30% for French Guiana, and 75% for Saint-Barthélemy and Saint-Martin.

Any delays in the rollout schedule for Réunion Island and Mayotte could result in the Group being unable to guarantee subscriber service quality or could prevent it from fulfilling its contractual obligations with its main partners or meeting the regulatory coverage requirements for its mobile network provided for in the ARCEP decisions that authorized Telco OI to use frequencies to set up and operate second-, third- and fourth-generation mobile communications networks open to public use, i.e., decisions 2016-1526 dated November 22, 2016 (800, 1,800, 2,100 and 2,600 MHz) and no. 2015-0661 dated June 25, 2015 (900 MHz) for Réunion Island, and decisions 2016-1526 dated November 22, 2016 (800, 1,800, 2,100 and 2,600 MHz) and 2015-0661 dated June 25, 2015 (900 MHz) for Mayotte. The financial sustainability of the Group's Mobile business depends on it having the necessary frequencies and high direct coverage rate and network density in order to ensure appropriate quality of service on both its 3G and 4G network.

Any problems that may arise in the future for adapting the mobile network currently under construction to new technological developments and changes in subscriber behavior, as well as any lack of spectrum capacity – due to the uncertainty that the Group will be allocated the additional frequencies necessary for operating its 4G network, or future 5G network (as the frequencies are to be allocated via an auction, there is no guarantee that the Group will obtain the frequencies it needs both in terms of quantity and quality) – could have a negative effect on the Group's business, results of operations, financial position and image, as well as on its ability to meet its objectives. In relation to spectrum capacity, in its decision no. 2011-1169 dated October 11, 2011, ARCEP authorized the Group to have roaming access to SFR's 4G network in sparsely populated areas of France, defined by ARCEP as the Priority Rollout Area (*Zone de Déploiement Prioritaire*). However, Iliad's access to this network will depend on the rollouts carried out by SFR in the areas concerned.

In parallel, public concerns have been expressed about the potential health hazards of telecommunications equipment. These concerns were one of the driving factors for the introduction in France of Act no. 2015-136 dated February 9, 2015 relating to precautionary measures, transparent information and consultation procedures concerning exposure to electromagnetic waves (known as the "Abeille Act"). This Act establishes a precautionary approach concerning the potential health risks of radio frequencies and aims to provide additional protection against exposure to electromagnetic waves, notably by strengthening the consultation process between operators and residents before a mobile phone mast can be installed. This new legislation, as well as the public's perception of the potential health effects, could have an adverse impact on the Group's earnings and financial position if they result in an increase in the number of legal disputes, a reduction in the number of subscribers, or delays in or cancellations of site rollouts,

### *Italy*

In order to meet coverage obligations and service quality criteria, the rollout of a third- and fourth-generation mobile communications network is contingent, for each base transceiver, on (i) obtaining the requisite authorizations (e.g., occupancy of public or private property, urban planning permits, authorization from the Italian National Frequencies Agency, etc.) and (ii) the completion of the work entrusted to third-party service providers. Delays in obtaining such authorizations or in the completion of such work could hold up the rollout schedule and lead to significant operating losses.

Any such delays in the rollout schedule could result in the Group not being able to meet its contractual obligations with its main partners or its regulatory coverage requirements set by the Italian Ministry of Economic Development (MiSE).

Any problems that may arise in the future for adapting the mobile network currently under construction to new technological developments, as well as any lack of spectrum capacity – due to the uncertainty that the Group will be allocated the additional frequencies necessary for operating its 4G network, or future 5G network (as the frequencies are to be allocated via an auction, there is no guarantee that the Group will obtain the frequencies it needs both in terms of quantity and quality) – could have a negative effect on the Group's business, results of operations, financial position and image, as well as on its ability to meet its objectives.

In addition, the public's perception of the potential health hazards of telecommunications equipment, and Italian regulations concerning electromagnetic waves could have an adverse impact on the Group's earnings and financial position if they result in an increase in the number of legal disputes, or delays in or cancellations of site rollouts.

### 2.1.2.3 Risks relating to the operation of networks

#### France

Until now, the Group has been able to upgrade the capacity of its technical platforms for Online access in line with the growth in Internet traffic. However, given the generally accepted forecasts for the growth of Internet traffic in France and the objectives that the Group has set itself in terms of both increasing the number of users of its services (particularly for Broadband and Ultra-Fast Broadband Internet access) and expanding its network, the Group will need the requisite resources to ensure a corresponding increase in the capacity of its access infrastructures. There can be no assurance that the Group will be able to obtain such resources.

The Group must be in a position to manage the operating risks related to both the expansion of its Mobile business and the end of the roaming agreement with the incumbent operator for the use of its mobile network.

Furthermore, in accordance with France's economic reform law (the "Macron Act") dated August 6, 2015, ARCEP has the power to analyze the mobile network sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. In 2015, ARCEP began work on analyzing the mobile network sharing agreements in place in France (roaming and RAN sharing agreements). Following this analysis, on January 12, 2016 ARCEP issued a working document for public consultation, which included draft guidelines on mobile network sharing. The final guidelines – which were published on May 25, 2016 – notably required operators to set the dates for gradually phasing out their current roaming arrangements. On June 15, 2016, the Group announced that it had signed an addendum to its 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by gradually reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020. On June 30, 2016, ARCEP decided that, based on the guidelines published on May 25, 2016, it was not necessary to launch a formal review of the roaming agreement using the powers assigned to it under the Macron Act of August 6, 2015. This gradual termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can ensure the highest degree of technical and commercial independence. If the Group is unable to manage the operating risks related to termination of national roaming services and the growth of its Mobile business, its objectives, image and earnings could be significantly affected.

The risks relating to the operation of networks also include the risk of a fault in and/or saturation of the Group's landline or mobile electronic communications networks and/or information systems, which could render its services unavailable and therefore negatively affect the number of new subscribers as well as the Group's image and financial position and its ability to meet its objectives.

#### Italy

On July 1, 2016, Iliad signed an agreement with the Hutchison and VimpelCom groups, in connection with the plan to merge their respective Italy-based H3G and Wind subsidiaries. This agreement – which formed the basis for the Group's entry into the Italian mobile market – provided for Iliad to acquire the assets constituting the remedy package proposed to the European Commission as part of the Commission's merger inquiry. It also provided for a 2G, 3G and 4G (MOCN) roaming agreement to be put in place giving Iliad Italia subscribers roaming services on the network resulting from the merger between the Italian operators Wind and Tre.

The Group must be able to manage the operating risks inherent to launching mobile operations in Italy, particularly the ramp-up of 2G, 3G and 4G roaming on the network resulting from the Wind Tre merger, as well as rolling out its own network and putting in place the appropriate distribution channels for the Italian market.

Any changes in the duration or quality of the roaming services provided or in the consumption patterns of roaming subscribers on the Wind Tre merged 2G/3G/4G network could have an adverse impact on the Group's business, results of operations and overall financial position as well as on its ability to meet its objectives.

### 2.1.2.4 Risks relating to security and confidentiality of information on the Internet

The need to secure Online communications and transactions has been a major and necessary goal for the development of the Internet in general. Internet use may decrease if the level of protection of communications and transactions proves to be inadequate or diminishes. The Group has invested in, and will continue to invest in, the measures required to guarantee the reliability of its security system and to limit problems that could be caused by security failures or a breach of the security system. Unauthorized persons may, however, attempt to penetrate the Group's network security system and, if successful, could appropriate inside information about the users of the Group's services or cause disruptions to the service. Some leading sites and Internet service providers have suffered from "denial of service" attacks – in which very large numbers of requests for information are sent to the site with the aim of overloading its servers – or have been the victims of Internet viruses. Terrorist threats can also exacerbate the risk of this type of attack. Although the Group takes the necessary steps to protect itself against such attacks, there can be no assurance that future attacks would not happen and if so, that they would not result in loss or damage for the Group, even if only in terms of image. Consequently, the Group might be required to increase its expenditures and its efforts to protect itself against these risks or to alleviate their consequences, which could have a material adverse effect on its business, results of operations and overall financial position as well as on its ability to meet its objectives.

### 2.1.2.5 Other operating risks

As is the case for the industry's other operators, the Group is exposed to the risk of people attempting to fraudulently access its services without paying for them. If any such attempts are successful this could adversely affect its revenues, margins, service quality and reputation.

At the same time, the Group must be able to manage the operating risks related to the delivery of SIM cards and the supply of mobile phones and Freeboxes to its subscribers. Any failure to meet its customers' expectations in this regard could have an adverse effect on its financial position.

#### 2.1.2.6 Dependence on main suppliers

The main contracts entered into with suppliers can be divided into several categories:

- agreements entered into by the Group through its subsidiaries, Free and Iliad Italia, granting it Indefeasible Rights of Use ("IRU") relating to the dark optical fibers it uses, notably for its long-distance network. Most of these agreements were signed with other operators such as Interoute and Fastweb in Italy and the SFR group and Completel in France, but some were entered into with local authorities;
- interconnection and unbundling agreements, primarily signed with the incumbent operator to give the Group access to the incumbent operator's local loop. As described more fully in Chapter 1, Section 1.4.2 of this Registration Document, these interconnection and unbundling agreements, respectively, allow the Group to (i) interconnect its own network with the incumbent operator's network by means of a physical connection to one of the incumbent operator's switches and (ii) benefit from direct access to the segment of the network between the subscriber's telephone socket and the main distribution frame to which the subscriber is connected in order to achieve the closest possible proximity to the subscriber;
- contracts with optical fiber suppliers as well as with service providers involved in rolling out the optical fiber network in France and Italy;
- an agreement entered into at the end of 2007 with the incumbent operator for the use of its civil engineering infrastructure. This agreement allows Free to test and evaluate all processes needed for it to deploy optical fiber cables in the incumbent operator's ducts;
- contracts with equipment suppliers and external service providers involved in the rollout of the third-generation and fourth-generation networks in France and Italy;
- contracts with other operators relating to sharing base station sites for rolling out Free Mobile's network;
- interconnect contracts signed with operators in France and Italy;
- the roaming agreement signed on March 2, 2011 ensuring coverage for Free Mobile subscribers on Orange France's 2G and 3G networks for a period of six years;
- the roaming agreement (MOCN) entered into with Wind Tre on July 1, 2016 providing for Iliad Italia subscribers' traffic to be carried on the merged Wind Tre 2G, 3G and 4G networks for a period of five years, renewable by Iliad for one further five-year period;
- contracts signed between Iliad Italia and other operators, such as Wind Tre and TIM, for the sale and colocation of sites;
- contracts for the supply of mobile phones and SIM cards.

The Group has also entered into less strategic supply agreements, primarily with suppliers of electronic components, advertising agencies and the assemblers of Freeboxes and Freebox DSLAMs.

The amounts charged to the Group by France's incumbent operator under interconnection and unbundling agreements as well as amounts re-billed by the Group to the incumbent operator are subject to review by ARCEP.

The agreements entered into on July 1, 2016 between the Group and the Hutchison and VimpelCom groups provided for Iliad to acquire the assets constituting the remedy package on which the European Commission based its clearance of the planned merger between Hutchison and VimpelCom's respective subsidiaries (H3G and Wind). The performance of these agreements is therefore taking place under the oversight of a representative of the European Commission.

### 2.1.3 FINANCIAL RISKS

#### 2.1.3.1 Foreign exchange, interest rate, liquidity, and credit and/or counterparty risks

##### 2.1.3.1.1 Liquidity risks

Iliad's earnings and outlook could be adversely affected if access to capital markets were to become difficult. Any tightening of prudential regulation in the financial sector aimed at strengthening the capital of banks and insurance companies would lead to businesses having to increase their proportion of bond debt. Iliad uses the bond markets to raise financing. In the event of unfavorable changes in the macroeconomic environment, Iliad's access to its usual sources of financing could be restricted or become much more expensive due to an increase in market interest rates and/or lending margins. Any difficulty in accessing the financial markets and/or obtaining credit on reasonable conditions could have a significant adverse effect on Iliad. In particular, the Group may have to allocate a considerable portion of its available cash to servicing or repaying its debt, to the detriment of its capital expenditure. In any event, the Group's earnings, cash flows and overall financial position as well as its flexibility could be negatively impacted. See Note 33 to the consolidated financial statements for a description of the Iliad Group's various sources of financing and liquidity, the maturities of its debt and its debt covenants, as well as information on its commitments in terms of financial ratios and the consequences in the event of a payment default or a significant unfavorable change in circumstances.

##### 2.1.3.1.2 Interest rate risks

Iliad's operations could be affected by changes in interest rates. In the ordinary course of its business, the Group raises financing on the financial markets (notably bond markets) and also uses bank financing. As the majority of its current debt is at fixed rates, Iliad has low exposure to rises in market interest rates. However, for its future financing, the Group is exposed to a risk of interest rates rising on an ongoing and long-term basis. In order to limit its exposure to interest rate risk, Iliad sometimes uses financial instruments (derivatives) but it cannot provide assurance that the use of such instruments will totally eliminate interest rate risk or that appropriate financial instruments will be available at a reasonable price. If Iliad does not have the use of financial instruments, or if its strategy for using such instruments is not effective, its cash flows and earnings could be adversely affected. Furthermore, the general cost of interest rate hedges could increase as a result of changes in the liquidity of the financial markets, the situation of banks and, more generally, the overall macroeconomic environment (or investors' perception of that environment). Information on the Group's interest rate risk management and its sensitivity to changes in interest rates is provided in Note 33 to the consolidated financial statements.

#### 2.1.3.1.3 Asset impairment risks

Changes in the economic, political and/or regulatory environment could lead to impairment in value of the Group's assets, particularly goodwill. The carrying amounts of long-term assets, including goodwill and other non-current assets, are sensitive to any changes in the operating environment that differ from the assumptions and forecasts used for initially measuring them. Iliad recognizes an impairment loss against these assets if events or circumstances arise leading to significant and prolonged changes that negatively affect the economic environment or the assumptions or objectives used at the acquisition date.

### 2.1.3.2 Equity risks

#### Significant percentage of capital and voting rights held by the Company's principal shareholder

At February 28, 2019, Xavier Niel, the Company's principal shareholder, held 53.58% of the capital and 52.26% of the voting rights. The fact that a significant portion of the Company's capital and voting rights is held by a single shareholder, and that said shareholder may freely dispose of all or part of his interest in the Company, could have a material adverse effect on the price of the Company's shares.

Equity risk is minimal as the Group does not have any significant equity portfolios.

#### Share price volatility

The Company's share price may be highly volatile and could be impacted by a number of events affecting the Company, its competitors, the financial markets in general or the landline and mobile electronic communications and Internet industry. In particular, the Company's share price could fluctuate significantly in response to the following types of events:

- changes in the Group's financial performance or that of its competitors from one period to another;
- the announcement of the Group's sales performance;
- the announcement by the Company of the success or failure of the commercial launch of a new product in France or abroad;
- the failure by the Group to meet its financial or operations targets.
- the announcement by the Company of an external growth transaction in France or abroad;
- announcements by competitors;
- announcements concerning the telecoms or Internet industry;
- announcements regarding changes in the Group's management team or other key personnel.

In recent years, the financial markets have experienced significant volatility which, at times, has had no relationship to the financial performance of listed companies. Market volatility, as well as general economic conditions, could affect the Company's share price.

#### Sale of shares by significant shareholders

The Company's principal shareholders are currently Xavier Niel and its executives. If any of these shareholders were to sell a large number of shares on the market, Iliad's share price could be affected, depending on the market conditions at the time of the sale, the number of shares sold and the reasons for and the terms of the sale, as well as the public's perception of the sale.

## 2.1.4 LEGAL RISKS

### 2.1.4.1 Risks relating to unfavorable changes in the legal and regulatory environment

The recent changes in the Group's geographic footprint has increased its exposure to geopolitical, macroeconomic, regulatory and corruption risks. The majority of the Group's business activities are regulated and are therefore highly dependent on the political context in the countries where they are operated. Consequently, the Group's operations are subject to specific regulations governing the electronic communications sector, both at European Union level and nationally in France and Italy. For example, for the last ten years or so, the electronic communications sector in France has experienced increasing fiscal pressure, with operators being subject to a number of specific taxes and contributions or changes to existing tax regimes. Additionally, in 2014 a law was introduced in France which allows registered consumer associations to bring class actions. And on February 9, 2015, Act no. 2015-136 relating to precautionary measures, transparent information and consultation procedures concerning exposure to electromagnetic waves (known as the "Abeille Act") was adopted by the French Parliament. This Act establishes a precautionary approach concerning the potential health risks of radio frequencies and aims to provide additional protection against exposure to electromagnetic waves, notably by strengthening the consultation process between operators and residents before a mobile phone mast can be installed. Furthermore, ARCEP has increased the price cap for the rental of copper pairs from the incumbent operator to €9.31, €9.41 and €9.51 per month for 2018 and 2020 respectively, including the IFER tax for copper pairs. The President of ARCEP has stated on several occasions that the purpose of raising the price caps for unbundling services is to encourage migration to fiber networks. Another example of recent legislative change in France is the economic reform law (the "Macron Act"), which came into force in 2015, under which ARCEP was assigned new powers entitling it to analyze the mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. In addition, Act no. 2015-912 dated July 24, 2015 related to intelligence widens the scope of the information and documents processed and held by telecom operators that intelligence agencies are entitled to obtain for anti-terrorism purposes and Act no. 2016-1321 dated October 7, 2016 for a "digital republic" also contains several provisions that could impact the Group's business, notably measures related to strengthening net neutrality, speeding up coverage of the French population, portability, personal data protection and the right for disadvantaged people to temporarily keep their Internet connection. Unbundling operations in the Broadband and Ultra-Fast Broadband markets are regulated by ARCEP decision no. 2017-1347

dated December 14, 2017 concerning (i) the definition of the relevant market for wholesale local access provided at a fixed location, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market. Orange – designated by ARCEP as France's operator with significant market power ("SMP") in the market for wholesale local access provided at a fixed location – has undertaken not to discriminate between the services provided by its own network to its retail arm and those that it provides to third-party commercial operators. Bitstream offerings are regulated by ARCEP decision no. 2017-1570 dated December 21, 2017 concerning (i) the definition of the relevant market for wholesale bitstream access offers for Broadband and Ultra-Fast Broadband delivered at sub-national level, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market.

A report on the transition to ultra-fast networks and the phase-out of the copper network was submitted to the French government on February 19, 2015 by Paul Champsaur, the former President of ARCEP, in which it is recommended that (i) the public authorities should pro-actively manage the transition to ultra-fast networks, (ii) the price of unbundling should be increased, and (iii) the existing copper network should only be phased out in areas that are fully equipped with FTTH.

Any changes in the regulations applicable to the Group's operations in France or Italy, or, more generally, any changes in the political environment in any of the Group's host countries could have a material adverse effect on its image, business, earnings and financial position.

### 2.1.4.2 Risks relating to the Group's relations with the incumbent operator

Despite the legal and regulatory framework applicable in France, which requires the incumbent operator to permit the development of local loop unbundling and to grant the Group access to its installations, the Group could be confronted by situations where there is a conflict of interest with the incumbent operator as its dominant competitor and principal supplier. The incumbent operator could therefore exercise significant influence over the Group's operations and strategy, with potentially adverse effects, and could also restrict its capacity for growth.

The Group's profitability depends in part on (i) the pricing and technical conditions established by the incumbent operator, notably in its Reference Interconnect Offer (revised each year) and in its Reference Unbundling Offer (revised from time to time) and (ii) non-discrimination undertakings given for the FTTH wholesale market. For example, any significant increase in the prices or change in the technical conditions set out in the Reference Interconnect Offer or the Reference Unbundling Offer, as approved by ARCEP, could have a material adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

Furthermore, through its subsidiaries Free Infrastructure and Free, Iliad has co-financed FTTH rollouts carried out by Orange in very densely populated areas since June 30, 2010, and outside very densely populated areas since August 3, 2012. These rollouts are being carried out in accordance with the framework defined by ARCEP in decisions 2009-1106 of December 22, 2009, 2010-1312 of December 14, 2010 and 2013-1475 of December 10, 2013, as well as with its recommendations dated June 14, 2011 and January 21, 2014. Outside very densely populated areas, Free has committed to co-financing FTTH rollouts for a period of 20 years in more than 340 urban areas. In areas covered by public initiative networks (PINs), Free has committed to co-financing FTTH rollouts in around ten French *départements*. In very densely populated areas, in return for its commitments, Free Infrastructure has the right to use the FTTH network in "high-density pockets" for an initial period of 30 years (renewable twice for 15 years). Outside very densely populated areas, Free Infrastructure and Free have the right to use the FTTH network for an initial period of 20 years, renewable for a further 20 years following ARCEP's decision no. 2018-0569 RDPI settling a dispute between Free and Orange. Orange has appealed this ARCEP decision to the Paris Court of Appeal, which is expected to hand down its ruling during 2019. In areas covered by public initiative networks (PINs), the FTTH networks are considered to be in the public domain and are therefore subject to the principles and rules applicable to public assets. Subject to these principles and rules, in return for co-financing the PINs, Free has the right to use the networks for an initial period of 20 years renewable for periods of between 20 and 40 years. The terms and conditions applicable to (i) cabling buildings in low-density pockets and outside very densely populated areas, and (ii) the renewal of the right to use the FTTH networks could also have an adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

On March 2, 2011, Free Mobile and Orange France signed a 2G and 3G roaming agreement with a view to providing Free Mobile subscribers with roaming services on Orange France's 2G and 3G networks, effective for a period of six years as from Free Mobile's commercial launch. In Opinion no. 13-A-08 of March 11, 2013 relating to the terms and conditions of mobile network-sharing and roaming, the French antitrust authorities recommended that the national 3G roaming agreement should not be extended beyond a reasonable limit, i.e., beyond the end of its contractual term. The agreement came into effect on December 13, 2011 when Free Mobile's network coverage reached 25% of the French population. Changes in the financial terms and conditions or the quality of the roaming services provided or changes in the consumption patterns of roaming subscribers on Orange France's 2G/3G network could have an adverse impact on the Group's business, results of operations and financial position as well as on its ability to meet its objectives. In accordance with France's economic reform law (the "Macron Act") dated August 6, 2015, ARCEP has the power to analyze the mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. In line with this, in 2015 ARCEP began work on analyzing the mobile network-sharing agreements in place in France (roaming and RAN sharing agreements). Following this analysis, on January 12, 2016 ARCEP issued a working document for public consultation, which included draft guidelines on mobile network sharing. The final guidelines – which were published on May 25, 2016 – notably required operators to set the dates for gradually phasing out their current roaming arrangements. On June 15, 2016, the Group announced that it had signed an addendum to its 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and

384 kbps (384 kbps upload) for 2020. This termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can have the highest possible degree of technical and commercial independence. On June 30, 2016, ARCEP decided that, based on the guidelines published on May 25, 2016, it was not necessary to launch a formal review of the roaming agreement using the powers assigned to it under the Macron Act of August 6, 2015. The termination of the national roaming services provided by the incumbent operator could have an unfavorable impact on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

### 2.1.4.3 Risks relating to liability for content

In the past, a number of lawsuits have been filed in France and other countries against Internet service or hosting providers because of the content of the information transmitted or made available online (in particular for press-related violations, invasion of privacy and trademark infringement). When such lawsuits are filed, the Group could be exposed to significant costs (particularly in view of measures that may be taken by the public authorities to counter terrorism) in relation to its defense or to satisfying any orders or injunctions pronounced, even if the Group is not actually held liable. Finally, any such proceedings could have an adverse effect on the Group's reputation. In accordance with French rules and regulations as further described in Chapter 1, Section 1.6.2 of this Registration Document, the Group has made specific forms available on the Free portal home page so that web users can report unlawful content, and has established a procedure for reporting any breaches of the law, particularly violation of human dignity. In this way, Free can respond promptly to any issues raised.

### 2.1.4.4 Risks relating to intellectual and industrial property rights

The Group can provide no assurance that measures taken in France and abroad to protect its intellectual property rights, particularly its patents, trademarks, logos and domain names, will be effective or that third parties will not infringe or misappropriate its intellectual property rights. Furthermore, in view of the worldwide reach of the Internet, the Group's trademarks – particularly Iliad, Free, Free Mobile, Scaleway and ANNU – and other forms of intellectual and industrial property, could be distributed in countries offering less legal protection than European countries or the United States. Given the importance of brand recognition for the Group, any infringement or misappropriation of this kind could adversely affect its business, results of operations and financial position as well as its ability to meet its objectives.

In addition, certain of the Group's trademarks (particularly Free and Online) co-exist with other identical trademarks registered by third parties for similar telecommunications services. Due to this situation, it is possible that the Group will ultimately have to co-exist in its market with trademarks similar to its own. There is a risk that such co-existence could result in a dilution of these trademarks in the market, which could adversely affect the Group's business, results of operations and financial position as well as its ability to meet its objectives.

Lastly, given the high-tech nature of the Group's business, it can provide no assurance that it is not infringing the intellectual or industrial property rights of third parties. This is an inherent risk for all operators in the new technologies, telecommunications, hosting, audiovisual and Internet sectors and is typically resolved through licensing agreements with the holders of the relevant rights. Moreover, the growing complexity of networks as well as the constant need for inter-operability makes the information technology and communications sector a prime target for patent trolls and NPEs (non-practicing entities). These entities file aggressive and opportunistic patent lawsuits against innovative companies in order to maximize the revenue generated on the patents they hold. The outcomes of these types of lawsuit are by nature unforeseeable and could therefore affect the reputation and earnings of the defendant companies concerned.

The Group undertakes all necessary measures to ensure that its intellectual and industrial property rights are respected.

### 2.1.4.5 Risks relating to the use of open source software

The Group develops its own software programs on the basis of open source software, and in particular Linux. Open source software consists of programs made available to users either free of charge or for a small fee. Based on the concepts of sharing and free use of source codes, such software is distributed under a specific type of license (such as the GNU General Public License) which generally allows the user to modify and re-use the software without having to obtain prior permission from the holder of the related rights. Any software development which uses open source software must, in turn, be freely accessible to and re-usable by third parties under the same conditions as the integrated open source software.

Open source software allows the user to benefit from the expertise of a community of developers at a lower cost than that charged for other commercially available software. However, it does not come with a contractual warranty and the chain of ownership of the copyright to open source software is uncertain. Consequently, the Group may be subject to a liability claim in the event of the failure of an open source software program, or an infringement action by a third party claiming to be the holder of intellectual property rights relating to such a program.

Due to the nature of open source software and the absence of a strict legal framework, claims may be initiated by third parties.

### 2.1.4.6 Links with or dependence on other companies

In order to achieve the transmission capacity and quality levels needed to respond to the increase in the number of subscribers and to meet their requirements, the Group relies partly on the use of electronic communications networks belonging to other operators in France and Italy such as Orange, SFR, Fastweb, TIM, H3G and Vimpelcom or of networks operated by certain local authorities. Contracts entered into by the Group relating to the use of these networks are described in Chapter 2, Section 2.1.2.6 of this Registration Document. The termination of any one of these contracts could have an adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

### 2.1.4.7 Operating assets not owned by Iliad

Other than networks to which Iliad is interconnected as well as certain interconnection equipment and the dark fibers used by its network under long-term Indefeasible Right of Use (IRU) agreements[1] (described in Chapter 2, Section 2.1.2.6 of this Registration Document), the Group considers that it is the owner of all the assets required for carrying out its business operations.

By way of decision 2011-1169 dated October 11, 2011, ARCEP authorized the Group to use a block of frequencies in the 2.6 GHz band in order to set up and operate a 4G mobile communications network. Under this license, the Group can also apply for roaming rights from SFR, whose license includes blocks of spectrum in the 800 MHz band, in order to cover the priority rollout area defined by ARCEP.

### 2.1.4.8 Industrial, environmental and health risks

The sector in which Iliad operates does not represent a major source of harm to the natural environment, does not require any significant use of natural resources, and does not have any significant impact on the quality of the environment.

The Group has undertaken that it will seek to limit the impact that its mobile business may have on the environment.

There are currently public concerns both in France and Italy over the potential health hazards of electromagnetic fields emitted by telecommunication equipment. Irrespective of whether or not these concerns are legitimate, they have led to more protective regulations, which may reduce people's use of mobile electronic communications, prevent the installation of mobile communication masts and wireless networks, or cause an increase in claims and litigation. These factors could have a negative impact on the Group's objectives and earnings.

In order to meet coverage obligations and service quality criteria, the rollout of the Group's third- and fourth-generation mobile communications network in Italy requires on-site works to be carried out by external providers and/or Iliad's own teams. This could lead to health and safety risks as a result of in-house and external teams working together at the same time. The Group has put in place measures to prevent these risks in accordance with the applicable law and the health and safety regulations in the Italian regions concerned.

### 2.1.4.9 Risks relating to the loss of licenses and frequencies

Under the licenses granted to them, certain Group companies have undertaken to comply with specific obligations or to make significant investments in relation to various networks in order to offer new products and services. If the Group does not comply with its undertakings, these licenses could be terminated, which in certain cases could render the Group liable for payment of compensation to the French State or other parties. All of these risks could have a material adverse effect on the Group's earnings and financial position as well as on its ability to meet its objectives.

The main licenses held by the Group are the authorizations required under Articles L. 33 and L. 34 of the French Post and Electronic Communications Code (*Code des postes et des communications électroniques*), as well as the authorization to operate a 3G and 4G network. The Group's related commitments are defined in decisions issued by ARCEP.

Free Mobile has made a number of commitments to the French State in relation to its license to operate a 3G and 4G mobile communications network, particularly concerning population coverage and service quality. The most significant of these commitments are described in Chapter 1, Section 1.6 of this Registration Document. If Free Mobile fails to respect its commitments, ARCEP may impose the sanctions provided for in the French Post and Electronic Communications Code, which are described in Chapter 1, Section 1.6.

Iliad Italia is a mobile operator licensed in accordance with Article 25 of Italian Legislative Decree no. 259/2003. On November 4, 2016, following the clearance issued by the Italian telecoms regulator (AGCOM Resolution no. 430/16/CONS) and the Italian antitrust authority (AGCOM Opinion no. S.2 630*2016), the Italian Ministry of Economic Development (the "MiSE") granted Iliad Italy a license to use frequencies in the 900, 1,800, 2,100 and 2,600 MHz bands to set up and operate a third- and fourth-generation mobile communications network in Italy. On March 29, 2017, TIM – Italy's incumbent operator – lodged an appeal with the Italian courts concerning administrative authorizations allowing Iliad Italia to operate. Although the Group is confident that this appeal will not be successful in view of the fact that it has received clearance from the EU antitrust authorities for entering the Italian market, it cannot totally rule out the risk that the authorizations will be challenged or amended. At the date of this Registration Document, the Company does not consider that it is exposed to any specific risks in relation to the other regulatory requirements described in Chapter 1, Section1.6.

### 2.1.4.10 Compliance risks

The Group is exposed to additional regulatory compliance risks as a result of a number of recently-introduced laws and regulations which strengthen compliance requirements, as described below.

Regulation (EU) 2016/679 of the European Parliament and of the Council dated April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "General Data Protection Regulation"), which establishes a strict data protection compliance regime.

French Act no. 2016-1691 dated December 9, 2016 on transparency, anti-corruption measures and the modernization of business practices, which requires measures to be put in place aimed at preventing and detecting corruption and influence peddling both in France and abroad.

The French Act dated March 27, 2017 establishing a "duty of vigilance" for large corporations, which requires these companies to draw up and implement "vigilance plans" to identify risks related to and put in place mechanisms to prevent (i) serious violations of human rights or fundamental freedoms, (ii) serious breaches of health and safety regulations, and (iii) significant environmental damage.

*(1) See definition on page 283 of this Registration Document.*

The Group's Legal Affairs and Corporate Secretary's Departments verify that the laws and ethical principles applicable in the Group's businesses are respected and to this end they draw up and implement appropriate compliance programs for the above-described issues. They also ensure that the compliance measures put in place in all of the Group's subsidiaries are effective. The Group has an Ethics Committee and a GDPR Committee, which meet regularly to schedule the implementation of new compliance procedures and review existing procedures, and also hold additional meetings where necessary to resolve any potential situations of non-compliance.

Operating a mobile network in Italy also entails the risk that SIM cards may be used for purposes connected with the mafia or acts of terrorism. The Group has set up a program to ensure compliance with the applicable Italian laws to prevent and limit such risks.

### 2.1.4.11 Risks relating to claims and litigation

In the normal course of its business, the Group is involved in a certain number of legal proceedings. It considers that the provisions recognized to cover the risks related to the litigation or disputes of which it was aware or which were in progress at the date this Registration Document was filed are sufficient to ensure that there would be no material impact on the Group's consolidated financial position in the event of unfavorable outcomes. To the best of the Company's knowledge, there are no governmental, legal or arbitration proceedings (including pending or threatened proceedings) that could have, or have had in the past twelve months, a material impact on the financial position, earnings, business or assets of the Company or the Group.

The Group's companies are involved in inquiries, disputes and legal proceedings with administrative authorities, competitors and other parties. The Group considers that the provisions recognized to cover the risks related to the litigation or disputes known of or in progress at December 31, 2018 are sufficient to ensure that there would be no material impact on its consolidated financial position in the event of unfavorable outcomes (see Note 28 to the consolidated financial statements).

Like other players operating in its sector, the Group is frequently served with writs as part of claims instigated by subscribers in relation to the services it provides. In general, the financial risk that each of these claims represents would not have a material impact on the Group's business or financial position. However, any proliferation of such claims or the filing of a class action in France could constitute a risk for the Group. When involved in litigation, the Group tries to negotiate an out-of-court settlement, which helps to reduce the final total cost of the proceedings considerably. The Group considers that the number of these claims is not significant compared to the number of its subscribers (see Note 34–4 to the consolidated financial statements).

In addition, as the Group holds mobile communications licenses, in view of the concerns raised about the potential (but not scientifically proven) health effects that could arise from exposure to mobile telecommunications equipment, the Group is subject to the risk of legal proceedings in relation to its operations. The Group's entry into the mobile market led to a number of lawsuits, particularly suits filed by its competitors which have been widely reported in the media. The Group has a number of arguments that it can put forward in its defense in relation to these lawsuits. 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 contested Bouygues Telecom's position in this case, which it did not consider to be founded. During the first half of 2018, Bouygues Telecom estimated its alleged losses in relation to this case at €813 million. By way of a decision on February 25, 2019, the Paris Commercial Court dismissed all of Bouygues Telecom's claims and ordered it to pay Free Mobile €350,000 in costs pursuant to Article 700 of the French Civil Procedure Code.

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 the decision.

By way of decision 2018-0569-RDPI dated May 17, 2018, ARCEP ordered Orange to grant Free – in its capacity as a co-financer – a right of access to Orange's FTTH networks deployed in medium populated areas using private funds (known as "AMII areas"), for a finite term lasting at least 40 years, in accordance with transparent and foreseeable conditions so that it can have the visibility it needs in view of the investments it has incurred and its contribution to the network's maintenance.

Moreover, ARCEP held that in view of Free's status as a co-financer for a significant portion of the fiber rollouts in AMII areas, it was justified and reasonable for Free to obtain details of how Orange sets its prices for access to its FTTH networks in those areas. Consequently, ARCEP ordered Orange to sign an addendum to Free's access contract, providing for:

- a clear and transparent definition of the relationship between the main prices under the contract and the costs of the co-financed network;
- the communication to Free of the main capital expenditure and operating costs related to the FTTH network deployed by Orange in AMII areas, in aggregate form and within a reasonable timeframe.

In making its decision, ARCEP took into account the specific situations of the parties involved so the decision cannot be viewed as a precedent for similar cases. The particular characteristics considered were:

- the level of investment incurred by Free in co-financing Orange's FTTH network, which corresponds to a long-term commitment and therefore means that Free needs to have certain details about costs so that it can reasonably anticipate price changes;
- the aggregate nature of the cost components requested by Free, which ARCEP ruled should be communicated to Free within a reasonable timeframe.

Lastly, ARCEP ordered Orange to allow Free to connect up Free Mobile's base stations via the supernumary optical fibers of the FTTH network deployed by Orange and co-financed by Free in AMII areas, subject to their availability and a potential limit on their number, to be set at a later date.

Orange has appealed this ARCEP decision to the Paris Court of Appeal. Proceedings are still ongoing.

In parallel, Orange lodged an application with the President of the Paris Court of Appeal requesting a stay of execution relating to Free's request for transparency on prices and costs. The President of the Paris Court of Appeal rejected this application by way of an order dated January 30, 2019.

On January 14, 2017, Fastweb filed an application with the European Court of Justice contesting the European Commission's decision of September 1, 2016 authorizing, subject to certain conditions, the creation of a Company resulting from the merger of Hutchison and VimpelCom's subsidiaries in Italy. Proceedings are still ongoing.

Iliad and its Chairman Maxime Lombardini were served with notification of grievances from the French securities regulator (*Autorité des Marchés Financiers* - AMF). The AMF alleges that (i) the Company delayed by several days its communication to the market of its interest in T-Mobile US, which it announced at the end of July 2014, and (ii) its Chairman, who was Chief Executive Officer at the time, carried out two share sales at the beginning of July 2014. The regulator has recommended a fine of €500,000 for Iliad and of €1 million for Maxime Lombardini. Iliad and Mr. Lombardini formally challenged these allegations, which they consider to be unfounded, when they appeared before the enforcement committee on March 28, 2019. A decision is expected from the enforcement committee in due course and an appeal is likely to be made.

### 2.1.4.12 Dependence on patents and software and brand licenses

The Group uses licenses for software owned by third parties. However, it also develops its own software and has always given priority to developing hardware and software (particularly based on open source software such as Linux) through its research and development teams.

### 2.1.4.13 Dependence on administrative authorizations

In order to roll out its landline and mobile networks in both France and Italy, the Group is dependent on official operating and installation authorizations which are granted by various entities. For its fiber rollout, the Group requires the approval of municipalities, building owners, joint owners and property managers. When connecting to subscribers' premises it is the property owner's agreement that is required. Lastly, an authorization from the relevant national frequency regulation authorities is required in order to operate mobile phone masts in addition to a license from the local authorities and the agreement of the sites' owners.

### 2.1.4.14 Litigation and arbitration proceedings

Apart from the cases described in Section 1.1.4.11 above, there have been no governmental, legal or arbitration proceedings (including pending or threatened proceedings) which may have, or have had during the 12 months preceding the date of this Registration Document, a significant effect on the Company's financial position or profitability.

The aggregate amount of provisions set aside to cover all of the Group's claims and litigation (see Note 28 to the consolidated financial statements in Chapter 6) corresponds to all of the outflows of resources (excluding any amounts recoverable) that are deemed probable for all types of claims and litigation in which the Group is involved as a result of conducting its business.

## 2.2 INSURANCE AND RISK COVERAGE

The Group's strategy is to obtain insurance from external sources to cover the risks which can be insured at a reasonable cost. Its current insurance policies cover Group companies' assets and third-party liability, under standard terms.

In 2017, Iliad renegotiated Telco OI's insurance policies and used the EU's free provision of services system to integrate Iliad Italia into the Group's various third-party liability, equipment breakage and industrial risk insurance programs.

In 2018, an international program was set up for the manufacture, transportation and storage of Freebox Delta and Freebox One units.

The cost of insurance coverage for all Iliad Group companies in 2018 was approximately €11.2 million, corresponding to the total amount of insurance premiums paid by the Group as a whole. In order to obtain the best possible coverage for all Group companies, Iliad uses the services of its online insurance brokerage subsidiary, Assunet, which negotiates the insurance policies on its behalf.

The Group's main policy covers third party liability in the event of fire as required by the incumbent operator in respect of the premises it owns which are occupied by the Group.

Network rollouts are covered by principal contractor, site works damage and "property developer" (*constructeur non-réalisateur*) insurance policies.

The Group has taken out specific insurance policies to cover the operation of active and inactive electronic communications networks. Its business as a landline and mobile electronic communications operator and as a hosting operator for private and professional websites is covered by a professional liability insurance policy. The Group has also taken out an insurance policy to cover industrial risks and equipment breakage for all of its fixed sites (Points of Presence, subscriber connection nodes and LTO-ON sites) as well as for its mobile sites (base station sites) and its head office. Lastly, in March 2015, the Group renewed the directors' and officers' liability insurance policy taken out in March 2005.

Iliad considers that this insurance cover takes into account the nature of the risks incurred by Group companies and is appropriate in view of the insurance cover currently available on the market for groups of a similar size and with similar business activities.

# 2.3 INTERNAL CONTROL

The Group's internal control principles and procedures form part of an overall corporate governance approach that complies with the Reference Framework for internal control systems issued by the French securities regulator (*Autorité des Marchés Financiers* – AMF).

## Presentation and organization of the Group

The Group's Executive Management teams and corporate functions are based in the same building at 16 rue de la Ville l'Evêque in Paris, which simplifies the tasks of relaying information and monitoring and harmonizing internal control procedures.

In addition, all of the Group's corporate departments – encompassing the corporate secretary's department, finance and accounting, legal affairs, human resources, technology and marketing – are cross-business functions and are identical for each Group entity. This structure enables the Group to be managed consistently and makes it easier to perform controls.

## Internal control objectives

Internal control is a process implemented by management designed to provide reasonable assurance that the Company's objectives are achieved relating to the following areas:

- efficiency and effectiveness of operations;
- safeguarding assets, particularly intellectual property, human and financial resources and the Company's image;
- preventing the risk of fraud;
- reliability and fairness of financial and accounting information; and
- compliance with applicable laws and regulations.

The stated objective of the internal control system is therefore to anticipate and control all the risks arising in the course of the Group's business, particularly in the areas of accounting and finance – including the risks of error and fraud – as well as various operational risks, strategic risks and compliance risks.

An internal control system can only provide reasonable assurance – and not an absolute guarantee – that the Company will achieve its objectives.

The Iliad Group's internal control system is structured around:

- internal rules, which set out regulations to be respected by employees within each Group company; and
- processes and controls inherent to the individual systems of each department.

The Group does not currently have a specific internal audit department, but the Finance Department, as well as the accounting and financial control teams and the other departments described below are at the heart of the overall internal control system.

Each Group company reviews its accounting and financial data on a monthly basis.

## 2.3.1 INTERNAL CONTROL PLAYERS

The Group's main internal control bodies are as follows:

### The Management Committee

The Management Committee is an operational decision-making body for the Group. It is responsible for tracking monthly reporting schedules, deciding on the Group's strategy and operations in conjunction with the Board, discussing and collectively deciding on key management issues, and setting annual objectives. It meets as often as required in the interests of the Company and the meetings are attended by the Chairman of the Board of Directors as well as the Group's Chief Executive Officer and Senior Vice-Presidents. The senior managers of the Group's main subsidiaries also attend certain meetings and the issues covered serve as a basis for the management presentations given during Board of Directors' meetings.

The Management Committee coordinates relations between the parent company and its subsidiaries, and as such can ensure that the Group's operations run smoothly.

### Committees reporting to Executive Management

Several specialist committees reporting to Executive Management have been set up to apply – or verify the application of – internal guidelines that are reviewed by the Audit Committee.

The main committees – which are made up of operations, accounting and finance staff – are as follows:

- the Debt Recovery Committee, which monitors receivables and collection procedures in order to ensure that adequate provisions are set aside to cover any risks of non-recovery;
- the Cash Management Committee, which sets the framework for the Group's debt management policy, particularly concerning liquidity, interest rate and currency risks, as well as counterparty risks that may arise on future financial transactions;
- the Operators Committee, which examines purchases from operators in order to assess whether proper internal controls are in place in terms of approvals and accounting treatment. It also examines the Group's main claims, litigation and commitments in this area, to ensure that there are adequate provisions to cover the related risks;
- the Audiovisual Committee, which analyzes the performance of the Group's audiovisual operations and related marketing campaigns. It verifies that business performance is effectively monitored and that the terms and conditions of contracts entered into with content providers, service suppliers and subscribers are respected;
- the Fiber Committee, which is tasked with ensuring the effective application of the Group's strategy for acquiring premises to house optical nodes (ONs), for the "horizontal" and "vertical" rollouts of the FTTH network, and for connecting subscribers to the network;
- the Mobile Committee, which is in charge of monitoring the progress of the rollout of the Group's network, as well as negotiations with suppliers and levels of financial commitments;

- the Manufacturing/Freebox Committee, which verifies that production cycles are effectively managed and that all necessary measures are taken to meet the Group's targets;
- the Accounting Committee, which sets the framework for the Group's accounts closing procedures and ensures that they are formally documented. It examines the financial statements and checks that accounting standards are properly applied and that adequate provisions are set aside to cover any risks. It also verifies that the financial statements give a true and fair view of the Group in accordance with the applicable accounting principles. Lastly, it schedules pre-closes, carries out reviews of the accounts and ensures that financial data is effectively shared, which helps strengthen the financial control function;
- the Subscriber Relations Committee, comprising the heads of the call centers and managers from the Subscriber Relations Department. This committee meets monthly in order to coordinate the work of the call centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the contact centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals aimed at defining and putting in place the Group's corporate social responsibility (CSR) policy and commitments. This committee is responsible for overseeing the operational aspects of the CSR policy and its rollout across the Group;
- the Ethics Committee, which is tasked with reviewing the compliance programs set up within the Group, notably in connection with the French "Sapin II" Act dated December 9, 2016 on transparency, anti-corruption measures and modernization of business practices. This Committee ensures that the compliance measures deployed within the Group are appropriate in view of the level of identified risks and decides on any improvements that need to be made to the compliance programs. It meets in an advisory capacity to discuss matters related to business ethics and issues opinions on the Group's exposure to ethical risks and the corrective actions to be put in place. This committee also has an oversight role and acts as the body of last resort in the Company's whistle-blower and stakeholder control processes;
- the Personal Data Committee. The aim of this committee is to review the compliance program set up within the Group for the purpose of complying with EU Regulation 2016/679 issued by the European Parliament and the Council on April 27, 2016 on the protection of individuals with regard to the processing of personal data.

## 2.3.2 CONTROL PROCESSES FOR MAJOR RISKS

The Group has set up an internal control system that enables it to manage the risks relating to its business strategy, development and decision-making processes on a continuous basis.

The main risks that could impact the Company are identified, assessed and reviewed by Executive Management. A detailed analysis of these risks for the year ended December 31, 2018 is provided above in this Chapter of the Registration Document.

### Risks relating to the Group's operations and business strategy

An analysis of the Group's risk exposure concerning revenue protection is carried out jointly – under the supervision of Executive Management – by the IT teams through automated controls, and the finance teams through consistency checks and manual controls.

Executive Management is also provided with information on recruitment needs (in terms of number of staff and skills) and the financing required in order to develop the Group's technical infrastructure.

Risks relating to managing and properly accounting for data and other flows transiting on the Group's network are also identified and assessed by the IT and finance teams under the supervision of Executive Management.

In terms of subscriber relations risks, in view of the Group's rapid growth and in order to anticipate recruitment needs – notably within the contact center teams – a reporting procedure has been established to measure the volume of calls received and dealt with, and to monitor waiting times. The reporting schedules are relayed regularly to Executive Management.

Lastly, the Group's research and development team – which reports directly to Executive Management – helps to ensure that Iliad remains technologically innovative.

### Risks relating to the Internet and telecommunications sectors

As the Group is subject to the specific laws and regulations applicable to the telecommunications sector, Iliad's Compliance Department carries out regular controls to ensure that these laws and regulations are respected. Risks relating to the Group's business sectors are principally monitored by an internal team dedicated to tracking regulations within the electronic communications sector as well as the impact of these regulations on the Group's operations.

### Security

The Group has set up procedures to guarantee the security and physical integrity of its network. The Group has invested in, and will continue to invest in, the measures required to guarantee the reliability of its security system and to limit problems that could be caused by security failures or a breach of the security system.

### Legal risks

A detailed analysis of legal risks – which are tracked by the Group Legal Affairs Department – is provided in Section 1.1.4 above for the year ended December 31, 2018.

### Control procedures relating to financial communication

The Company is required to keep its shareholders, the financial community and the general public informed about its financial position.

All financial information – which is drawn up by the Finance Department – including press releases, management reports, and financial statements, is reviewed on a cross-business basis by Executive Management.

In order to limit the risks relating to erroneous or contradictory information, an internal procedure is used whereby the Group's media relations and corporate communications officer centralizes all strategic, commercial, financial and technical information that is released outside the Group. Furthermore, in accordance with this procedure, the media relations and corporate communications officer attends any and all interviews in order to ensure that the information relayed is consistent.

### 2.3.3 FINANCIAL INFORMATION

The following procedures have been set up to implement controls over the Group's financial management and ensure that the accounting data produced is correct.

#### Budget process

Each year, the Finance Department – assisted by financial control – draws up a forecast business plan for the Group, which is regularly updated. This plan is based on the Group's strategic decisions, and is approved by Executive Management.

#### Monthly reporting/monitoring process

A Group monthly reporting schedule is drawn up by the Group's financial units, incorporating the main operating and financial indicators related to the Group's sales activities and the rollout of its landline and mobile networks. The reports prepared by the financial controllers are transmitted to the Finance Department and incorporated into the overall Group reporting schedule, which contains the key data used for monitoring the Group's operations and results. This process forms one of the cornerstones of the internal control and financial information systems and it is the main tool used by Executive Management for tracking, controlling and monitoring the Group's business activity.

The Board of Directors is informed of the latest available indicators during its meetings.

#### Accounts-closing process

The Group's Finance Department performs a monthly close for each Group company.

The Group's organizational structure, based on a single Finance Department for all of its companies and the use of a shared information system and a common accounting manual, enables consistent application of accounting policies and methods.

In addition, the Group's Finance Department tasks an external certified public accountant with reviewing the individual accounts of each entity on at least a monthly basis.

Half-yearly consolidated financial data are presented to the Board of Directors.

#### Specific procedures relating to the preparation and processing of accounting and financial information

The internal control procedures in force within the Group relating to the major operating functions are as follows:

**Sales:** the revenues of each Group company are controlled by the Finance Department in conjunction with the operating teams concerned, by carrying out tests on sales movements, valuations and invoicing of communications and subscriptions, as well as on payment collection and debt recovery processes.

**Capital expenditure:** controls on the outlay for and management of assets making up the Group's telecommunication network are performed through a validation procedure based on predetermined authorized thresholds and budgets.

**Purchases:** purchases other than capital expenditure are also controlled based on authorized thresholds, as well as by segregating tasks, with controls of Internet operating costs and landline telephony costs carried out each month based on a reconciliation of actual usage and bills issued.

**Cash flows:** control over cash management is performed through bank reconciliations, secure means of payment, specific signature authorizations, including for off-balance sheet commitments, and daily, weekly, monthly and quarterly reporting. Cash flow hedging operations are subject to specific authorization and monitoring procedures.

**Payroll:** employees' pay is controlled through a procedure that is based on segregating the controls performed by line managers.

These procedures are controlled by the Finance Department with the help of operations staff, based on tests that are regularly performed by the Company, with a view to ensuring that the verification procedures set up within the Group are effective.

# 3

# CORPORATE GOVERNANCE


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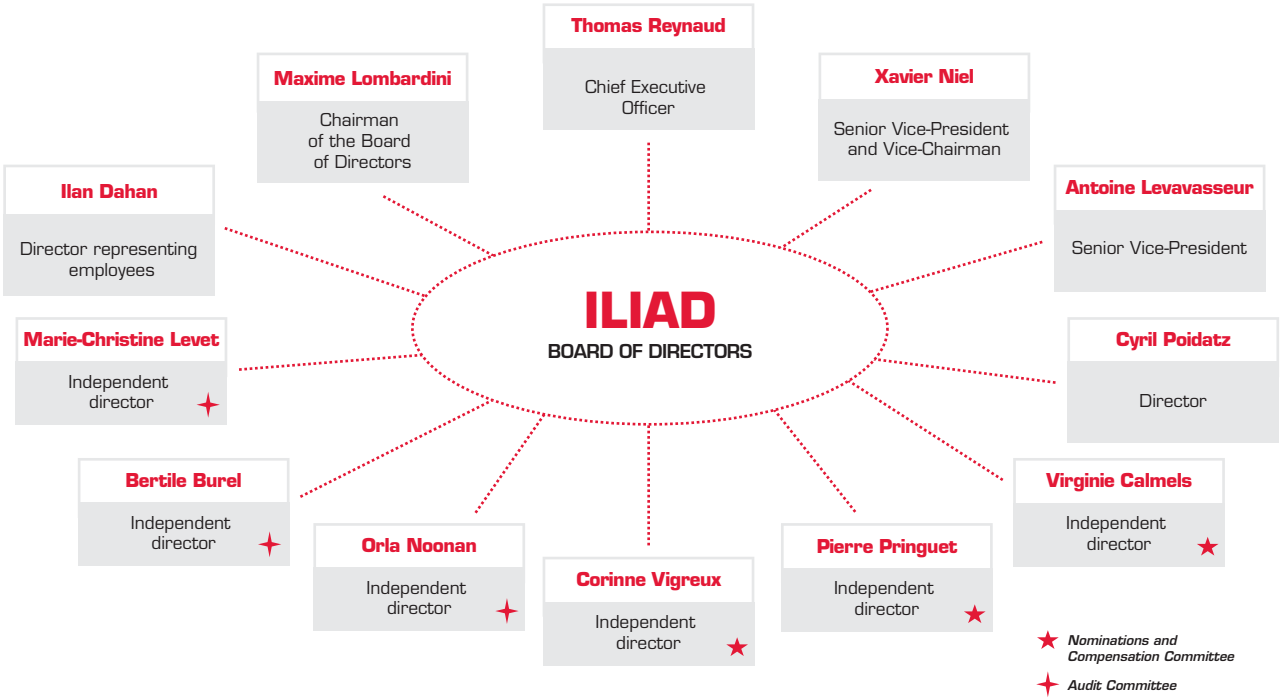
This chapter of the Registration Document constitutes the Board of Directors' report on corporate governance required under Article L. 225-37 of the French Commercial Code (*Code de Commerce*). The main purposes of the Board of Directors' report on corporate governance, drawn up as part of the overall preparation of the financial statements for the year ended December 31, 2018, are to disclose (i) the preparation and organization of the work of the Board of Directors and its Committees, (ii) the powers of the Chief Executive Officer, (iii) executive officers' compensation, the compensation policy applied for executive officers and the related resolution that will be put forward for shareholders' approval at the Annual General Meeting on May 21, 2019 in accordance with Article L. 225-37-2 of the French Commercial Code, and (iv) any other information required in the report pursuant to Articles L. 225-37 *et seq.* of said Code.

This report was drawn up based on work carried out by various departments within the Company, notably the Corporate Secretary's Department. It was signed off by the Board of Directors on March 18, 2019 following a review by the Board Committees of the sections falling within their respective remits, and was subsequently provided to the Company's Statutory Auditors.

# 3.1 MEMBERSHIP STRUCTURE OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

## 3.1.1 MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS AND GENERAL PRINCIPLES

### 3.1.1.1 Members of the Board of Directors at December 31, 2018




At the date this report was drawn up, the Board of Directors had twelve members, including six independent directors and one director representing employees. The proportion of women on the Board was 45%. The profiles of the Board's members are set out in Chapter 3, Section 3.1.1.3.

### 3.1.1.2 Summary table of the members of the Board of Directors and its Committees

| | Age | Date first elected as a director | Expiration of current term | Number of years on the Board | Audit Committee | Nominations and Compensation Committee |
|---|---|---|---|---|---|---|
| **Executive directors (Executive officers of the Company)** | | | | | | |
| **Maxime Lombardini**<br>Chairman of the Board of Directors<br>*French nationality* | 53 | May 29, 2007 | 2022 AGM | 12 | | |
| **Xavier Niel**<br>Vice-Chairman of the Board of Directors<br>Senior Vice-President<br>*French nationality* | 51 | Dec.12, 2003 | 2021 AGM | 15 | | |
| **Thomas Reynaud**<br>Chief Executive Officer and a director<br>*French nationality* | 45 | May 29, 2008 | 2020 AGM | 11 | | |
| **Antoine Lavavasseur**<br>Senior Vice-President and a director<br>*French nationality* | 41 | May 27, 2005 | 2020 AGM | 14 | | |
| **Directors qualified as independent by the Board** | | | | | | |
| **Bertille Burel**<br>*French nationality* | 49 | May 17, 2017 | 2021 AGM | 2 | ✔ | |
| **Virginie Calmels**<br>*French nationality* | 48 | June 23, 2009 | 2021 AGM | 10 | | ✔ |
| **Marie-Christine Levet**<br>*French nationality* | 52 | May 29, 2008 | 2020 AGM | 11 | Chair | |
| **Orla Noonan**<br>*Irish nationality* | 49 | June 23, 2009 | 2021 AGM | 10 | ✔ | |
| **Pierre Pringuet**<br>*French nationality* | 69 | July 25, 2007 | 2021 AGM | 12 | | ✔ |
| **Corinne Vigreux**<br>*French nationality* | 54 | May 19, 2016 | 2020 AGM | 3 | | Chair |
| **Director** | | | | | | |
| **Cyril Poidatz**<br>Corporate Secretary<br>*French nationality* | 57 | Dec. 12, 2003 | 2020 AGM | 15 | | |
| **Director representing employees** | | | | | | |
| **Ilan Dahan**<br>*French nationality* | 38 | Nov. 18, 2015 | 2019 AGM | 3 | | |
| NUMBER OF MEETINGS IN 2018 | | | | 8 | 5 | 4 |
| AVERAGE ATTENDANCE RATE | | | | 93% | 87% | 100% |

Olivier Rosenfeld stepped down as a director on January 28, 2019.

### 3.1.1.3 Profiles of the Company's directors

#### Maxime Lombardini

**Chairman of the Board of Directors**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Maxime Lombardini was Chief Executive Officer of the Iliad Group from 2007 through 2018. Before joining Iliad he was with the Bouygues group in which he held successive positions from 1989 as General Secretary of TPS (satellite television), Development Director of TF1 and Chief Executive Officer of TF1 Production. Mr. Lombardini is a graduate of Sciences Po Paris and holds a post-graduate degree in business and tax law from the University of Paris II. He has been Chairman of Iliad's Board of Directors since May 21, 2018.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| **Within the Group** | **Within the Group** |
| *French companies* | *French companies* |
| • Chairman of F Distribution S.A.S.<br>• Chairman of Free S.A.S.<br>• Chairman of Free Fréquences S.A.S.<br>• Chairman of Free Infrastructure S.A.S.<br>• Chairman of Free Réseau S.A.S.<br>• Chairman of IFW S.A.S.<br>• Chairman of IH S.A.S.<br>• Chairman of Free Mobile S.A.S.<br>• Chairman of IRE S.A.S.<br>• Legal Manager of Immobilière Iliad S.A.S.<br>• Chairman of Online S.A.S.<br>• Chairman of Protelco S.A.S.<br>• Chairman of Online Immobilier S.A.S.<br>• Chairman of Free R&D S.A.S.<br>• Chairman of Free Carrier S.A.S.<br>• Chairman of Iliad 4 S.A.S.<br>• Chairman of Free Caraïbe S.A.S.<br>• Chairman of Iliad 6 S.A.S.<br>• Chairman of Iliad 7 S.A.S.<br>• Chairman of Iliad 10 S.A.S.<br>• Director of TRM S.A.S.<br>• Member of the Supervisory Board of NJJ Boru | • Chief Executive Officer of Iliad S.A. |
| *Foreign companies* | |
| • Director of Iliad Italia S.p.A (Italy) | |
| **Outside the Group** | |
| *Non-French companies* | |
| • Director of Carraun Telecom Holdings Limited (Ireland) | |

## Xavier Niel

**Senior Vice-President and Vice-Chairman of the Board of Directors**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Xavier Niel is the Group's co-founder and majority shareholder.

He is a self-taught entrepreneur and has worked in the Internet and telecommunications industry since the late 1980s. In 1993 he co-founded France's first ISP, and in 1999 he created Free – France's first free-access ISP.

He co-invented Triple Play and the concept of the box, launching the Freebox in 2002 – a unique, state-of-the-art, multiservices box combining broadband Internet with telephony and television.

Xavier has invested in telecom operators in a personal capacity in many countries outside France, including Switzerland, Ireland and Monaco.

In 2013, he co-founded "42", a not-for-profit organization that delivers free coding training based on peer-to-peer learning. This training is available in a large number of countries and the network of "42" schools currently trains over 5,000 students worldwide. In 2017, the "42" school in Paris was voted the best coding school in the world.

Another of Xavier's joint creations is Station F – the world's largest start-up campus, which opened its doors in 2017 and hosts a thousand start-ups in a former railway station in Paris occupying 34,000 sq.m.

Since 2010 Xavier has been the joint controlling shareholder of the *Le Monde* newspaper and the *Télérama, Courrier International* and *L'Obs magazines*.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| **Within the Group** | **Outside the Group** |
| *French companies* | *French companies* |
| • Chairman of the Board of Directors of Freebox S.A.S. | • Member of the Supervisory Board of Le Monde S.A.<br>• Director of Ateme S.A.<br>• Chairman of NJJ Animation S.A.S.<br>• Chairman of NJJ Project Four S.A.S.<br>• Chairman of SEHF S.A.S. |
| **Outside the Group** | |
| *French companies* | |
| • Legal Manager of Élysées Capital<br>• Chairman of SE 51 S.A.S.<br>• Legal Manager of OH4S SNC<br>• Chairman of 1bis Place des Vosges S.A.S.<br>• Legal Manager of 9 rue de Lagny S.A.R.L.<br>• Chairman of Golf du Lys Chantilly S.A.S.<br>• Member of the Supervisory Board of La Société Éditrice du Monde S.A.<br>• Member of the Supervisory Board of Le Nouvel Observateur du Monde S.A.<br>• Member of the Supervisory Board of Mediawan S.A.*<br>• Chairman of the Supervisory Board of BlackPills S.A.S.<br>• Chairman of Sons Holdco<br>• Chairman of Invest SB S.A.S.<br>• Chairman of NJJ Holding S.A.S.<br>• Chairman of NJJ Capital S.A.S.<br>• Chairman of NJJ Immobilier S.A.S.<br>• Chairman of NJJ Market S.A.S.<br>• Chairman of NJJ Capital Monaco Acquisition S.A.S.<br>• Chairman of NJJ Indian Ocean S.A.S.<br>• Chairman of NJJ Invest Tel S.A.S.<br>• Chairman of NJJ Entertainment S.A.S.<br>• Chairman of NJJ Suisse Acquisition S.A.S.<br>• Chairman of NJJ Investco S.A.S.<br>• Chairman of NJJ North Atlantic S.A.S.<br>• Chairman of NJJ Project Two S.A.S.<br>• Chairman of NJJ Project Three S.A.S.<br>• Chairman of NJJ Exclusive S.A.S.<br>• Chairman of NJJ Strategy S.A.S.<br>• Chairman of NJJ Innovation S.A.S.<br>• Chairman of NJJ Télécom S.A.S.<br>• Chairman of NJJ Presse S.A.S.<br>• Chairman of NJJ Tara S.A.S.<br>• Chairman of NJJ Galway S.A.S.<br>• Chairman of NJJ Boru S.A.S. | |

* *Listed company.*

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| • Chairman of NJJ Project Five S.A.S.<br>• Chairman of NJJ Telecom Europe S.A.S. (formerly Matterhorn GPH S.A.S.)<br>• Chairman of Holdco (formerly Proper) S.A.S.<br>• Chairman of IT Solutions Factory S.A.S<br>• Chairman of Kima Ventures S.A.S.<br>• Chairman of Kima Ventures II S.A.S.<br>• Chairman of Station F S.A.S.<br>• Chairman of Square Vergennes S.A.S.<br>• Chairman of La Compagnie des Immeubles Parisiens S.A.S<br>• Joint Legal Manager of Diderot S.A.S<br>• Joint Legal Manager of Kléber Levallois S.N.C.<br>• Legal Manager of Paris Grenelle S.C.I.<br><br>*Foreign companies*<br><br>• Member of the Board of Salt Mobile S.A. (Switzerland)<br>• Member of the Board of Salt Network S.A. (Switzerland)<br>• Member of the Board of Monaco Telecom (Monaco)<br>• Member of the Board of Telecom Comores Holding (Mauritius)<br>• Member of the Board of Eircom Holdings Ireland Limited (Ireland)<br>• Member of the Board of Maya Africa Holding/Tigo (Senegal)<br>• Member of the Board of KKR & Co. Inc (USA) | |

## Thomas Reynaud

**Chief Executive Officer and a director**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Thomas Reynaud was appointed Chief Executive Officer of the Iliad Group in May 2018. He has been with Iliad since 2007, supporting it in its role as a maverick in the French telecoms sector. He joined Iliad as Head of Business Development before becoming Chief Financial Officer in 2008 and then a Senior Vice-President in 2010, tasked with structuring the Group's growth. Before embarking on the Iliad adventure, Thomas began his career in New York in 1997. He then went on to become Managing Director in charge of the Telecoms and Media sector at Société Générale, where he advised European companies on their business development, and notably Iliad at the time of its IPO. Thomas is a graduate of HEC business school and New York University.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| **Within the Group**<br><br>*French companies*<br><br>• Senior Vice-President of Free Mobile S.A.S.<br>• Director of TRM<br><br>**Outside the Group**<br><br>*French companies*<br><br>• Member of the Board of Directors of the Mozaik Foundation<br>• Member of the Board of Directors of Tomato-n-co | **Within the Group**<br><br>*French companies*<br><br>• Senior Vice-President of Iliad |

## Antoine Levavasseur

**Senior Vice-President and a director**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Antoine Levavasseur holds an engineering degree from the French engineering school EFREI. He joined Iliad in 1999 as manager of Free's system platform and servers. Since that date he has been involved in developing the subscriber management information system as well as operating and developing the email platforms, web servers and applications used by subscribers.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| **Within the Group** | N/A |
| *French companies* | |
| • Senior Vice-President of Free Mobile S.A.S. | |

## Cyril Poidatz

**Director and Group Corporate Secretary**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Before joining the Group in 1998, Cyril Poidatz worked for ten years at Cap Gemini. For several years he served as Finance Director for Cap Gemini Italia, leading the restructuring of Cap Gemini's Italian divisions. Cyril began his career as an auditor with Coopers & Lybrand.

Since May 21, 2018, he has been in charge of setting up a Corporate Secretary's Department in the Iliad Group.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| **Within the Group** | **Within the Group** |
| *French companies* | *French companies* |
| • Senior Vice-President of Free Mobile S.A.S.<br>• Chairman of the Board of Directors of TRM S.A.S. | • Chairman of the Board of Directors of Iliad S.A.<br>• Chairman of F Distribution S.A.S.<br>• Chairman of Free S.A.S.<br>• Chairman of Free Fréquences S.A.S.<br>• Chairman of Free Infrastructure S.A.S.<br>• Chairman of Free Mobile S.A.S.<br>• Chairman of Free Réseau S.A.S.<br>• Chairman of IFW S.A.S.<br>• Chairman of IH S.A.S.<br>• Chairman of Immobilière Iliad S.A.S.<br>• Chairman of IRE S.A.S.<br>• Chairman of Online S.A.S.<br>• Chairman of Protelco S.A.S.<br>• Chairman of Online Immobilier S.A.S.<br>• Chairman of Free R&D S.A.S.<br>• Chairman of Free Carrier S.A.S.<br>• Chairman of Iliad 4 S.A.S.<br>• Chairman of Free Caraïbe S.A.S.<br>• Chairman of Iliad 6 S.A.S.<br>• Chairman of Iliad 7 S.A.S. |
| *Foreign companies* | |
| • Chairman of the Board of Directors of Iliad Italia S.p.A. (Italy)<br>• Sole Director of Iliad Holding S.p.A. (Italy) | |

## Bertille Burel

**Independent director**

Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Bertille Burel graduated from Sciences Po Paris in 1996, and in 1997 earned a post-graduate degree in international business studies from Paris Dauphine University.

She began her career in 1998 at WizArt Software (specialized in client/server applications), where she was responsible for operations in the Benelux region and subsequently Japan and the United States. Then in 2000 she joined TPS (a French satellite television company) as Head of Business Development.

In 2004, Bertille founded Wonderbox with her husband, James Blouzard, on their return to France from a six-month round-the-world tour. The idea to create the company was inspired by the experiences they had during their travels and a desire to share with others their love of adventure and escapism.

Wonderbox now employs over 300 people and has been the leader in its market since 2013. It is still growing strongly, led by an overriding aim of always being at the cutting edge of innovation in the leisure industry.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***French companies*** | N/A |
| • Legal Manager of W Group<br>• Chief Executive Officer of Wonderbox S.A.S.<br>• Chair of Multipass S.A.S.<br>• Chief Executive Officer of Wonderbox NewCo 1<br>• Chief Executive Officer of Wonderbox NewCo 2 | |
| ***Foreign companies*** | |
| • Branch Chief Executive Officer of Multipass Paris Zweigniederlassung Zurich (Switzerland)<br>• Director of Wonderbox S.A. (Belgium)<br>• Director of Wonderbox Italia SRL (Italy)<br>• Director of Vivaboxes International S.A. (Belgium)<br>• Director of WBX Business Support Espana SL (Spain) | |

## Virginie Calmels

**Independent director**

Business address: 2, place du Général Koenig – 75017 Paris, France

Since March 2019, Virgine Calmels has held the positions of Chair of Barnes France, CEO of Barnes International and CEO of Barnes Hospitality.

Since December 13, 2015 she has been a councilor (*Conseillère régionale*) for the Nouvelle Aquitaine region. She also founded the DroiteLib' movement and has served as its Chair since 2016.

Virginie has been a director of Iliad (Free) since June 2009 and a director of Assystem since March 2016.

Virginie began her career in 1993 with the audit firm Salustro Reydel. She then worked with the Canal+ group between 1998 and 2003, holding the positions of Finance Director of NC Numericable, Finance Director of the Canal+ group's international and development divisions and subsequently Chief Financial Officer of Canal+ S.A. before being appointed as the Deputy Chief Executive Officer and then joint Chief Operating Officer of the Canal+ television channel. Virginie joined Endemol France in 2003 as CEO and was appointed Chairman and CEO in October 2007. She became CEO of Endemol Monde in May 2012 while remaining Chair of Endemol France before resigning from these positions in mid-January 2013. From January 2013 through February 2017 she held the position of Chair of the Supervisory Boards of Euro Disney and Euro Disney Associés S.C.A, of which she had been a member since March 2011. She was also a director of Technicolor from May 2014 through July 2016 and then a non-voting member of Technicolor's Board until May 2017. In March 2014, she was elected Deputy Mayor of Bordeaux in charge of the Economy, Employment and Sustainable Growth, working alongside Alain Juppé (Mayor), Vice-President of Bordeaux Metropole and President of town planning agency EPA Bordeaux Euratlantique. She resigned from these positions five years later in February 2019.

Virginie Calmels is a graduate of Toulouse École Supérieure de Commerce (ESC) and holds a post-graduate degree in accounting and finance (DESCF). She is also a certified accountant and a graduate of the Advanced Management Program (AMP) of INSEAD. Virginie is a member of the "Le Siècle" think-tank and has been awarded the title of Knight of the French National Order of Merit.

### Main positions and directorships held

***French companies***

- Chair of SHOWer Company S.A.S.U.
- Director of Assystem S.A.
- Director of Bordeaux Mérignac airport
- Director of BGI Bordeaux Gironde Investissement
- Director of Aerospace Valley
- Director of Bordeaux Aéroparc SPL
- Deputy Mayor of Bordeaux
- Vice-President of Bordeaux Métropole
- Regional councilor for the Aquitaine Limousin Poitou-Charentes region
- President of Établissement Public d'Aménagement Bordeaux Euratlantique

### Positions and directorships that have expired in the past five years

***French companies***

- Director of MEDEF Paris
- Chair of the Supervisory Boards of Euro Disney S.C.A. and Euro Disney Associés S.C.A.
- Non-voting member of the Board of Directors of Technicolor S.A.
- CEO of Endemol Monde
- Director of Endemol Holding B.V.
- Director of Endemol Denmark A/S
- Director of Endemol Italia S.p.A.
- Director of Endemol Espana S.L.
- Substitute member of the Board of Directors of Endemol Finland OY
- Chair and a director of Endemol Nordic AB
- Chair and a director of Endemol Norway AS
- Chair and a director of Endemol Sweden AB
- Chair of Endemol France
- Chair of Endemol Fiction
- Chair of Endemol Productions
- Chair of Mark Burnett Productions France
- Chair of NAO
- Chair of DV Prod
- Chair of Endemol Jeux
- Chair of Tête de Prod
- Chair of Orevi
- Vice-President of SPECT (the French Union of producers and creators of television programs)
- Member of the Executive Committee of Formidooble
- Member of the Supervisory Board of Nijenhuis & de Levita Holding B.V.
- Vice-President of the CEPS research center
- Director of Technicolor S.A.
- Chair of the Board of Directors of SAEML Régaz
- Director of SAEML SBEPEC

## Marie-Christine Levet

**Independent director**

Business address: Jaïna Capital – 1, rue François 1er – 75008 Paris, France

Marie-Christine Levet holds a degree from HEC business school and an MBA from INSEAD. She began her career at Accenture before joining Disney and then Pepsico where she held marketing and strategy positions. Over the last ten years, Marie-Christine has gained a wealth of experience in the Internet and telecoms sector. In 1997 she founded Lycos France and raised it to the position of the second-leading French portal in 2000. In 2001 she took on the role of Chair of Club-Internet following its acquisition by Deutsche Telekom. In this position – which she held until July 2007 – she significantly developed Club-Internet's Broadband content and services offerings. From 2004 to 2005 she also chaired the French Association of Internet Service Providers (Association des Fournisseurs d'Accès), which represents the interests of all market players vis-à-vis the public authorities. Between 2008 and 2010, Marie-Christine managed the high-tech information group, Tests, and the Internet business of the NextRadioTV group. Between 2010 and 2014 she held the position of Associate Director of Jaïna Capital, an investment fund specialized in seed funding for entrepreneurs.

In October 2017 Marie-Christine founded Educapital, Europe's first private equity firm dedicated to the education and innovative training sectors.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***French companies*** | ***French companies*** |
| • Associate director of Educapital<br>• Director of Econocom<br>• Director of Maisons du Monde<br>• Director of AFP<br>• Director of SoLocal | • Associate director of LER<br>• Associate Director of Jaïna Capital S.A.S.U.<br>• Director of BPI Financement (Banque Publique d'Investissement)<br>• Director of Hi-Pay<br>• Director of Fonds Google pour l'Innovation Numérique dans la Presse (FINP)<br>• Director of Mercialys S.A. |

## Orla Noonan

**Independent director**

Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Orla Noonan graduated from Trinity College, Dublin (Ireland) with a BA in Economics in 1992 and from HEC business school in Paris (France) in 1994. She began her career with the investment bank Salomon Brothers in London, working particularly in the media and telecoms sector.

In 1996 Orla joined Groupe AB, working first on its IPO in New York and Paris and then managing its M&As, notably its purchases of the RTL9 and TMC television channels and TF1's acquisition of a minority stake in Groupe AB. She subsequently took on responsibility for all of Groupe AB's financial and regulatory matters, while at the same time remaining involved in its business development, which included the launch of a DTT offering (she was Chair of the NT1 television channel from its formation in 2005 until its sale in 2010).

Appointed Chief Executive Officer of Groupe AB in 2014, she led its strategy of acquiring other independent production companies, which reinforced Groupe AB's position as a leading producer and distributor of audiovisual content in French-speaking Europe.

In 2009, Orla joined the Board of Directors of Iliad – the parent company of Free – as an independent director.

In 2017, following Mediawan's acquisition of Groupe AB, she became a member of Mediawan's Strategy Committee, and then an independent director of Schibsted (the shareholder group of Le Bon Coin). She also became an independent director of SMCP (Sandro Maje Claudie Pierlot) and Chair of SMCP's Audit Committee.

In September 2018, Orla stepped down as Groupe AB's Chief Executive Officer and was named Chair of the Board of Directors of Adevinta, a new company created to integrate Schibsted's international operations before its IPO.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***French companies*** | ***French companies*** |
| • Independent director of SMCP<br>• Chair of Knightly Investments S.A.S. | • Chief Executive Officer and a director of Groupe AB S.A.S.<br>• Chair of TEAM Co. |
| ***Foreign companies*** | ***Foreign companies*** |
| • Chair of Adevinta, Norway<br>• Independent director of Schibsted, Norway | • Director of RTL 9 S.A. Luxembourg<br>• Director of AB Entertainment S.A. Luxembourg |

## Pierre Pringuet

**Independent director**

Business address: Pernod Ricard – 12, place des États-Unis – 75016 Paris, France

After graduating from École Polytechnique and École des Mines, Pierre Pringuet began his career in the French public sector. Between 1981 and 1985 he worked in Michel Rocard's ministerial cabinet before joining the Agriculture Ministry as Agriculture and Food Industries Director.

In 1987 Pierre joined Pernod Ricard as Development Director, playing a major role in the Pernod Ricard group's expansion in Asia. Between 1989 and 1996 he held the position of Managing Director of Société pour l'Exportation des Grandes Marques (SEGM) and then served as Chairman and Chief Executive Officer of Pernod Ricard Europe from 1997 to 2000.

In 2000 Pierre joined Patrick Ricard at the Group's holding company, Pernod Ricard, taking on the position of Co-Chief Executive Officer alongside Richard Burrows. Having become a director of Pernod Ricard in 2004, he successfully saw through the group's acquisition and integration of Allied Domecq in 2005, and in December 2005 was appointed as the group's sole Chief Operating Officer.

In 2008, he organized the acquisition of Vin&Spirit (V&S) and its Absolut Vodka brand, which completed Pernod Ricard's globalization drive. Following the retirement of Patrick Ricard, Pierre became Chief Executive Officer of Pernod Ricard on November 5, 2008 and was subsequently appointed Vice-Chairman of the Board of Directors on August 29, 2012. Having reached the applicable age limit as Chief Executive Officer within the Group, Pierre stood down from his executive position on February 11, 2015 but remained Vice-Chairman of the Board of Directors.

Between 1990 and 2015 Pierre also held the position of Chairman of the Sully Committee – a not-for-profit organization dedicated to promoting the French agri-food industry – and in 2012 he was named Chairman of the French association of private sector companies (Association Française des Entreprises Privées – AFEP). In December 2014 he was appointed Chairman of the Scotch Whisky Association (SWA), which represents the interests of the Scottish whisky industry.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***French companies*** | ***French companies*** |
| • Director of Pernod Ricard S.A.*<br>• Director of Cap Gemini S.A. *<br>• Vice-Chairman of the Supervisory Board of Vallourec S.A.*<br>• Director of Avril Gestion | • Chief Executive Officer of Pernod Ricard S.A.*<br>• Vice-Chairman of the Board of Directors of Pernod Ricard S.A.<br>• Chairman of the Association Française des Entreprises Privées (AFEP) |

* *Listed company*

## Olivier Rosenfeld

**Director until January 28, 2019**

Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

A graduate of the Solvay Business School, Olivier Rosenfeld began his career with Merrill Lynch's investment banking division, where he worked on privatization projects before joining the Goldman Sachs team handling primary issues in New York and Hong Kong. He was Chief Financial Officer of the Iliad Group between January 2001 and January 2008. He is currently a director of Monaco Telecom and Salt Mobile S.A. in Switzerland. Olivier stepped down as a director of Iliad on January 28, 2019

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***French companies*** | ***French companies*** |
| • Member of the Supervisory Board of Iway Holdings S.A.S. | • Director of Eutelsat Communication S.A.*<br>• Director of OpenERP S.A. |
| ***Foreign companies*** | |
| • Legal Manager of Levary S.P.R.L.<br>• Director of Gaziano & Girling Ltd<br>• Director of Monaco Telecom<br>• Director of Salt Mobile S.A.<br>• Director of Mattehorn Telecom Holding S.A.<br>• Director of MTI and Mattehorn Holding S.A. | |

* *Listed company*

### Corinne Vigreux

**Independent director**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Corinne Vigreux is the co-founder of TomTom, the company that invented the personal navigation device and which continues to create cutting-edge technologies to respond to the rising challenges of urban mobility, including for self-driving cars and smart cities.

Regularly voted one of the top fifty most inspirational women in European tech, Corinne actively defends women's rights in the workplace and is an ardent advocate for improving social mobility through education.

She sits on the Supervisory Boards of Takeaway.com and the Dutch National Opera & Ballet and is a member of the Amsterdam Economic Board.

In 2012 Corinne was named a Knight of the Legion of Honor by the French State and in 2016 King Willem-Alexander of the Netherlands appointed her an Officer of the Order of Orange-Nassau.

| Main positions and directorships held | Positions and directorships that have expired in the past five years |
|---|---|
| ***Foreign companies*** | |
| • Managing Director of TomTom Software Ltd (United Kingdom)<br>• Managing Director of TomTom Inc. (United States)<br>• Managing Director of TomTom Sales BV (the Netherlands)<br>• Chair of the Board of Directors of the Sofronie Foundation<br>• Member of the Supervisory Board of the Dutch National Opera & Ballet (Amsterdam, the Netherlands)<br>• Member of the Supervisory Board of Takeaway.com<br>• Member of the Dutch division of the National Committee of French Foreign Trade Advisers (CNCCEF)<br>• Director of the French Chamber of Commerce in the Netherlands (CFCI) | |

### Ilan Dahan[1]

**Director representing employees**
Business address: 16, rue de la Ville l'Evêque – 75008 Paris, France

Ilan Dahan has been Head of Production Methods for the Iliad Group's FTTH project since September 2017. In this role he is responsible for liaising between the Group's various entities in order to optimize the FTTH connection process. Ilan joined the Iliad Group in 2003 as a call center operator and subsequently developed his career within the Group, successively serving as a technician, a network operations supervisor and then Deployment Project Manager and Engineering Project Manager in the Group's FTTH rollout team. He subsequently headed up the Group's FTTH design office from 2012 through September 2017. Ilan has been an employee-representative member of Iliad's Board of Directors since November 2015.

## 3.1.2 EXECUTIVE MANAGEMENT

At its meeting on May 14, 2018, the Board of Directors named Thomas Reynaud as its new Chief Executive Officer. Thomas Reynaud's profile is set out in Section 3.1.1.3 above.

At this same meeting, acting on the recommendation of the Chief Executive Officer, the Board renewed the terms of office of the Senior Vice-Presidents for the same duration as the Chief Executive Officer's term.

The Company's Senior Vice-Presidents are:

### Rani Attssaf[1]

Aged 44, French nationality

Rani Assaf is in charge of the Group's landline and mobile networks.

He is also one of the founders of the Freebox project. Rani joined the Group in 1999 and since then has been involved in setting up the Group's network infrastructure.

### Alexis Bidinot[1]

Aged 31, French nationality

Before joining the Iliad Group, Alexis Bidinot co-founded the start-up Actradis.fr, a leading player in inter-business file sharing. In the last six years, Alexis has worked for Atos Worldline then Atos as market director and director of Atos Switzerland's Sports & Major Events division to oversee the digital transformation of the Olympic Committee in Lausanne. He left Atos in 2017 to join the Iliad Group. Alexis is a graduate of ESCE business school and holds an Advanced Master's degree from École Centrale Paris – ESSEC.

### Antoine Levavasseur

See Section 3.1.1.3 above.

### Xavier Niel

See Section 3.1.1.3 above.

*(1) Has not been a member of the administrative, management or supervisory bodies of any French or non-French company outside the Group during the past five years.*

# 3.2 OPERATING PROCEDURES OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

## 3.2.1 GENERAL RULES AND PRINCIPLES RELATING TO THE MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

### Rules applicable under French law and the Company's bylaws concerning the membership structure of the Board of Directors

#### Experienced directors with complementary skills

Iliad's directors have complementary professional skills and experience. They either have in-depth knowledge and experience of the Group or they bring to the Board several years' experience in setting up and managing companies. Their diverse and complementary profiles are a great asset for the quality of the Board's discussions and the decisions it has to make.

#### A director representing employees

The membership structure of Iliad's Board of Directors was changed in November 2015 when a director representing employees – Ilan Dahan – was appointed. Mr. Dahan was put forward by the Works Council of the Iliad *Unité Economique et Sociale* (UES).

The director representing employees has the same duties and responsibilities as the other Board members. When Ilan Dahan was appointed he was given specific training by the Board Secretary in order to help him take up his directorship in the best possible conditions. His training was rounded out in 2018 by a seminar on the corporate governance rules and best practices applicable for listed companies. He was appointed for a four-year term and he does not receive any directors' fees. His compensation package under his employment contract is not disclosed. Ilan stood down from his position as an employee representative before he joined the Board of Directors.

#### Board diversity

Iliad's Board of Directors currently comprises five women out of a total eleven members, representing a proportion of 45% (not including the director representing employees, who, pursuant to the applicable law and the AFEP-MEDEF Code, is not included for the purpose of calculating the gender balance). In addition, both of the Board's Committees are chaired by women. The Board of Directors regularly assesses the structure of the Board and its Committees as well as the different skills and experience contributed by each of their members. The Board uses its best efforts to ensure that it has the optimal balance by seeking members with complementary profiles based on international experience, nationality and expertise. As part of its measures to increase its diversity, in recent years the Board has (i) endeavored to create a better gender balance (the two most recently-elected directors are women), (ii) ensured that a significant proportion of the Board is made up of independent directors, and (iii) taken on members with several years' experience in running businesses and who therefore bring to the Board not only their management expertise but also their deep knowledge in finance, sales and marketing. The Board also ensures that the executive management team applies a non-discrimination and diversity policy, aimed notably at ensuring more balanced representation of women within the Group's executive Committees and other management bodies. In line with this, a number of women were appointed to top management positions in 2018.

#### Independent directors

For the purpose of assessing the independence of its members, the Board of Directors applies all of the independence criteria provided for in the AFEP-MEDEF Code, which are also set out in the Board's Internal Rules. In accordance with these criteria, a director is deemed to be independent when he or she has no relationship of any kind with the Company, the Group or Executive Management that could affect his or her freedom of judgment.

Consequently, in order to be considered independent, a director must comply with the following criteria:

**Criterion 1 Positions and offices held in the past five years**
An independent director must not be, or have been at any time in the last five years: (i) an employee or executive officer of the Company, (ii) an employee, executive officer or director of an entity consolidated by the Company, or (iii) an employee, executive officer or director of the Company's parent or an entity consolidated by the Company's parent.

**Criterion 2 Cross directorships and other offices**
An independent director must not be an executive officer of an entity in which the Company directly or indirectly holds a directorship, or in which an employee or an executive officer of the Company (currently in office or having held such office in the past five years) is a director.

**Criterion 3 Significant business relations**
An independent director must not be, or have any direct or indirect ties with, a customer, supplier, investment banker or commercial banker that is significant for the Company or the Group or for which the Company or Group represents a significant portion of its business.

**Criterion 4 Family ties**
An independent director must not have any close family ties with an officer or director of the Company.

**Criterion 5 Statutory Auditors**
An independent director must not have been a Statutory Auditor of the Company at any time in the past five years.

**Criterion 6 Directorship of more than 12 years**
An independent director must not have been a director of the Company for more than 12 years.

**Criterion 7 Significant shareholding**
An independent director must not hold a significant percentage (over 10%) of the Company's capital or voting rights.

In accordance with the recommendations of the AFEP-MEDEF Code, at its meeting on March 18, 2019, the Board examined on a case-by-case basis the situation of each of its members based on the above independence criteria and the advice put forward by the Nominations and Compensation Committee.

Concerning Criterion 3, in view of the recommendations in the AFEP-MEDEF Code, the Board of Directors' Internal Rules provide for a multi-criteria approach to be used when assessing whether or not the business relationship between a director and the Company or Group is significant. The analysis is based on (i) qualitative criteria (the significance of the business relationship for each of the parties concerned, any financial dependency, the organization of the business relationship and, particularly, the position of the director concerned in the entity doing business with the Company or Group) and (ii) quantitative criteria (the proportion of Iliad's total consolidated revenues that the revenue generated from the business relationship represents). Consequently, the Board's independence assessment must take into account any business relationships that may exist between Iliad Group companies and the companies in which certain directors hold an executive position or a directorship or similar office.

Based on the above, and on the fact that they do not have any business relationships with the Company or the Group, the Board considers that the following directors are independent:

| | Criterion 1 | Criterion 2 | Criterion 3 | Criterion 4 | Criterion 5 | Criterion 6 | Criterion 7 | Status |
|---|---|---|---|---|---|---|---|---|
| **Bertille Burel** | x | x | x | x | x | x | x | Independent |
| **Virginie Calmels** | x | x | x | x | x | x | x | Independent |
| **Marie-Christine Levet** | x | x | x | x | x | x | x | Independent |
| **Orla Noonan** | x | x | x | x | x | x | x | Independent |
| **Pierre Pringuet** | x | x | x | x | x | x | x | Independent |
| **Corinne Vigreux** | x | x | x | x | x | x | x | Independent |

x *means that the director meets the independence criterion concerned.*

Independent directors represent 55% of the Board's members (excluding the director representing employees who, in accordance with the AFEP-MEDEF Code was not included for the purposes of the calculation). This proportion is in excess of the one-third threshold recommended in the AFEP-MEDEF Code for controlled companies. Consequently, the Board can carry out its duties with the required level of independence and objectivity and can ensure that its discussions are of the highest quality while taking into account the interests of all of the Company's shareholders.

## Ethics and conflicts of interest

The Board's Internal Rules include an appendix containing a Code of Conduct which sets out the rights and duties of directors and which each director must adhere to. Before taking up their directorship, each director is required to familiarize himself or herself with all of the duties applicable to them, including those provided for in the Code of Conduct.

In particular, the Code of Conduct sets out the following rules:

### *Attendance and diligence*

By taking on their directorship, directors undertake to devote the required time and attention to their duties. They must attend all meetings of the Board of Directors and of any Board Committees of which they are a member.

Directors must ensure that they keep the number of directorships they hold within the limits prescribed by law and best governance practices. If a director wishes to take on an additional position as a member of the Board, or Board Committee, of a listed company outside the Group (either French or non-French), he or she must first inform the Chairman of Iliad's Board and the Chairman of the Nominations and Compensation Committee. For the Company's executive officers, the Board's prior approval is required before they may take up any such additional position.

### *Loyalty and declaring conflicts of interest*

Directors are bound by a duty of loyalty towards the Company and they must not take any course of action that could adversely affect the interests of the Company or any of the entities making up the Iliad Group.

In accordance with the Board's Internal Rules, the directors must inform the Board of Directors of any situation that gives rise to any actual or potential conflicts of interest, and must not take part in the Board's related discussions or votes carried out by the Board and/or its Committees. If a director takes part in a transaction in which the Company, or any other Group entity, is a direct interested party, the Board must be informed of this fact prior to the transaction being signed.

In order to avoid any conflict of interests between Iliad and NJJ (Xavier Niel's personal holding company, whose corporate purpose is to acquire interests in different types of companies and assets, notably in the media and telecommunications sectors), a special procedure – overseen by Iliad's Board of Directors – has been put in place to clarify the positioning of NJJ Holding and the Company when NJJ is considering an investment opportunity in a landline and/or mobile telecommunications operator. Consequently, if NJJ Holding were to consider acquiring a stake in a landline and/or mobile telecommunications operator in France or abroad, NJJ Holding would be required to inform Iliad's Board of Directors about the potential investment project in a timely fashion. The Board would then examine the project to see whether it was of interest to the Company and would inform NJJ of its decision. If Iliad decided to pursue the project, NJJ would then withdraw from it (unless it reached a joint-investment agreement with Iliad). However, NJJ would be free to go ahead with the project again if Iliad subsequently decided not to pursue it.

### *Duty of confidentiality*

Each director is bound by a duty of confidentiality regarding the information to which they have access in the performance of their duties, both with respect to third parties and persons who are not required to be aware of the information on account of their position within the Company.

### *Rules concerning inside information and the prevention of insider trading*

In their capacity as "permanent insiders", the Company's directors have been informed of the regulations currently in force concerning the possession of inside information, trading bans, and the sanctions applicable in the event of insider trading. For this purpose they have been given a Trading Code of Conduct, which was updated on January 30, 2017 to take into account the latest regulatory changes resulting from EU Regulation no. 596/2014 dated April 16, 2014 on market abuse (the "MAR"). This Trading Code of Conduct sets out the directors' obligations as provided for in the MAR relating to the prevention of market abuse and any criminal or administrative sanctions that could be imposed in the event that the applicable regulations are breached.

As directors have regular access to inside information, until such time as the information falls into the public domain, they must refrain from trading in the Company's securities, communicating the information to any person outside the normal scope of their duties, and recommending to any person, or inciting any person on the basis of the inside information, to trade in the Company's securities.

In addition to directors, any person with managerial responsibilities and any person who has either regular or occasional access to inside information is prohibited from carrying out any trades in the Company's financial instruments during the following periods: (i) the 30 calendar days before the date on which the annual and half-yearly results are released and (ii) the 15 calendar days before the release of quarterly financial information.

As required under the applicable legislation, Iliad's directors and persons closely associated with them are required to disclose to the AMF and the Company any transactions that they carry out in Iliad shares or in any derivatives or other financial instruments related to Iliad shares. A summary of the transactions in Iliad's securities carried out by the directors during 2018 is provided in Chapter 8, Section 8.2.4.2 of this Registration Document.

### *No convictions, for fraud, involvement in bankruptcy, and/or official public sanctions*

To the best of the Company's knowledge, in the past five years, none of the members of the Board of Directors or Executive Management have been:

- convicted of fraud or been subject to any official public incrimination or sanctions by any statutory or regulatory authorities;
- involved in a bankruptcy, receivership or liquidation when acting in the capacity as a director or executive officer of a company;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

*Service contracts*

None of the members of Iliad's Board of Directors or Executive Management have entered into a service contract with Iliad or any of its subsidiaries under which they would receive benefits.

*Loans and guarantees granted to members of the Company's administrative or management bodies*

To date, no loans or guarantees have been granted or issued to any of the members of the Company's administrative or management bodies.

*Agreements between (i) a director or an officer or a shareholder who owns over 10% of the Company's voting rights, and (ii) an Iliad Group subsidiary (except for routine agreements entered into on arm's length terms)*

No agreements of this kind were entered into during 2018.

### The Chairman of the Board of Directors

The Chairman of the Board of Directors organizes and oversees the Board's work and reports thereon to the Annual General Meeting. He ensures that the Company's administrative and management bodies operate effectively and that the directors are able to properly perform their duties. He is entitled to request any and all documents or information that may help the Board with preparing its meetings.

In view of Maxime Lombardini's long-standing relations with Iliad, his in-depth knowledge of its business, and the role he has played over the past years within the Iliad Group, in addition to his role as Chairman of the Board of Directors he continues to exercise certain responsibilities and, in coordination with the Executive Management team, still has an active role in representing the Company (i) in dealings with the public authorities in the Group's host countries, and (ii) in connection with certain investments outside France (notably the Group's investment in eir, Ireland's incumbent telecommunications operator).

## 3.2.2 ORGANIZATION AND OPERATING PROCEDURES OF THE BOARD'S COMMITTEES

The Board of Directors may be assisted in its duties by one or more specialist Committees, which conduct preparatory work to help the Board with its discussions and decisions and report to the Board after each of their meetings.

The membership and roles and responsibilities of these Committees, as well as the work they conducted in 2018 are set out in paragraph 3.3.6 below.

The Committees act strictly within the remit assigned to them by the Board and make recommendations to the Board based on their preparatory work but have no decision-making powers.

The Board may set up specialist Committees whenever it deems it appropriate. Each Committee has its own set of Internal Rules approved by the Board of Directors, which set out its specific roles and responsibilities and operating procedures.

The Committee members may be allocated specific compensation by the Board in return for the work they carry out.

The Board of Directors has set up two such specialist Committees – the Audit Committee and the Nominations and Compensation Committee (which was originally called the Compensation Committee before its role was widened in 2015).

### 3.2.2.1 The Audit Committee

#### Membership structure

At December 31, 2018 all of the Audit Committee's members were independent directors:

- Marie-Christine Levet (Chair since 2009);
- Orla Noonan;
- Bertille Burel (appointed on June 26, 2017).

The members of the Audit Committee were selected due to their skills in financial and accounting matters, based on their educational background and professional experience.

#### Operating procedures and main roles and responsibilities of the Audit Committee

The organizational and operating procedures of the Audit Committee are detailed in a set of Internal Rules, the provisions for which apply in conjunction with the provisions of the Board's Internal Rules.

The Audit Committee is currently responsible for:

*Integrity of the financial statements*

- examining Iliad's scope of consolidation and analyzing the draft financial statements of the Company and the Group – as well as the related reports – prior to submission to the Board for approval;
- analyzing and ensuring the relevance of the accounting principles, methods and rules used to prepare the financial statements and the various accounting treatments applied, as well as any changes thereto;
- examining and monitoring the procedures applied to produce and process the accounting and financial information used to prepare the financial statements in order to verify that these procedures ensure the quality of the information provided.

*Effectiveness of internal control and risk management procedures*

- examining and assessing the effectiveness of internal control and risk management procedures, and, where applicable, the internal audit of the procedures relating to the preparation and processing of accounting and financial information (without jeopardizing the independence of the internal audit function);
- obtaining a full understanding of how the Company identifies, assesses and manages its main financial, operating and compliance risks as well as reviewing the annual report of the Group's main disputes and litigation;
- reviewing and issuing an opinion on the Company's internal control and risk management procedures.

*Independence and appointment of Statutory Auditors*

- approving the supply of the services referred to in Article L. 822-11-2 of the French Commercial Code (a list of the services already approved by the Audit Committee is set out in Appendix 1 of the Board of Directors' Internal Rules);
- issuing a formal recommendation to the Board of Directors – drawn up in accordance with Article 16 of EU Regulation no. 537/2014 – about the choice of Statutory Auditors put forward for appointment or re-appointment;
- reviewing the rotation rules applicable to the audit engagement partner and assessing rotation requirements between the Company's two Statutory Auditors;
- keeping informed of the amount of fees paid to the Statutory Auditors' network firms by Iliad and companies controlled by Iliad, particularly for services other than statutory audit work;
- ensuring that the Statutory Auditors are independent, and notably verifying that they comply with the conditions set out in Article 6 of EU Regulation no. 537/2014;
- reporting on the findings of the statutory audit work. as well as on how this work contributed to the integrity of the Company's financial information and the role it played in the overall financial reporting process.

*Reporting to the Board of Directors on the Audit Committee's work*

- promptly informing the Board of Directors of any difficulties the Committee may encounter;
- systematically reporting to the Board of Directors on the work that the Committee carries out and on its recommendations, opinions and observations;
- submitting for the Board's approval, a report on the Committee's work carried out during the year, to be included in the Company's Annual Financial Report filed with the *Autorité des Marchés Financiers* (AMF);
- reviewing, at the Board's request, the Committee's own operating procedures and effectiveness and implementing any requisite changes after approval by the Board.

### 3.2.2.2 The Nominations Committee and the Compensation Committee

#### Membership structure

Iliad originally set up a Compensation Committee in 2010, which subsequently became the Nominations and Compensation Committee in 2015 following the Board's decision to widen its role.

At its meeting on January 18, 2019, the Board voted to split the functions of the Committee and appointed Ilan Dahan, the director representing employees, as a member of the Compensation Committee.

All of the Nominations Committee's members are independent directors:

- Corinne Vigreux, Chair of the Committee;
- Virginie Calmels;
- Pierre Pringuet.

The Compensation Committee comprises the following members:

- Corinne Vigreux, Chair of the Committee;
- Virginie Calmels;
- Pierre Pringuet;
- Ilan Dahan.

In accordance with the recommendations of the AFEP-MEDEF Code, no executive directors or directors with operational responsibilities sit on this Committee.

#### Main roles and responsibilities of the Nominations Committee

The Nominations Committee is responsible for:

- submitting proposals to the Board on the choice of directors and the members of the Board's Committees, as well as the Chairs of the Committees, in accordance with the principles set out in the AFEP-MEDEF Code;
- making proposals to the Board, with the objective of achieving a balanced Board membership structure in terms of gender equality and in terms of the skills, expertise and nationality of each director;
- setting up a selection procedure for future independent directors;
- performing yearly individual assessments of each director to verify that he or she qualifies as an independent director, in accordance with the principles set out in the AFEP-MEDEF Code;
- submitting proposals to the Board for the appointment of the Company's executive officers and, where appropriate, for the appointment of the Company's main senior executives;
- issuing opinions on the re-election of directors and executive officers;
- examining requests by executive officers concerning the acceptance of new directorships or other positions outside the Company;
- submitting proposals for the creation of Committees and their respective roles;
- ensuring the ongoing operations of management bodies by establishing a succession plan for the executive officers, directors and, where appropriate, the senior executives of the Company in order to propose succession solutions to the Board, particularly in the event of unforeseen vacancies;
- making recommendations on the Board's self-assessment procedure, its organization and practices (which also implies a review of its Committees), in accordance with the recommendations set out in the AFEP-MEDEF Code;
- submitting proposals to improve the Board's operating procedures;
- issuing recommendations on best governance practices.

#### Main roles and responsibilities of the Compensation Committee

The Compensation Committee is responsible for:

- submitting proposals to the Board on the compensation policy and the compensation packages of the Company's executive officers and, where appropriate, of the Group's main executives, particularly their fixed and variable compensation, in addition to their pension benefits, personal protection insurance, termination benefits, benefits in kind and any other form of compensation paid by the Company or other Group entity;
- making proposals on the general policy and conditions of stock options and/or performance shares (free shares), the grant thereof and the rollout of employee share plans and any other collective plan for the employees of the Company or the Group;

- submitting proposals on grants of stock options and/or performance shares (free shares) to executive officers and, where appropriate, the Group's main executives, and on the number of shares issued following the exercise of stock options or the grant of performance shares that they are required to hold until the end of their terms of office;
- reviewing the terms that may apply in the event of the termination of the executive officers' duties and the financial terms and conditions applicable in the event of the departure of executive directors of the Company;
- putting forward recommendations to the Board concerning the aggregate amount of directors' fees to be submitted for approval at the Annual General Meeting, as well as recommending to the Board how these fees should be allocated among the individual directors, taking into account their actual attendance at meetings and their degree of involvement in the work of the Board and their membership any of the Board's Committees;
- submitting a draft report each year to the Board on the compensation policy and on compensation received, and issuing opinions on the related draft resolutions to be submitted for shareholder approval at the Annual General Meeting, pursuant to the applicable legislation;
- obtaining information on the compensation policy of the Group's executives who are not officers of the Group;
- drawing up, at the request of the Board, any other recommendations concerning compensation.

## 3.2.3 OPERATING PROCEDURES OF EXECUTIVE MANAGEMENT

### 3.2.3.1 Separation of the roles of Chairman and Chief Executive Officer

On December 12, 2003, the Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer with a view to ensuring transparency of corporate governance within the Company.

This separation of roles enables the Board to operate more effectively, as it means that its Chairman is exclusively devoted to that position and it gives the Board greater supervisory authority over executive management functions.

Having a two-tier governance structure also ensures a clear distinction between strategic, decision-making and control duties (which fall within the remit of the Board of Directors) and operational and executive duties (which fall within the remit of the Chief Executive Officer).

The Chairman of the Board of Directors performs the duties required of him by law. He organizes and oversees the Board's work and reports thereon to the Annual General Meeting. He ensures that the Company's administrative and management bodies operate effectively and that the directors are able to properly perform their duties.

### 3.2.3.2 Executive Management

The Company's executive management is carried out under the responsibility of an individual appointed by the Board who holds the title of Chief Executive Officer.

Since May 21, 2018, the Company's executive management has been placed under the responsibility of the Chief Executive Officer, Thomas Reynaud.

The Chief Executive Officer has the broadest powers to act on behalf of the Company in all circumstances, within the scope of the corporate purpose and the remit specified by the Board of Directors in its Internal Rules, except for those matters which by law may only be dealt with in Shareholders' Meetings or by the Board of Directors.

On the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals holding the title of Senior Vice-President to assist the Chief Executive Officer. The maximum number of Senior Vice-Presidents is five.

The Board of Directors, in agreement with the Chief Executive Officer, determines the scope and duration of the powers granted to Senior Vice-Presidents.

Senior Vice-Presidents have the same powers as the Chief Executive Officer vis-à-vis third parties.

#### Restrictions on the Chief Executive Officer's powers

The Company has an internal procedure in place which requires the Chief Executive Officer to obtain the Board's prior approval before carrying out (i) any acquisition, investment or divestment project that individually represents more than €100 million and (ii) any transaction or commitment representing over €200 million, even when such transactions or commitments form part of Iliad's normal course of business.

At its March 12, 2018 meeting, the Board of Directors gave the Chief Executive Officer a one-year authorization to issue guarantees, deposits and endorsements for an aggregate amount of up to €150 million and for an unlimited amount for guarantees, deposits or endorsements given to the tax or customs authorities. This authorization was renewed by the Board on March 18, 2019.

### 3.2.3.3 Committees reporting to Executive Management

Several specialist Committees reporting to Group Executive Management have been set up to apply – or verify the application of – internal guidelines that are reviewed by the Audit Committee. The main Committees, which are made up of operations, accounting and finance staff, are as follows:

- the Debt Recovery Committee, which monitors receivables and collection procedures in order to ensure that adequate provisions are set aside to cover any risks of non-recovery;
- the Cash Management Committee, which sets the framework for the Group's debt management policy, particularly concerning

liquidity, interest rate and currency risks, as well as counterparty risks that may arise on future financial transactions;

- the Operators Committee, which examines purchases from operators in order to assess whether proper internal controls are in place in terms of approvals and accounting treatment. It also examines the Group's main claims, litigation and commitments in this area, to ensure that there are adequate provisions to cover the related risks;
- the Audiovisual Committee, which analyzes the performance of the Group's audiovisual operations and related marketing campaigns. It verifies that business performance is effectively monitored and that the terms and conditions of contracts entered into with content providers, service suppliers and subscribers are respected;
- the Fiber Committee, which is tasked with ensuring the effective application of the Group's strategy for acquiring premises to house optical nodes (ONs), for the "horizontal" and "vertical" rollouts of the FTTH network, and for connecting subscribers to the network;
- the Mobile Committee, which is in charge of monitoring the progress of the rollout of the Group's network, as well as negotiations with suppliers and levels of financial commitments;
- the Manufacturing/Freebox Committee, which verifies that production cycles are effectively managed and that all necessary measures are taken to meet the Group's targets;
- the Accounting Committee, which sets the framework for the Group's accounts closing procedures and ensures that they are formally documented. It examines the financial statements and checks that accounting standards are properly applied and that adequate provisions are set aside to cover any risks. It also verifies that the financial statements give a true and fair view of the Group in accordance with the applicable accounting principles. Lastly, it schedules pre-closes, carries out reviews of the accounts and ensures that financial data are effectively shared, which helps strengthen the financial control function;
- the Subscriber Relations Committee, comprising the heads of the call centers and managers from the Subscriber Relations Department. This Committee meets monthly in order to coordinate the work of the call centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the call centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals aimed at defining and putting in place the Group's corporate social responsibility (CSR) policy and commitments. This Committee is responsible for overseeing the operational aspects of the CSR policy and its rollout across the Group;
- the Ethics Committee, which holds both regular and special meetings. At its regular meetings, the Committee defines the main lines of the Group's ethics policy and reviews the compliance programs set up within the Group, notably in connection with the French "Sapin II" Act dated December 9, 2016 on transparency, anti-corruption measures and modernization of business practices. It also ensures that the compliance measures deployed within the Group are appropriate in view of the level of identified risks, and decides on any improvements that need to be made to the compliance programs. At its special meetings, the Ethics Committee deals with any sensitive issues that may arise when implementing the Group's compliance programs, particularly in relation to whistle-blower and stakeholder control procedures;
- the Human Resources Committee, which is tasked with (i) ensuring HR practices are consistent across the Group, (ii) overseeing the application of new laws and regulations, (iii) setting the framework for and tracking the achievement of objectives related to recruitment, integration, training, employee-related data, HR systems, and the scheduling and content of collective bargaining negotiations;
- the Personal Data Committee. The aim of this Committee is to review the compliance program set up within the Group for the purpose of complying with EU Regulation no. 2016/679 issued by the European Parliament and the Council on April 27, 2016 on the protection of individuals with regard to the processing of personal data.

## 3.3 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

### 3.3.1 POWERS AND REMIT OF THE BOARD OF DIRECTORS

The Board of Directors' operating procedures are determined in accordance with the applicable laws and regulations and are set out in the Company's bylaws and the Board of Directors' Internal Rules.

The Board takes care to ensure that its operating procedures comply with both the applicable law and best corporate governance practices.

The Board of Directors conducts its work in a collegiate way. It is responsible for determining the Company's overall business, economic, financial and technological strategies and overseeing their implementation by Management. The Board reviews in advance any transaction falling outside the scope of the Company's stated business strategy or which could significantly affect or change the Company's financial structure or results.

It is regularly informed of – and may at any time request information on – the Company's operations and results as well as its liquidity position, so that it can take the decisions required in relation to its debt and financing.

The directors hold at least one meeting a year without the executive directors being present, in order to assess the operating procedures of the Board and its Committees and to talk about succession planning. The last such meeting took place in January 2019.

### 3.3.2 BOARD OF DIRECTORS' INTERNAL RULES

On December 12, 2003, the Board of Directors adopted a set of Internal Rules, which it last amended on January 30, 2017. These Rules, which round out the applicable laws and the Company's bylaws, set out the Board's organizational and operational procedures. They are regularly amended by the Board to reflect changes in the applicable laws and regulations and revisions to the AFEP-MEDEF Code.

The aim of the Board's Internal Rules is to provide a framework for the management of the Company in line with the latest rules and regulations, and to guarantee compliance with the fundamental principles of corporate governance, notably those contained in the AFEP-MEDEF Code.

The Board of Directors' Internal Rules specify the operating procedures for both the Board and the Board Committees. The members of the Board Committees are directors and are tasked with helping the Board prepare its work.

The Internal Rules also include an appendix containing a Directors' Code of Conduct which states the duties and obligations of directors in compliance with the principles of the AFEP-MEDEF Code, particularly those concerning professional diligence, loyalty, confidentiality and conflicts of interest. This Code of Conduct – which also sets out directors' duties concerning market transactions in the Company's securities – was amended on January 30, 2017 to take into account the measures resulting from the EU Market Abuse Regulation, notably concerning the blackout periods for transactions in the Company's securities and the disclosure requirements applicable to directors and persons closely associated with them.

### 3.3.3 MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as is required in the Company's interests, on notice from the Chairman, and at least four times a year. If the Board has not met for over two months, directors representing at least one-third of the Board's members may call a meeting, specifying the agenda.

Notice of meeting may be given by any written means (including by letter, fax or e-mail) or verbally. The meeting must be called at least two days prior to it being held, except if matters need to be urgently addressed, in which case it must be called no later than the day preceding the meeting, by any method. In all circumstances, a meeting may be called verbally without notice if all the Board members so agree.

If the notice of meeting so states, Board meetings may take place by conference call, videoconference or any other means of telecommunications technology, provided the system used is technically capable of enabling the directors to effectively take part in the meeting and of broadcasting the meeting's business on a continuous basis. Directors who participate in Board meetings by these means are considered as being physically present for the calculation of the quorum and voting majority.

The Board of Directors draws up a schedule for future Board meetings which is approved by the directors. Additional and/or special meetings are called if there are any issues that need to be specifically or urgently addressed.

### 3.3.4 INFORMATION PROVIDED TO DIRECTORS

Prior to every meeting, Board members receive a pack containing information about items on the agenda, in order to help them prepare for the meeting and make fully informed decisions.

Board meetings provide the directors with an opportunity to review and discuss the Company's operations, market trends and developments, the competitive environment and the Group's main strategic goals.

At the meetings held concerning the preparation of the annual and interim parent company and consolidated financial statements, the directors are informed of the Company's financial and cash positions and its off-balance sheet commitments.

The Chairman also regularly provides the Board's members with any significant information concerning the Company, and each director has a duty to request from the Chairman any information that they consider would be useful for performing their role. Any such requests must be made within a reasonable timeframe. Directors may also request any explanations from the Chairman that they deem useful for fulfilling their duties.

Board members are bound by a strict duty of confidentiality with respect to non-public information acquired in connection with their role as a director.

## 3.3.5 ATTENDANCE AND DILIGENCE

By taking on their directorship, directors undertake to devote the required time and attention to their duties. They must attend all meetings of the Board of Directors and of any Board Committees of which they are a member.

In 2018, the Board of Directors met eight times, with a 93% attendance rate.

| | Board of Directors | Nominations and Compensation Committee | Audit Committee |
|---|---|---|---|
| **Number of meetings in 2018** | **8** | **4** | **5** |
| **ATTENDANCE** | | | |
| Xavier Niel | 8/8 | | |
| Cyril Poidatz | 8/8 | | |
| Olivier Rosenfeld | 5/8 | | |
| Maxime Lombardini | 7/8 | | |
| Antoine Levavasseur | 8/8 | | |
| Pierre Pringuet | 7/8 | 4/4 | |
| Thomas Reynaud | 8/8 | | |
| Marie-Christine Levet | 8/8 | | 5/5 |
| Virginie Calmels | 8/8 | 3/4 | |
| Corinne Vigreux | 7/8 | 4/4 | |
| Bertille Burel | 7/8 | | 3/5 |
| Orla Noonan | 8/8 | | 5/5 |
| Ilan Dahan | 8/8 | N/A | N/A |

## 3.3.6 WORK CONDUCTED BY THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2018

In 2018 the Board of Directors:

- made decisions regarding all major strategic, economic and financial matters affecting the Company and the Group and ensured that these decisions were implemented;
- approved the annual and interim financial statements;
- prepared and called the Annual General Meeting;
- drew up the budget;
- assessed the independence of the Company's directors;
- allocated directors' fees;
- appointed the Chief Executive Officer, Senior Vice-Presidents and Chairman of the Board of Directors;
- authorized the acquisition of a majority interest in Jaguar Network, the launch of an employee stock ownership plan and new financing arrangements;
- authorized the grant of free shares to employees and executives of the Group;

At each of its meetings the Board also devoted an agenda item to discussing the Group's business performance.

The Board met eight times in 2018 with a 93% average attendance rate. Each meeting lasted two hours on average.

### Report on the Audit Committee's work in 2018

The Audit Committee met five times in 2018 with an average attendance rate of 87%.

The Committee meetings dedicated to examining the financial statements were held close to the dates on which they were reviewed by the Board of Directors.

All requisite accounting and financial documents – particularly relating to the close of the annual accounts – were provided to the Committee's members prior to the meetings concerned.

The Audit Committee has defined and put in place a procedure for approving and pre-approving services other than statutory audit work.

During the year, the Audit Committee heard presentations given by a Senior Vice-President, the Chief Financial Officer, the Chief Financial Controller and the Chief Accounting Officer.

The meetings were mainly devoted to reviewing the following:

- the interim and annual financial statements;
- the Group's financial and cash management policy;
- the relevance of the Group's accounting policies in view of the applicable financial reporting standards;
- the Group's provisioning and risk management strategy;
- the process for approving services provided by the Statutory Auditors other than statutory audit work.

At each half-yearly closing, the Statutory Auditors gave the Committee a presentation, highlighting the key findings of their audit engagement and explaining the accounting options selected. The Committee did not use the services of any external experts in 2018.

In 2018, no Audit Committee meetings were held without any members of the Executive Management team being present, as the Committee's members did not consider any of the issues addressed to be sensitive enough to warrant such a meeting. The Committee's members considered that the Statutory Auditors' answers to their questions raised in the meetings held during the year were satisfactory.

The Audit Committee reported to the Board of Directors on all of its work performed in 2018.

### Report on the Nominations and Compensation Committee's work in 2018

The Nominations and Compensation Committee met four times in 2018, with a 92% attendance rate.

During these meetings, the Committee studied a cash-payment option proposed to the shareholders of Free Mobile (including a number of Iliad's executive officers) and worked on (i) preparing the Annual General Meeting, including making recommendations on the re-election of certain directors and the aggregate annual amount of directors' fees, and preparing shareholders' say-on-pay votes (*ex-ante* and *ex-post* votes); (ii) analyzing the independent status of independent directors, and (iii) examining the set-up of a share grant plan for the Group's employees and officers.

The Committee also examined the succession plans for a number of the Group's executive officers when Thomas Reynaud was appointed as Chief Executive Officer and Maxime Lombardini as Chairman of the Board.

Lastly, the Committee held a meeting devoted to the project of setting up an employee stock ownership plan in France and Italy.

## 3.3.7 ASSESSMENT OF THE BOARD OF DIRECTORS' WORK

In accordance with best corporate governance practices and in order to comply with the AFEP-MEDEF Code, at its April 23, 2009 meeting, the Board of Directors set up a system for assessing its own performance, which was updated in 2014.

This process involves the Board of Directors assessing its ability to meet the needs of shareholders that have entrusted it with the Company's management by regularly reviewing its membership structure, organization, practices and procedures.

The Board's Internal Rules specify that the Board must discuss its operating procedures at least on a yearly basis, and that it must regularly (and at least once every three years) carry out a formal self-assessment of its work and operating procedures.

This formal self-assessment is based on a questionnaire approved by the Board and is carried out under the supervision of the Chairman of the Board, helped by the Board Secretary who is responsible for organizing the overall process. The content of the questionnaire has been revised in order to improve the assessment procedure. It is adapted to the specific characteristics of the Iliad Group and contains both closed and open questions so that the directors can nuance and explain their responses. Directors can also meet individually with the Chairman of the Board if they so wish, which enables the Chairman to obtain feedback and suggestions from each director and therefore provides a more detailed assessment. At the end of the process, during a Board meeting, the Chairman gives an overall report on the findings of the self-assessment, using only anonymous data.

The most recent three-yearly formal self-assessment was carried out in 2018.

## 3.3.8 APPLICATION OF THE "COMPLY OR EXPLAIN" RULE

The Board of Directors has stated that, for the preparation of this report, the Company referred to the AFEP-MEDEF Corporate Governance Code for listed companies in France, as amended in June 2018 and available on the AFEP and MEDEF websites. As required under the "Comply or Explain" rule provided for in Article L. 225-37-4, 8° of the French Commercial Code and referred to in Article 27.1 of the AFEP-MEDEF Code, the Company hereby states that it considers its corporate governance practices comply with the recommendations of said Code. However, the Company has elected not to apply certain recommendations, for the reasons presented below.

| Recommendations of the AFEP-MEDEF Code that have not been applied | Reasons |
|---|---|
| **Membership structure of the Compensation Committee**<br>Article 17.1 of the Code recommends that one of the members of the Compensation Committee should be a director representing employees. | In previous years, the Board of Directors did not wish to change the membership structure of Iliad's Nominations and Compensation Committee, which was entirely made up of independent directors.<br>However, at its meeting on March 18, 2019, it appointed Ilan Dahan as a member of the Compensation Committee. |

# 3.4 DIRECTORS' AND OFFICERS' COMPENSATION

## 3.4.1 COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

The rules for allocating the shareholder-approved aggregate amount of directors' fees among the individual directors are set by the Board based on recommendations put forward by the Nominations and Compensation Committee. In the tenth resolution of the May 16, 2018 Annual General Meeting, the shareholders set the aggregate amount of directors' fees for 2018 at €210,000.

The principles applied by the Board for determining the compensation of directors are described below.

Only the independent directors and non-salaried directors receive directors' fees.

The rules approved by the Board for allocating the fees among the directors provide for:

- a fixed portion of €21,000 based on the director's actual attendance at Board meetings (of which €1,500 could be deducted if a director fails to attend more than one meeting during the year);
- a variable portion of €9,000, based on the director's participation and involvement in the work of the Board's Committees.

The director representing employees does not receive any directors' fees, nor do the Chairman of the Board, the Chief Executive Officer or the Senior Vice-Presidents.

The following table shows the amounts of directors' fees paid in 2017 and 2018.

**DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY THE COMPANY'S NON-EXECUTIVE DIRECTORS (BASED ON TABLE 3 OF THE AMF TEMPLATE)**

| Non-executive directors | Amount paid in 2018 *(in €)* | Amount paid in 2017 *(in €)* |
|---|---|---|
| **Virginie Calmels** | | |
| *Directors' fees* | 30,000 | 27,000 |
| *Other compensation* | N/A | N/A |
| **Marie-Christine Levet** | | |
| *Directors' fees* | 30,000 | 30,000 |
| *Other compensation* | N/A | N/A |
| **Orla Noonan** | | |
| *Directors' fees* | 30,000 | 30,000 |
| *Other compensation* | N/A | N/A |
| **Pierre Pringuet** | | |
| *Directors' fees* | 30,000 | 30,000 |
| *Other compensation* | N/A | N/A |
| **Olivier Rosenfeld** | | |
| *Directors' fees* | 18,000 | 22,800 |
| *Other compensation* | N/A | N/A |
| **Corinne Vigreux** | | |
| *Directors' fees* | 30,000 | 30,000 |
| *Other compensation* | N/A | N/A |
| **Bertille Burel** | | |
| *Directors' fees* | 30,000 | 21,200 |
| *Other compensation* | N/A | N/A |

At its March 18, 2019 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 21, 2019 that they set the aggregate amount of directors' fees payable for 2019 at €230,000.

## 3.4.2 EXECUTIVE OFFICERS' COMPENSATION

### Principles

The Board of Directors is responsible for setting the compensation policy concerning the Company's executive officers, based on the recommendations of the Nominations and Compensation Committee. The main principles of this policy are based on the AFEP-MEDEF Code of corporate governance for listed companies in France (the "AFEP-MEDEF Code"). The Nominations and Compensation Committee regularly reviews the structure of the executive officers' compensation packages, ensures that there is an even balance between the various components of their compensation, verifies that the packages are competitive and suggests any changes it considers should be made.

The compensation packages of the Company's executive officers solely comprise (i) a fixed component, which is reviewed at relatively long intervals, and (ii) a share-based component aimed at giving the executive officers a stake in the capital of the Company and/or its subsidiaries in order to align their interests with those of the shareholders. The overall objective of the compensation policy is to regularly reward executive officers' medium- and long-term loyalty.

### Situation of the executive officers

Maxime Lombardini served as the Group's Chief Executive Officer from 2017 through May 21, 2018. His employment contract with the Company was terminated on April 4, 2011, and as from that date he was potentially entitled to the payment of a termination benefit (limited to 1.5 times the gross annual salary) in the event of a forced departure due to a change in the Company's control or strategy. The payment of this benefit was subject to performance conditions. When the Board nominated Maxime Lombardini for re-election as a director on March 12, 2018, he decided to waive his entitlement to this performance-linked termination benefit.

Maxime Lombardini was appointed Chairman of the Board of Directors as from May 21, 2018 and the Board decided to keep his fixed compensation at €384,000.

Thomas Reynaud has been Iliad's Chief Executive Officer since May 21, 2018. Following his appointment, the Board also decided to keep his annual compensation at €384,000.

### Compensation paid or awarded for 2018

Under the French "Sapin II" Act dated December 9, 2016 on transparency, anti-corruption measures and modernization of business practices, at each Annual General Meeting the shareholders must be given a say-on-pay vote on the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to executive officers for the previous year. This is a binding vote (unlike the non-binding vote previously provided for in the AFEP-MEDEF Code). The components of the compensation and benefits paid or awarded for 2018 to Iliad's executive officers were approved by the Board of Directors, based on the recommendation of the Compensation Committee, in accordance with the compensation policy approved by the Company's shareholders at the May 16, 2018 Annual General Meeting (18th to 20th resolutions).

**Components of compensation and benefits paid or awarded for 2018 to Maxime Lombardini in his capacity as Chairman of the Board of Directors since May 21, 2018, submitted for shareholder approval (6th resolution)**

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €384,000 on an annual basis, i.e. €234,323 from May 21 through Dec. 31, 2018 | Fixed compensation set by the Board of Directors on May 14, 2018 based on the recommendation of the Compensation Committee. Amount unchanged since 2009. |
| Annual variable compensation | N/A | Maxime Lombardini does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Maxime Lombardini does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Maxime Lombardini does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Performance shares: €1,804,752 (accounting value of the instruments granted for 2018) | Decision taken by the Board of Directors on December 10, 2018 using the shareholder authorization given at the Annual General Meeting of May 16, 2018 (22nd resolution).<br><br>21,000 shares<br><br>Applicable tranches, vesting dates and performance conditions: described in Section 3.4.4. |
| Directors' fees | N/A | As is the case for all executive directors, Maxime Lombardini does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Maxime Lombardini does not receive any benefits-in-kind. |
| Termination benefit | N/A | Maxime Lombardini is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Maxime Lombardini is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Maxime Lombardini is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Maxime Lombardini in his capacity as Chief Executive Officer until May 21, 2018, submitted for shareholder approval (7th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €384,000 on an annual basis, i.e., €149,677 from Jan. 1 through May 21, 2018 | Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Maxime Lombardini does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Maxime Lombardini does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Maxime Lombardini does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | N/A | Maxime Lombardini did not receive any free share grants. |
| Directors' fees | N/A | As is the case for all executive directors, Maxime Lombardini does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Maxime Lombardini does not receive any benefits-in-kind. |
| Termination benefit | N/A | On March 12, 2018, Maxime Lombardini waived his entitlement to the termination benefit for which he was previously eligible. This benefit was subject to performance conditions and was capped at 1.5 times his gross annual compensation. |
| Non-compete indemnity | N/A | Maxime Lombardini is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Maxime Lombardini is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Thomas Reynaud in his capacity as Chief Executive Officer since May 21, 2018, submitted for shareholder approval (8th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €384,000 on an annual basis, i.e., €234,323 from May 21, 2018 through Dec. 31, 2018 | Fixed compensation set by the Board of Directors on May 14, 2018 based on the recommendation of the Compensation Committee. Amount unchanged since 2009. |
| Annual variable compensation | N/A | Thomas Reynaud does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Thomas Reynaud does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Thomas Reynaud does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Performance shares: €1,804,752 (accounting value of the instruments granted for 2018) | Decision taken by the Board of Directors on December 10, 2018 using the shareholder authorization given at the Annual General Meeting of May 16, 2018 (22nd resolution).<br><br>21,000 shares<br><br>Applicable tranches, vesting dates and performance conditions: described in Section 3.4.4. |
| Directors' fees | N/A | Thomas Reynaud does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Thomas Reynaud does not receive any benefits-in-kind. |
| Termination benefit | N/A | Thomas Reynaud is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Thomas Reynaud is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Thomas Reynaud is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Thomas Reynaud in his capacity as Senior Vice-President until May 21, 2018, submitted for shareholder approval (9th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €384,000 on an annual basis, i.e., €149,677 from Jan. 1 through May 21, 2018 | Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Thomas Reynaud does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Thomas Reynaud does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Thomas Reynaud does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | N/A | Thomas Reynaud did not receive any free share grants. |
| Directors' fees | N/A | Thomas Reynaud does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Thomas Reynaud does not receive any benefits-in-kind. |
| Termination benefit | N/A | Thomas Reynaud is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Thomas Reynaud is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Thomas Reynaud is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Cyril Poidatz, Chairman of the Board of Directors until May 21, 2018, submitted for shareholder approval (10th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €180,000 on an annual basis, i.e., €70,161 from Jan. 1 through May 21, 2018 | Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Cyril Poidatz does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Cyril Poidatz does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Cyril Poidatz does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | N/A | Cyril Poidatz did not receive any stock options or performance shares. |
| Directors' fees | N/A | As is the case for all executive directors, Cyril Poidatz does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Cyril Poidatz does not receive any benefits-in-kind. |
| Termination benefit | N/A | Cyril Poidatz is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Cyril Poidatz is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Cyril Poidatz is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Xavier Niel (Senior Vice-President), submitted for shareholder approval (11th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €189,000 | Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Xavier Niel does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Xavier Niel does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Xavier Niel does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | N/A | Xavier Niel did not receive any stock options or performance shares. |
| Directors' fees | N/A | Xavier Niel does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Xavier Niel does not receive any benefits-in-kind. |
| Termination benefit | N/A | Xavier Niel is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Xavier Niel is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Xavier Niel is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Rani Assaf (Senior Vice-President), submitted for shareholder approval (12th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €189,000 | Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Rani Assaf does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Rani Assaf does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Rani Assaf does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Performance shares: €1,804,752 (accounting value of the instruments granted for 2017) | Decision taken by the Board of Directors on December 10, 2018 using the shareholder authorization given at the Annual General Meeting of May 16, 2018 (22nd resolution).<br><br>21,000 shares<br><br>Applicable tranches, vesting dates and performance conditions: described in Section 3.4.4. |
| Directors' fees | N/A | Rani Assaf does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Rani Assaf does not receive any benefits-in-kind. |
| Termination benefit | N/A | Rani Assaf is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Rani Assaf is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Rani Assaf is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Alexis Bidinot (Senior Vice-President), submitted for shareholder approval (13th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €200,400 | Fixed compensation set by the Board of Directors on December 4, 2017 based on the recommendation of the Compensation Committee |
| Annual variable compensation | N/A | Alexis Bidinot does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Alexis Bidinot does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Alexis Bidinot does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Performance shares: €1,804,752 (accounting value of the instruments granted for 2018) | Decision taken by the Board of Directors on December 10, 2018 using the shareholder authorization given at the Annual General Meeting of May 16, 2018 (22nd resolution).<br><br>21,000 shares<br><br>Applicable tranches, vesting dates and performance conditions: described in Section 3.4.4. |
| Directors' fees | N/A | Alexis Bidinot does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Alexis Bidinot does not receive any benefits-in-kind. |
| Termination benefit | N/A | Alexis Bidinot is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Alexis Bidinot is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Alexis Bidinot is not a member of an Iliad supplementary pension plan. |

### Components of compensation and benefits paid or awarded for 2018 to Antoine Levavasseur (Senior Vice-President), submitted for shareholder approval (14th resolution)

| Components of compensation and benefits paid or awarded for 2018 | Amounts (or accounting value) submitted to the shareholder vote | Presentation |
|---|---|---|
| Fixed compensation | €189,000 | Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee. |
| Annual variable compensation | N/A | Antoine Levavasseur does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | Antoine Levavasseur does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | Antoine Levavasseur does not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Performance shares: €1,804,752 (accounting value of the instruments granted for 2018) | Decision taken by the Board of Directors on December 10, 2018 using the shareholder authorization given at the Annual General Meeting of May 16, 2018 (22nd resolution).<br><br>21,000 shares<br><br>Applicable tranches, vesting dates and performance conditions: described in Section 3.4.4. |
| Directors' fees | N/A | Antoine Levavasseur does not receive any directors' fees. |
| Value of benefits-in-kind | N/A | Antoine Levavasseur does not receive any benefits-in-kind. |
| Termination benefit | N/A | Antoine Levavasseur is not eligible for a termination benefit. |
| Non-compete indemnity | N/A | Antoine Levavasseur is not eligible for a non-compete indemnity. |
| Supplementary pension benefits | N/A | Antoine Levavasseur is not a member of an Iliad supplementary pension plan. |

## 3.4.3 COMPENSATION POLICY FOR EXECUTIVE OFFICERS

In accordance with Article L. 225 37-2 of the French Commercial Code as introduced by the French "Sapin II" Act of December 9, 2016, the Board of Directors hereby reports on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors, the Chief Executive Officer and the Senior Vice-Presidents for 2019, which constitute the compensation policy applicable to these executive officers.

In the fifteenth to seventeenth resolutions of the Annual General Meeting to be held on May 21, 2019, the shareholders will be asked to approve the components of the compensation policy for executive officers as set out below.

These principles and criteria have been set by the Board of Directors based on the recommendations of the Nominations and Compensation Committee and are the same for both director and non-director executive officers.

### General principles

The main principles used by the Board to set the compensation policy for the Company's executive officers are based on the AFEP-MEDEF Code, which the Company uses as its corporate governance framework. These principles are as follows:

- the Board of Directors ensures that the compensation policy for executive officers is straightforward, clear and consistent with the Company's corporate values and entrepreneurial culture;
- the Board's objective is to provide the Company's executive officers with competitive compensation packages that comply with the recommendations in the AFEP-MEDEF Code and are aligned with the responsibilities of the officer concerned;
- a significant portion of executive officers' compensation is performance-related, with their performance measured through long-term incentive plans whose conditions are based on sustainable value creation for all of the Company's stakeholders.

The Nominations and Compensation Committee reviews the structure of the executive officers' compensation packages and ensures that there is an even balance between the various components of their compensation, verifies that the packages are competitive and suggests any changes it considers should be made.

If a new executive officer is appointed in 2019, the components and structure of the compensation package described in this compensation policy would also apply to that officer. The Board of Directors would set the new executive officer's compensation package based on the recommendation of the Nominations and Compensation Committee, in accordance with this policy and in line with the packages of the Group's other executive officers.

In addition to the compensation described below, if the new executive officer comes from outside the Group, the Board may decide to pay him or her a bonus to compensate for some or all of the benefits they may have relinquished on leaving their previous employer.

### Fixed compensation

The annual compensation paid to executive officers solely comprises fixed compensation. The Board has decided that the executive officers' fixed compensation may only be increased at relatively long intervals, as recommended in the AFEP-MEDEF Code, unless there is a significant change in the officer's scope of responsibilities.

### Variable and exceptional compensation

The Company's executive officers have never received any annual variable compensation or any exceptional compensation.

To date, the Board has decided not to put in place any variable or exceptional compensation for the Chairman of the Board of Directors, the Chief Executive Officer or the Senior Vice-Presidents. This is because the Board believes that long-term incentive plans are more incentivizing for executive officers to attain performance targets and are more suited to the Group's corporate strategy.

If the Board were to decide to introduce a variable or exceptional component of executive officers' compensation, its payment would be contingent on shareholder approval in an *ex-post* say-on-pay vote at the Annual General Meeting.

### Multi-year compensation

The Board has decided not to put in place any multi-year cash-settled compensation system as it feels that a share-based incentive system is more closely aligned with shareholders' interests.

However, a multi-year cash-based compensation system could be envisaged if regulatory changes or any other circumstances make it difficult or impossible to use a share-based system. In such a case, the principles and criteria used for determining, allocating and awarding the cash-settled multi-year compensation would be very similar to those applicable to the current share-based incentive system, but adapted where relevant.

### Long-term incentive plan

Throughout its history Iliad has built up a share ownership culture that has played an essential role in the Company's development and growth. Long-term compensation plans are therefore a fundamental component of the compensation packages of the Iliad Group's executive officers. The Board considers that share-based incentive plans – which it sets up for executive officers and other key personnel – are particularly suited to executive officers due to the level of responsibility that comes with their position.

Consequently, the weighting of long-term incentive plans within each executive officer's compensation package is significant, and increases in line with an officer's level of responsibility. Performance shares make up a predominant proportion of executive officers' total compensation (fixed + performance shares), as the Board believes this closely aligns the interests of executive officers with those of the Company's shareholders.

During 2019, based on the recommendation of the Nominations and Compensation Committee, the Board may decide to set up similar long-term incentive plans for the executive officers and Group employees involved in certain projects, in order to closely involve them in the Group's performance. These long-term incentive plans could take the form of grants of shares in the Company or any one of its subsidiaries, either in France or abroad.

In such a case, based on the recommendations of the Nominations and Compensation Committee, the Board would determine the applicable vesting conditions, which would comprise:

- a presence condition, requiring the beneficiary to still form part of the Group at the vesting date, in order to guarantee the beneficiary's long-term commitment to the Company (apart from certain exceptions provided for in the plan, notably if the beneficiary retires, dies or becomes disabled, or if there is a change in control of the Group within two years of the grant date);
- performance conditions (with the achievement of the conditions measured over a minimum of two years), combining financial and operating criteria aligned with the Group's strategic objectives;
- a lock-up period covering the entire duration of the beneficiary's term of office, during which he would be required to keep a certain quantity of his vested shares.

In accordance with the AFEP-MEDEF Code, the shares awarded to executive officers under share grant plans are subject to a cap set by shareholders at the Annual General Meeting. Consequently, any shares awarded to executive officers using the shareholder authorization given at the May 16, 2018 Annual General Meeting, may not represent more than 50% of the total number of shares that could be awarded under share grant plans (which corresponds to 1% of the Company's capital).

## Other benefits

No supplementary pension plans have been set up by Iliad for its executive officers.

The executive officers do not have any benefits-in-kind, such as the use of a company car.

The executive officers are members of the same personal protection and healthcare insurance plans as the Group's employees.

## 3.4.4 TABLE OF COMPENSATION AND BENEFITS (DISCLOSED IN ACCORDANCE WITH THE AFEP-MEDEF CODE)

### Summary of compensation paid and stock options and shares granted to each executive officer free of consideration (based on Table 1 of the AMF template)

| *(in €)* | 2018 | 2017 |
|---|---|---|
| **Maxime Lombardini** | | |
| Compensation due for the year | 384,000[1] | 384,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | 1,804,752 | 3,258,168 |
| **TOTAL** | **2,188,752** | **3,642,168** |
| **Thomas Reynaud** | | |
| Compensation due for the year | 384,000[2] | 384,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | 1,804,752 | 3,258,168 |
| **TOTAL** | **2,188,752** | **3,642,168** |
| **Rani Assaf** | | |
| Compensation due for the year | 189,000 | 189,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | 1,804,752 | 3,069,400 |
| **TOTAL** | **1,993,752** | **3,258,400** |
| **Alexis Bidinot** | | |
| Compensation due for the year | 200,400 | 31,800[3] |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | 1,804,752 | N/A |
| **TOTAL** | **2,005,152** | **31,800** |
| **Antoine Levavasseur** | | |
| Compensation due for the year | 189,000 | 189,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | 1,804,752 | 3,069,400 |
| **TOTAL** | **1,993,752** | **3,258,400** |
| **Xavier Niel** | | |
| Compensation due for the year | 189,000 | 189,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | N/A | N/A |
| **TOTAL** | **189,000** | **189,000** |
| **Cyril Poidatz** | | |
| Compensation due for the year | 70,161[4] | 180,000 |
| Value of multi-year variable compensation awarded during the year | N/A | N/A |
| Value of stock options granted during the year | N/A | N/A |
| Value of shares granted free of consideration | N/A | 3,069,400 |
| **TOTAL** | **70,161** | **3,249,400** |

*(1) Total compensation received in 2018 (in his capacity as (i) Chairman of the Board of Directors since May 21, 2018 and (ii) Chief Executive Officer until May 21, 2018).*
*(2) Total compensation received in 2018 (in his capacity as (i) Chief Executive Officer since May 21, 2018 and (ii) Senior Vice-President until May 21, 2018).*
*(3) Compensation received in 2017 from the time of Alexis Bidinot's appointment by the Board of Directors (December 4, 2017).*
*(4) Compensation received in 2018 up until May 21, 2018, the date on which Cyril Poidatz resigned as Chairman of the Board of Directors.*

## Breakdown of the compensation of each executive officer (based on Table 2 of the AMF template)

| **Maxime Lombardini**<br>Chairman of the Board of Directors<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation* | 384,000 | 384,000 | 384,000 | 384,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **384,000** | **384,000** | **384,000** | **384,000** |

* *The 2018 figure corresponds to his total compensation received in 2018 in his capacity as (i) Chairman of the Board of Directors since May 21, 2018 and (ii) Chief Executive Officer until May 21, 2018).*

| **Thomas Reynaud**<br>Chief Executive Officer<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation* | 384,000 | 384,000 | 384,000 | 384,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **384,000** | **384,000** | **384,000** | **384,000** |

* *The 2018 figure corresponds to his total compensation received in 2018 in his capacity as (i) Chief Executive Officer since May 21, 2018 and (ii) Senior Vice-President until May 21, 2018.*

| **Rani Assaf**<br>Senior Vice-President<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation | 189,000 | 189,000 | 189,000 | 189,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **189,000** | **189,000** | **189,000** | **189,000** |

| **Alexis Bidinot**<br>Senior Vice-President<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation* | 200,400 | 200,400 | 31,800 | 31,800 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **200,400** | **200,400** | **31,800** | **31,800** |

* *Compensation received in 2017 from the time of Alexis Bidinot's appointment by the Board of Directors (December 4, 2017).*

| **Antoine Levavasseur**<br>Senior Vice-President<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation | 189,000 | 189,000 | 189,000 | 189,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **189,000** | **189,000** | **189,000** | **189,000** |

| **Xavier Niel**<br>Senior Vice-President<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation | 189,000 | 189,000 | 189,000 | 189,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **189,000** | **189,000** | **189,000** | **189,000** |

| **Cyril Poidatz**<br>Chairman of the Board of Directors<br>*(in €)* | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation* | 70,161 | 70,161 | 180,000 | 180,000 |
| Annual variable compensation | - | - | - | - |
| Multi-year variable compensation | - | - | - | - |
| Exceptional compensation | - | - | - | - |
| Directors' fees | - | - | - | - |
| Benefits-in-kind | - | - | - | - |
| **TOTAL** | **70,161** | **70,161** | **180,000** | **180,000** |

* *Compensation received up until May 21, 2018.*

## Stock option grants

For many years the Company regularly granted stock options. The plans set up helped to foster the loyalty of its executive officers as well as hundreds of the Group's employees, while encouraging their long-term engagement.

### STOCK OPTIONS GRANTED TO EACH EXECUTIVE OFFICER BY THE COMPANY AND ANY OTHER GROUP COMPANY IN 2017 AND 2018 (BASED ON TABLE 4 OF THE AMF TEMPLATE)

| Executive officer | Grant date | Type of options | Value of options based on method used for the consolidated financial statements | Number of options granted during the year | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| Cyril Poidatz<br>Maxime Lombardini<br>Rani Assaf<br>Antoine Levavasseur<br>Xavier Niel<br>Thomas Reynaud | No stock options were granted to executive officers in either 2017 or 2018. | | | | | |

The Company has not been informed that any of the options received by executive officers have been hedged.

### STOCK OPTIONS EXERCISED BY EACH EXECUTIVE OFFICER IN 2018 (BASED ON TABLE 5 OF THE AMF TEMPLATE)

| Executive officer | Grant date | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| Cyril Poidatz | - | - | - |
| Maxime Lombardini | Nov. 5, 2008 | 3,196 | €53.79 |
| Rani Assaf | - | - | - |
| Antoine Levavasseur | - | - | - |
| Xavier Niel | - | - | - |
| Thomas Reynaud | - | - | - |

### STOCK OPTIONS EXERCISED BY EACH EXECUTIVE OFFICER IN 2017 (BASED ON TABLE 5 OF THE AMF TEMPLATE)

| Executive officer | Grant date | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| Cyril Poidatz | - | - | - |
| Maxime Lombardini | Nov. 5, 2008<br>June 14, 2007 | 1,610<br>125 | €53.79<br>€74.62 |
| Rani Assaf | - | - | - |
| Antoine Levavasseur | - | - | - |
| Xavier Niel | - | - | - |
| Thomas Reynaud | - | - | - |

In accordance with the provisions of Article L. 225-185 of the French Commercial Code concerning stock options granted to executive officers, the Board of Directors has set the number of shares that said beneficiaries are required to hold in registered form following exercise of their options, until they leave their position as an executive officer.

Information on stock options granted to and exercised by the 10 employees of the Group who hold the largest number of options (other than executive officers) is provided in the table below.

## STOCK OPTIONS GRANTED TO AND EXERCISED BY EMPLOYEES IN 2018 (BASED ON TABLE 9 OF THE AMF TEMPLATE)

| Stock options granted to and exercised by the 10 Group employees (other than executive officers) receiving the largest number of options | Total number of stock options granted/exercised | Weighted average exercise price | Nov. 5, 2008 plan | Aug. 30, 2010 plan | Nov. 11, 2011 plan |
|---|---|---|---|---|---|
| Stock options granted during the year to the 10 Group employees who received the largest number of stock options | N/A | N/A | N/A | N/A | N/A |
| Stock options exercised during the year by the 10 Group employees who exercised the largest number of options | 51,280 | €65.66 | 28,660 | 4,600 | 18,020 |

## STOCK OPTION GRANTS – SITUATION AT DECEMBER 31, 2018 (BASED ON TABLE 8 OF THE AMF TEMPLATE)

| | Nov. 5, 2008 plan | Nov. 5, 2008 plan | Aug. 30, 2010 plan | Nov. 11, 2011 plan |
|---|---|---|---|---|
| Date of Shareholders' Meeting | May 29, 2008 | May 29, 2008 | May 29, 2008 | May 29, 2008 |
| Date of Board meeting | May 11, 2008 | May 11, 2008 | May 11, 2008 | May 11, 2008 |
| Total number of shares under option | 80,000 | 516,600 | 610,500* | 404,800 |
| Total number of beneficiaries | 1 | 120 | 160 | 117 |
| O/w executive officers | Maxime Lombardini | Thomas Reynaud (80,000) | N/A | N/A |
| Start date of exercise period | May 11, 2013 | May 11, 2013 | 1st tranche* August 29, 2014<br>2nd tranche* August 29, 2015 | June 11, 2016 |
| Expiration date | April 11, 2018 | April 11, 2018 | August 29, 2020 | June 11, 2021 |
| Exercise price *(in €)* | 53.79 | 53.79 | 67.67 | 84.03 |
| Number of options exercised | 80,000 | 463,600 | 366,552 | 185,527 |
| Total number of options canceled or forfeited | 0 | 53,000 | 131,820 | 26,400 |
| Outstanding options at year-end | 0 | 0 | 112,128 | 186,273 |
| Dilutive impact | 0.00% | 0.00% | 0.2% | 0.3% |

* *30% exercisable for the 1st tranche and 70% exercisable for the 2nd tranche.*

## Share grants

### *Performance shares*

#### *2018*

Using the shareholder authorization given at the May 16, 2018 Annual General Meeting, and acting on the recommendation of the Nominations and Compensation Committee, on December 10, 2018 the Board of Directors decided to grant 303,852 performance shares to 122 Group employees and officers.

These performance shares will vest in four successive tranches of up to 25% of the shares granted, following a vesting period of between three and six years, with no lock-up period.

The shares will only vest at each vesting date if the following performance conditions have been met at that date:

- September 30, 2021: the first 25% tranche of the shares will vest if the performance conditions for the first vesting period are met:
  - 50% of the shares will vest if EBITDA for France less CAPEX in France (excluding B2B operations) is higher than €1 billion for the year ended December 31, 2020,
  - 50% of the shares will vest if the EBITDA margin for France (excluding equipment sales(1)) is higher than 40% for the year ended December 31, 2020;

*(1) Notably includes the sale of boxes and mobile phones.*

- September 30, 2022: the second tranche of the shares will vest if the performance condition for the second vesting period is met, i.e. if the EBITDA margin for France (excluding equipment sales) for the year ended December 31, 2021 is higher than (or equal to) the EBITDA margin for France (excluding equipment sales) for the year ended December 31, 2020;
- September 30, 2023: the third tranche of the shares will vest if the following performance conditions for the third vesting period are met:
  - 50% of the shares will vest if the total number of fiber subscribers in France is higher than (or equal to) 3 million at September 1, 2023, and
  - 50% of the shares will vest if the total number of mobile subscribers in Italy is higher than (or equal to) 6 million at September 1, 2023;
- September 30, 2024: the fourth tranche of the shares will vest if the following performance conditions for the fourth vesting period are met:
  - 50% of the shares will vest if the total number of fiber subscribers in France is higher than (or equal to) 3.5 million at September 1, 2024, and
  - 50% of the shares will vest if the Group's revenues in Italy are higher than (or equal to) €500 million at June 30, 2024.

Beneficiaries of this performance share plan who are executive officers of the Company are required to hold in registered form at least 10% of the performance shares that vest at the end of each vesting period, until they leave their position as an executive officer.

In addition, the beneficiary must still be with the Group at each vesting date, unless he or she has retired, died or become disabled, or if there is a change in control of the Company within two years of the grant date.

### SHARES GRANTED FREE OF CONSIDERATION TO EACH DIRECTOR AND OFFICER IN 2018 (BASED ON TABLE 6 OF THE AMF TEMPLATE)

| Shares granted free of consideration by Iliad using a shareholder authorization | Plan number and date | Number of shares granted during the year | Valuation of shares based on the method used for the consolidated financial statements | Vesting date | Date shares become unrestricted | Performance conditions |
|---|---|---|---|---|---|---|
| Maxime Lombardini | Dec. 10, 2018 | 5,250 | 451,185 | Sept. 30, 2021 | Sept. 30, 2021 | See paragraph above |
| | | 5,250 | 451,185 | Sept. 30, 2022 | Sept. 30, 2022 | |
| | | 5,250 | 451,185 | Sept. 30, 2023 | Sept. 30, 2023 | |
| | | 5,250 | 451,185 | Sept. 30, 2024 | Sept. 30, 2024 | |
| Thomas Reynaud | Dec. 10, 2018 | 5,250 | 451,185 | Sept. 30, 2021 | Sept. 30, 2021 | See paragraph above |
| | | 5,250 | 451,185 | Sept. 30, 2022 | Sept. 30, 2022 | |
| | | 5,250 | 451,185 | Sept. 30, 2023 | Sept. 30, 2023 | |
| | | 5,250 | 451,185 | Sept. 30, 2024 | Sept. 30, 2024 | |
| Rani Assaf | Dec. 10, 2018 | 5,250 | 451,185 | Sept. 30, 2021 | Sept. 30, 2021 | See paragraph above |
| | | 5,250 | 451,185 | Sept. 30, 2022 | Sept. 30, 2022 | |
| | | 5,250 | 451,185 | Sept. 30, 2023 | Sept. 30, 2023 | |
| | | 5,250 | 451,185 | Sept. 30, 2024 | Sept. 30, 2024 | |
| Alexis Bidinot | Dec. 10, 2018 | 5,250 | 451,185 | Sept. 30, 2021 | Sept. 30, 2021 | See paragraph above |
| | | 5,250 | 451,185 | Sept. 30, 2022 | Sept. 30, 2022 | |
| | | 5,250 | 451,185 | Sept. 30, 2023 | Sept. 30, 2023 | |
| | | 5,250 | 451,185 | Sept. 30, 2024 | Sept. 30, 2024 | |
| Antoine Levavasseur | Dec. 10, 2018 | 5,250 | 451,185 | Sept. 30, 2021 | Sept. 30, 2021 | See paragraph above |
| | | 5,250 | 451,185 | Sept. 30, 2022 | Sept. 30, 2022 | |
| | | 5,250 | 451,185 | Sept. 30, 2023 | Sept. 30, 2023 | |
| | | 5,250 | 451,185 | Sept. 30, 2024 | Sept. 30, 2024 | |
| Xavier Niel | N/A | - | - | - | - | - |
| Cyril Poidatz | N/A | - | - | - | - | |
| Bertille Burel | N/A | - | - | - | - | - |
| Virginie Calmels | N/A | - | - | - | - | - |
| Marie-Christine Levet | N/A | - | - | - | - | - |
| Orla Noonan | N/A | - | - | - | - | - |
| Pierre Pringuet | N/A | - | - | - | - | - |
| Olivier Rosenfeld | N/A | - | - | - | - | - |
| Corinne Vigreux | N/A | - | - | - | - | - |

*2017*

Using the shareholder authorization given at the May 19, 2016 Annual General Meeting, and acting on the recommendations of the Nominations and Compensation Committee, on August 30, 2017 the Board of Directors decided to grant 293,360 performance shares to 61 Group employees and officers.

All of these performance shares will vest in four successive tranches following a vesting period of between three and six years, with no lock-up period.

The tranches, vesting dates and vesting conditions are as follows:

- 40% of the shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 (excluding sales of the V7 Freebox) is higher than the EBITDA margin in France for 2017;
- 10% of the shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 (excluding sales of the V7 Freebox) is higher than 40%;
- 10% of the shares will vest on October 30, 2022 if the total number of fiber subscribers is higher than 1.7 million at October 1, 2022;
- 40% of the shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.

Beneficiaries of this performance share plan who are executive officers of the Company are required to hold in registered form at least 10% of the performance shares that vest at the end of each vesting period, until they leave their position as an executive officer.

In addition, the beneficiary must still be with the Group at the vesting date, unless he or she has retired, died or become disabled, or if there is a change in control of the Company within two years of the grant date.

## SHARES GRANTED FREE OF CONSIDERATION TO EACH DIRECTOR AND OFFICER IN 2017 (BASED ON TABLE 6 OF THE AMF TEMPLATE)

| Shares granted free of consideration by Iliad using a shareholder authorization | Plan number and date | Number of shares granted during the year | Valuation of shares based on the method used for the consolidated financial statements | Vesting date | Date shares become unrestricted | Performance conditions |
|---|---|---|---|---|---|---|
| Cyril Poidatz | Aug. 30, 2017 | 8,000<br>2,000<br>2,000<br>8,000 | 1,227,760<br>306,940<br>306,940<br>1,227,760 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | See paragraph above |
| Maxime Lombardini | Aug. 30, 2017 | 8,492<br>2,123<br>2,123<br>8,492 | 1,303,267<br>325,817<br>325,816<br>1,303,267 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | See paragraph above |
| Rani Assaf | Aug. 30, 2017 | 8,000<br>2,000<br>2,000<br>8,000 | 1,227,760<br>306,940<br>306,940<br>1,227,760 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | See paragraph above |
| Antoine Levavasseur | Aug. 30, 2017 | 8,000<br>2,000<br>2,000<br>8,000 | 1,227,760<br>306,940<br>306,940<br>1,227,760 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | See paragraph above |
| Xavier Niel | N/A | - | - | - | - | - |
| Thomas Reynaud | Aug. 30, 2017 | 8,492<br>2,123<br>2,123<br>8,492 | 1,303,267<br>325,817<br>325,816<br>1,303,267 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | See paragraph above |
| Bertille Burel | N/A | - | - | - | - | - |
| Virginie Calmels | N/A | - | - | - | - | - |
| Marie-Christine Levet | N/A | - | - | - | - | - |
| Orla Noonan | N/A | - | - | - | - | - |
| Pierre Pringuet | N/A | - | - | - | - | - |
| Olivier Rosenfeld | N/A | - | - | - | - | - |
| Corinne Vigreux | N/A | - | - | - | - | - |

## SHARES GRANTED FREE OF CONSIDERATION TO DIRECTORS AND OFFICERS THAT BECAME UNRESTRICTED IN 2018 AND 2017 (BASED ON TABLE 7 OF THE AMF TEMPLATE)

| Director/officer | Plan number and date | Number of shares that became unrestricted during the year | Vesting conditions |
|---|---|---|---|
| Cyril Poidatz | | | |
| Maxime Lombardini | | | |
| Rani Assaf | | | |
| Antoine Levavasseur | | | |
| Xavier Niel | | | |
| Thomas Reynaud | | | |
| Virginie Calmels | | None | |
| Marie-Christine Levet | | | |
| Orla Noonan | | | |
| Pierre Pringuet | | | |
| Olivier Rosenfeld | | | |
| Alain Weill | | | |
| Corinne Vigreux | | | |

## ILIAD SHARE GRANTS - SITUATION AT DECEMBER 31, 2018 (BASED ON TABLE 10 OF THE AMF TEMPLATE)

| | | Information on free share grants | |
|---|---|---|---|
| | | Plan no. 1 | Plan no. 2 |
| Date of Shareholders' Meeting | | May 19, 2016 | May 16, 2018 |
| Date of Board of Directors' meeting | | Aug. 30, 2017 | Dec. 10, 2018 |
| Total number of shares granted free of consideration | | 293,360 | 303,852 |
| *O/w to executive officers* | | *102,460* | *105,000* |
| *Maxime Lombardini* | | *21,230* | *21,000* |
| *Thomas Reynaud* | | *21,230* | *21,000* |
| *Rani Assaf* | | *20,000* | *21,000* |
| *Alexis Bidinot* | | *N/A* | *21,000* |
| *Antoine Levavasseur* | | *20,000* | *21,000* |
| *Xavier Niel* | | *0* | *0* |
| *Cyril Poidatz* | | 20,000 | N/A |
| Vesting date of shares | Tranche 1:<br>Tranche 2:<br>Tranche 3:<br>Tranche 4: | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Sept. 30, 2021<br>Sept. 30, 2022<br>Sept. 30, 2023<br>Sept. 30, 2024 |
| End of lock-up period | Tranche 1:<br>Tranche 2:<br>Tranche 3:<br>Tranche 4: | Oct. 30, 2020<br>Oct. 30, 2021<br>Oct. 30, 2022<br>Oct. 30, 2023 | Sept. 30, 2021<br>Sept. 30, 2022<br>Sept. 30, 2023<br>Sept. 30, 2024 |
| Total number of shares vested at December 31, 2018 | | 0 | 0 |
| Total number of shares canceled or forfeited | | 0 | 0 |
| Unvested shares at December 31, 2018 | | 0 | 0 |

### *Free Mobile shares granted free of consideration*

In 2010, Iliad's Board of Directors decided to implement an incentive plan for employees and executive officers of Free Mobile, so as to closely involve them in the successful launch of the Mobile business in France. Accordingly, three successive share grant plans were set up, in May 2010, December 2010 and November 2011 for 23 employees and officers of Free Mobile. The share grant plans put in place involved 5% of Free Mobile's share capital, of which 2.9% for the executive officers.

The shares vested after a period of two years, following which a two-year lock-up period applied.

As part of the incentive plan, at its meetings on May 3, 2010 and March 6, 2014, Iliad's Board of Directors authorized the signature of the following agreements between the Company and the executive officers:

- a shareholders' agreement setting out the rights and obligations of the Company and the executive officers concerned in terms of sales of Free Mobile shares. Under this agreement, the shares have to be held for a minimum of five years after the initial two-year lock-up period, bringing the overall compulsory holding period to a total of nine years, except if Iliad offers an early cash-settlement option. The agreement also provides for crossed put and call options between Iliad and the executive officers concerned covering all of the Free Mobile shares held by the executive officers, with the put option exercisable by the executive officers between July 1, 2019 and December 31, 2019 and the call option exercisable by Iliad from July 1, 2019 until the expiration of the agreement. If either of these options is exercised, the price will be set by an independent valuer and could be paid in Iliad shares, subject to approval by Iliad's shareholders either as part of a share buyback program (eighteenth resolution of the Annual General Meeting of May 21, 2019), or as part of a contribution of Free Mobile shares by executive officers to Iliad (twenty-fifth resolution of the Annual General Meeting of May 21, 2019);
- an undertaking by the executive officers concerned to sell their Free Mobile shares to Iliad if they leave the Group, at a price set by an independent valuer, with or without a discount depending on the circumstances of the executive officer's departure;
- an undertaking by Iliad to purchase the Free Mobile shares held by the executive officers if they leave the Group, at a price set by an independent valuer based on the circumstances of the executive officer's departure.

Acting on the recommendation of the Compensation Committee, between 2015 and 2018 Iliad's Board of Directors authorized four early cash-settlement offers under this incentive plan. The cash-settlement offer made in 2018 covered up to 30% of the shares held by the beneficiaries at the end of the lock-up period.

Maxime Lombardini, Thomas Reynaud, Cyril Poidatz, Rani Assaf and Antoine Levavasseur accepted this offer based on an independent valuation of €17.78 per share. These officers' respective ownership interests in Free Mobile at December 31, 2018 are shown in the table below.

The executive officer beneficiaries of the Free Mobile share grant are required to hold in registered form at least 5% of their vested shares until they leave their position as an executive officer.

| Shares that became unrestricted for Iliad executive officers and which were granted free of consideration in their capacity as executive officers of Free Mobile | Plan number and date | Number of shares held by the executive officer at December 31, 2018* | Vesting conditions |
|---|---|---|---|
| Cyril Poidatz | May 12, 2010 | 1,277,986 | N/A |
| Maxime Lombardini | May 12, 2010 | 958,490 | N/A |
| Rani Assaf | May 12, 2010 | 1,277,994 | N/A |
| Antoine Levavasseur | May 12, 2010 | 912,849 | N/A |
| Xavier Niel | N/A | N/A | N/A |
| Thomas Reynaud | May 12, 2010 | 958,490 | N/A |
| **TOTAL** | | **5,385,809** | |

* *Shares vested on May 12, 2012 whose lock-up period ended on May 12, 2014. At December 31, 2018, 1.47% of Free Mobile's capital was held by Free Mobile's executive officers and 1.23% by its employees.*

### FREE MOBILE SHARE GRANTS – SITUATION AT DECEMBER 31, 2018 (BASED ON TABLE 10 OF THE AMF TEMPLATE)

| | Information on free share grants | | |
|---|---|---|---|
| | **Plan 1** | **Plan 2** | **Plan 3** |
| Date of Board of Directors' meeting | May 12, 2010 | Dec. 20, 2010 | Nov. 14, 2011 |
| Total number of shares granted free of consideration | 13,875,272 | 2,921,104 | 1,460,551 |
| *O/w to executive officers** | *10,589,024* | | |
| *Cyril Poidatz* | *1,825,694* | *0* | *0* |
| *Maxime Lombardini* | *2,555,971* | *0* | *0* |
| *Rani Assaf* | *1,825,694* | *0* | *0* |
| *Antoine Levavasseur* | *1,825,694* | *0* | *0* |
| *Xavier Niel* | *0* | *0* | *0* |
| *Thomas Reynaud* | 2,555,971 | 0 | 0 |
| Vesting date of shares | May 12, 2012 | Dec. 20, 2012 | Nov. 14, 2013 |
| End of lock-up period | May 12, 2014 | Dec. 20, 2014 | Nov. 14, 2015 |
| Total number of shares vested at December 31, 2018 | 7,744,115 | 1,276,413 | 854,075 |
| Total number of shares canceled or forfeited | 0 | 365,138 | 87,633 |
| Unvested shares at December 31, 2018 | 0 | 0 | 0 |

* *Shares granted to beneficiaries in their capacity as executive officers of Free Mobile.*

## Commitments given to executive officers

### EMPLOYMENT CONTRACTS HELD BY EXECUTIVE OFFICERS (BASED ON TABLE 11 OF THE AMF TEMPLATE)

| **Name and position** | **Employment contract** | | **Defined benefit pension plan** | | **Compensation or benefits due or potentially due for termination of or change in duties** | | **Non-compete indemnity** | |
|---|---|---|---|---|---|---|---|---|
| | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| **Maxime Lombardini**<br>*Chairman of the Board of Directors* | | X | | X | | X | | X |
| **Thomas Reynaud***<br>*Chief Executive Officer* | X | | | X | | X | | X |
| **Rani Assaf**<br>*Senior Vice-President* | X | | | X | | X | | X |
| **Alexis Bidinot**<br>*Senior Vice-President* | X | | | X | | X | | X |
| **Antoine Levavasseur**<br>*Senior Vice-President* | X | | | X | | X | | X |
| **Xavier Niel**<br>*Senior Vice-President* | X | | | X | | X | | X |

* *Employment contract suspended since May 21, 2018.*

Creating a high-performing strategy for the long term requires in-depth knowledge of the Group's market, competitive environment and technologies as well as its corporate culture. It is for this reason that Iliad has always favored developing its in-house talent. The Group believes that when an employee who has at least 10 years' seniority with the Company is promoted to executive officer, it is right to suspend his or her employment contract as recommended in the AFEP-MEDEF Code. This solution avoids an employee having to resign or Iliad having to initiate a lay-off process when the employee has had a successful career within the Group.

At December 31, 2018, within the Company there were no:

- specific pension plans in place for executive officers;
- leaving bonuses;
- commitments given to executive officers by the Company that provide for the payment of indemnities and/or benefits relating to or resulting from the termination of their duties within the Company;
- indemnities payable to executive officers under non-compete clauses.

# 4

# NON-FINANCIAL PERFORMANCE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# OUR CORPORATE SOCIAL RESPONSIBILITY POLICY

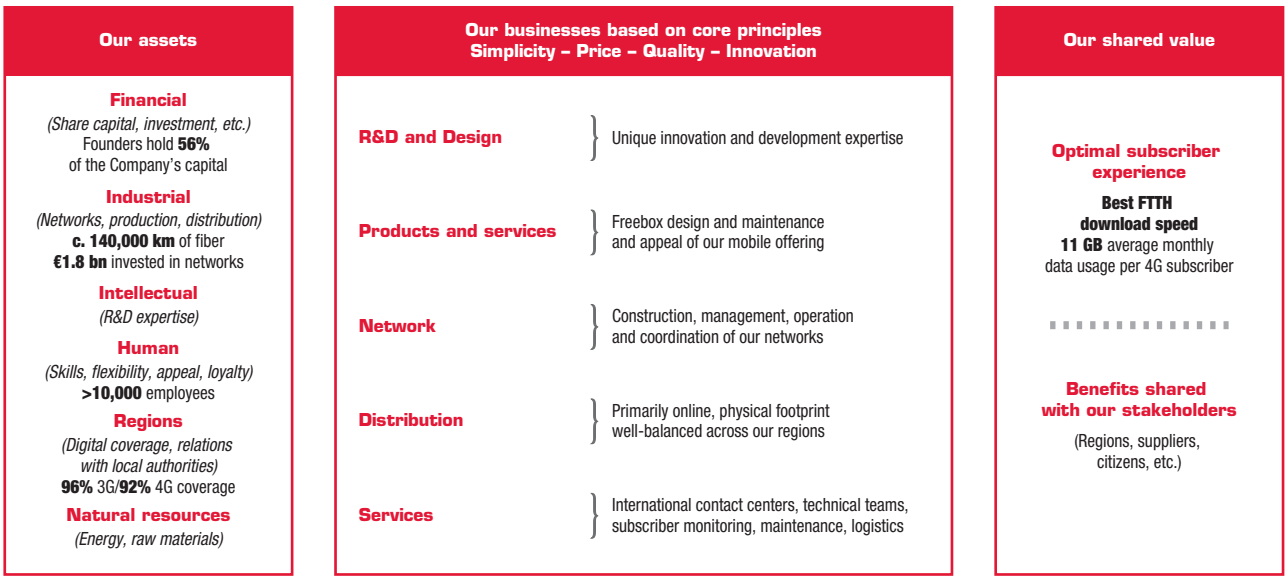
The Group's success goes hand in hand with a responsible CSR strategy that aims to ally financial performance with employee well-being, fair and equitable conduct, the interests of subscribers, the development of digital infrastructure and environmental protection. Our sustainable development approach is underpinned by a firm belief that we can and must meet consumer needs in a responsible way. We must be able to factor into our operations all of the conflicting concerns of today's society – while accommodating a fast-growing workforce (which has doubled in the past 8 years) – such as reducing costs, combating climate change, improving purchasing power and enhancing employee well-being. Iliad plays a key role in regional development, and, with its investment in its landline and mobile networks, helps bridge the digital divide and facilitate access to new technology for everyone. Digital technology is crucial to building social cohesion and inclusion. One of the Group's founding principles is to bring the best of landline and mobile connectivity to everyone in France, offering the best value for their money.

For Iliad, being a responsible company also means building solid, transparent and pro-active relations with its suppliers, subscribers and local authorities and incorporating sustainable development issues into its everyday practices. In sum, the corporate social responsibility strategy advocated by the Group and overseen by its Environment and Sustainable Development Committee means working together to apply a set of shared values.

This chapter is an integral part of the management report, in accordance with Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code on transparency requirements for companies. The Group takes a continuous improvement approach to disclosing its social, environmental, labor and human rights information based on a map of risks and opportunities specific to Iliad and internal reporting.

## OUR BUSINESS IS AT THE CRUX OF SOCIAL TRANSFORMATION AND CHANGE

The Iliad Group is a major player in the French and Italian telecommunications markets. Our presence throughout these regions and inside millions of homes makes our corporate social responsibility (CSR) inseparable from our business objectives.




To optimize the subscriber experience, Iliad uses its state-of-the-art networks, along with significant financial, human, environmental and technical resources, to support its landline and mobile services. With their vast expertise, Group employees bring their added value to each step in the process, as do all the stakeholders that we work with.

A lot of people are needed to make our businesses run. That is why we have decided to keep key skills within the Group. This makes us more flexible and helps us react faster (research and development, IT systems, invoicing, subscriber relations, etc.). Our production, logistics and recycling processes flow through circular channels to limit their environmental impact. Each step is optimized, from assembly to the end of the life cycle of our Freeboxes, and most of the components in our products are recycled to limit the amount of industrial waste we produce and give them a second life. Our various sources of financing are combined to support the long-term viability of our businesses. And we are lucky to have a single main shareholder, who, with the management team, owns more than half of the Company's share capital. The Group also has a sound balance sheet and financial structure to support the rollout of its networks in France and Italy.

The network is a key asset for the Group, which is positioned as a major player in the telecommunications industry. As an integrated landline and mobile operator, the Group continues to roll out its mobile infrastructure and invests massively in building an FTTH network. Building on 140,000 km of fiber backbone, nearly 15,000 mobile sites and almost 10 million FTTH-ready outlets, the Group also owns several datacenters in France. The Group's network has grown steadily over the past several years. Our strategy is to migrate towards a model of directly owned infrastructure by stepping up the rollout of new mobile sites and continuing to develop the FTTH network. This approach has been adapted to Italy, where the Group already has 2.8 million subscribers after seven months in business, and began work on 1,700 sites at end-2018.

The Group's services are delivered through underlying networks, including Free Mobile services, landline services under the Free brand, customized hosting and cloud capabilities through Online, and mobile services in Italy under the Iliad brand.

Our services are sold through various distribution channels. The Group has also developed its reputation through its innovative online distribution technique, thereby limiting the costly rollout of a large physical distribution network. To increase its coverage in the regions where it operates, automatic SIM card distribution terminals are available for subscribers at retail points in partner networks or at reseller sites, especially in Italy.

Iliad firmly believes that keeping certain key functions within the Group contributes to bringing our subscribers a unique experience. For example, the Group owns six contact centers and has its own FTTH and mobile rollout teams.

For the Group, being a responsible digital leader is a fundamental value disseminated in our business processes and aligned with the major social challenges that we face and will face in the years to come:

**a.** compliance with the fundamental values of human rights and labor rights for our employees and our partners;

**b.** active contribution of our businesses to the energy and climate transition;

**c.** support for the growth and development of digital solutions by encouraging business organizations, citizens and regions to adopt resources and practices in line with rules of ethics, overall social well-being and environmental protection.

In this way, our businesses work to create value directly and indirectly for all our stakeholders.

| For: | Creating value by: |
|---|---|
| Our Planet | Taking measures to save energy, reduce greenhouse gas emissions and conserve resources. |
| Our Human Resources | Implementing talent attractiveness, training, diversity, and health and safety programs, and programs to enhance quality of life in the workplace. |
| Our Partners | Advocating ethical behavior in line with regulations, business relations and human rights throughout the value chain. |
| Our Regions | Boosting the appeal of regions by creating jobs and upholding the commitment to contribute to the digital transition of regions. |
| Our Subscribers | Guaranteeing service quality, improving purchasing power and protecting personal data. |
| Vulnerable Populations | Honoring collective commitments, volunteering through our employees and supporting initiatives from the Free Foundation. |

## RISKS AND OPPORTUNITIES IN CSR PERFORMANCE

The Iliad Group's overall CSR system was launched in 2012 with the creation of an Environment and Sustainable Development Committee. Working in conjunction with the relevant departments, the Committee oversees the reporting process used for the Group's CSR indicators and is responsible for centralizing and analyzing these indicators. In addition, the Committee verifies that the Group's reporting procedures are properly applied, and organizes, in association with the Finance and HR departments, the external communication of data concerning the Company and the Group. By setting up this Committee the Group created a formal CSR framework for the numerous measures and initiatives that had already been implemented by its various subsidiaries over previous years.

The Committee met several times in 2018 and worked on bringing the Non-Financial Statement into compliance with the French Commercial Code, identifying and defining priority and significant objectives, and improving the definitions of the Group's CSR indicators by ensuring that the definitions used are harmonized across the Group. The Committee is also responsible for generating Group-level indicators and ensuring their accuracy and consistency through internal control measures.

### Process to identify risks and opportunities

In an initial stage, the Group identified the main significant risks within each scope (social, environmental and labor). By engaging with operations staff and/or using quantitative data analysis, each scope manager was able to categorize and prioritize a number of key risks and opportunities for the Group.

Each team manager was involved in identifying the main risks based on different criteria such as the frequency and severity of potential impacts, and the degree of control the Group has over the risk.

The risks identified were checked in the policies implemented in recent years and for the years to come to determine if it came under a priority or voluntary objective.

This analysis will be conducted again in the future to specify selection criteria and better qualify and quantify impacts wherever possible.

## Priority objectives and risks

These issues form the basis of the Group's global and non-financial performance. For each issue, an identifiable policy is implemented, along with action and improvement plans, which are verified by measuring progress towards their goals.

| Significant risk/opportunity | Definition of the risk and opportunity, and its significance |
|---|---|
| Health and safety | Workplace health and safety involves promoting and maintaining the highest degree of employees' physical, mental and social well-being, and preventing harm to health caused by working conditions.<br>Risks mainly include risks to employee health, reputational risk, attractiveness risk and direct and indirect labor costs.<br>The risk map is prepared as part of the occupational risk assessment forms required under French labor law. The main risks affect our businesses differently. Technicians and staff working on network rollout are the most exposed to these risks, which involve:<br>• driving a vehicle;<br>• falls and electrical incidents;<br>• working at height;<br>• musculoskeletal and vision disorders.<br>Our action in health and safety is not restricted to protecting our employees. Our risk management approach extends to:<br>• subscribers and partners during our technical interventions;<br>• local citizens affected by our road transport. |
| Working conditions | Iliad understands that some absences are inevitable, but also believes that others are related to work organization, stress and motivation, and can in part be avoided.<br>Absenteeism is therefore a performance indicator for the policy on quality of life in the workplace.<br>Absenteeism reflects two key HR objectives:<br>• preventing and supporting employees in case of illness;<br>• enhancing quality of life in the workplace.<br>Our duty, and our responsibility for healthy business management, is to implement systems that can better identify the causes of absenteeism, and take appropriate steps to prevent and better manage absences.<br>The Group's risks are mainly:<br>• direct and indirect financial costs;<br>• impact on employee motivation and quality of life in the workplace, which are factors affecting performance. |
| Training | A key social and economic component in our business model, training is:<br>• an important means for staying competitive and supporting transformation to effectively navigate economic change;<br>• an opportunity for our employees to develop and adapt their skills;<br>• a powerful, relevant tool for the Group to transform its practices and guarantee continued adherence to Iliad's policies (the health and safety training program being a case in point).<br>The direct risks associated with managing our training program in the years to come involve the cost and efficiency of training, compliance with regulations in training plans, aligning skills with needs, and maintaining career development opportunities for our employees. |
| Talent attractiveness | Recruitment is a key issue for several reasons:<br>• hiring the right people and investing in high-potential employees guarantees the Group's long-term success;<br>• the Group's social initiatives to provide employment opportunities for young people by working with local employment organizations to enhance diversity.<br>The direct risks relating to recruitment issues generally include:<br>• a decrease in talent attractiveness, which could lead to medium-term risks of lack of expertise and guaranteed service quality;<br>• reputational risk in dealing with job seekers, professional partners and organizations;<br>• managing discrimination risks in hiring. |

| Significant risk/opportunity | Definition of the risk and opportunity, and its significance |
|---|---|
| Impact of the supply chain | Optimized resource management is essential at many levels, in particular in producing and shipping Freeboxes to subscribers. We must manage potential risks, which can occur:<br>• upstream in the supply chain involving raw materials, which can lead to higher direct purchasing and transport costs, and higher indirect costs relating to supply times;<br>• at our production facilities, mainly regarding the need to adjust our management and waste recycling processes.<br>The Group also runs the risk of efficiency losses and higher costs. This risk could directly impact subscriber satisfaction, which is a crucial issue for the Group. |
| Energy contribution | As a builder and operator of datacenters and landline and mobile networks, the Group is directly exposed to environmental risks due to its two forms of energy consumption:<br>• consumption resulting from the use of its automobile fleet;<br>• electricity consumption to operate Group networks.<br>The main risks that could arise due to an uncontrolled change in energy consumption are:<br>• a rise in direct costs associated with energy consumption;<br>• harm to the Group's brand image and appeal in the eyes of consumers regarding an important issue in public debate, and as a result an indirect risk affecting the Group's subscriber base. |
| Non-compliance with regulations | This risk involves the lack of measures taken to ensure the Group's proper compliance with standards applicable to its business activities and operating regions. Our top responsibility is to comply with rules and duties to protect our business from risks identified by civil society in countries where we provide our services. |
| Business ethics, corruption and tax evasion | The main risks include legal sanctions resulting in legal and financial consequences for one or more of our entities, and an adverse impact on our reputation potentially affecting our appeal for investors, partners or subscribers. |
| Respect for human rights | Although minor, these risks include sanctions applied for human rights violations, especially relating to discrimination. |
| Protection for personal data and rights | The direct and immediate risks involve non-compliance with the European General Data Protection Regulation (GDPR), which would result in heavy, dissuasive sanctions. Indirect risks, which are an integral part of our business, are our choice of partners and subscribers, negatively affecting relations in the event of a violation. |
| Responsibility with our suppliers | Our commitments, especially regarding ethics and human rights, require compliance with our internal preventive and corrective procedures as well as those of our main partners in the value chain. Any non-compliance with these commitments on the part of our partners could have negative legal, financial, social and environmental ramifications for the Group. |

## Voluntary objectives

In addition to the Group's priority and significant objectives for which it implements operational policies, our businesses also take voluntary action, whether independent or coordinated, to support major social responsibility issues. This commitment reflects our strong corporate culture, articulated in our key values.

This statement describes and provides qualitative and/or quantitative information on the initiatives taken by our entities in the following areas:

- individual and collective employee relations;
- diversity, non-discrimination and the fair treatment of vulnerable groups, including gender equality and the employment and integration of people with disabilities;
- creation of shared value with our stakeholders: communities, regions, subscribers and citizens;
- community action through the Free Foundation.

Certain issues, such as food waste, food insecurity, fair, responsible and sustainable food production, and animal welfare are not relevant to the Group's business activities and structure, and are therefore not expanded upon in this statement.

# 4.1 HUMAN RESOURCES DATA

Ever since the Group's formation, our human resources policy has been underpinned by two priorities – recruiting talent and developing skills. Our management team has built up a profitable Group, creating new jobs in France, Italy and Morocco to partner our growth, while at the same time focusing on developing employees' skill sets. It is by adopting this approach that we have been able to rapidly grow our headcount while retaining the "start-up" approach that shaped our beginnings.

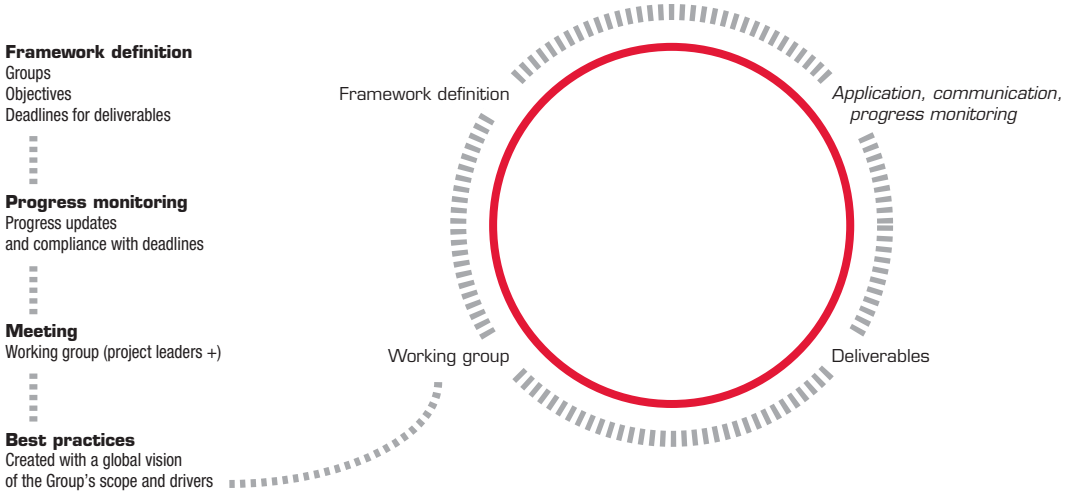
The Human Resources Departments, working in conjunction with the Management Committee, are responsible for overseeing the Group's HR policy and implementing the priorities that have been set. The Management Committee's members are the key managers of the Company and its subsidiaries.

Given the sharp growth in the workforce over the past five years, the Group has had to coordinate its expertise and organize it into business lines.

In 2018, Senior Management appointed a Group human resources director to supervise all the business Human Resources Departments. This was done to harmonize Group practices, improve Group-wide cooperation and ensure more consistent development of the Group's human resources policies to better attract, develop and retain talent.

An HR Management Committee was formed and meets every month to steer this Group-wide HR policy. Twenty-four HR projects were identified and initiated by the Group Human Resources Department, working closely with each HR team, to determine best practices and collaboratively structure internal processes that cover recruitment, integration, internal mobility, key labor indicators, management, training, internal communication and quality of life in the workplace. The projects are initiated by Senior Management and jointly managed with the HR Management Committee, along with the support and involvement of 10 coordinators. Some 30 members are involved Group-wide through working groups to set objectives and short-, medium- and long-term deadlines for deliverables. In addition, the Culture and Values project involved 60 ambassadors from all Group businesses to identify the Group's cultural precepts and values, and consider how they can be applied to management practice and work methods. These 24 Group-wide HR projects were launched to better meet employees' needs and improve the Group's collective efficiency.

JOINT CREATION OF A FREE HR POLICY




Four risks were identified in the analysis of labor risks (breakdown of risks in Chapter 1):

- health and safety;
- quality of life in the workplace;
- training;
- talent attractiveness.

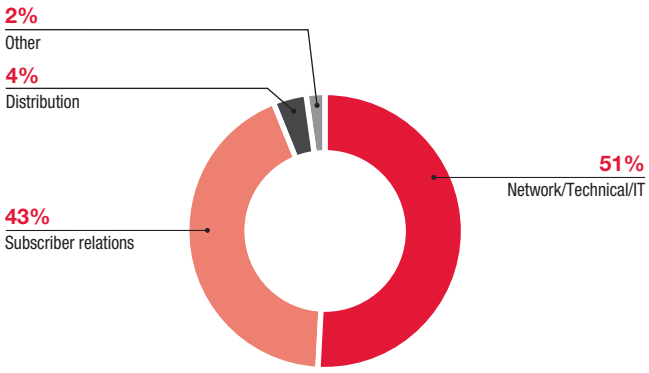
This chapter presents the policies and actions implemented to prevent these risks.

## 4.1.1 BACKGROUND INFORMATION: GROUP HEADCOUNT IN 2018

### Breakdown of workforce by geographical area

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Number of employees based in France | 7,745 | 7,731 | 7,142 |
| Number of employees based outside France | 2,316 | 1,980 | 1,758 |
| *O/w Italy* | *311* | *76* | - |
| Total headcount | 10,061 | 9,711 | 8,900 |

### Breakdown of workforce by business




The Group's priorities are on one hand the rollout, operation and maintenance of its networks, and on the other subscriber relations. Generally speaking, the Group has always chosen and continues to choose to develop its expertise internally as a priority. This choice is manifested in keeping internal technical staff, who operate nationwide on landline and mobile networks, and in running most of its contact centers internally to maintain overall service quality.

The Network/Technical and IT teams have and develop extensive expertise in all network activities where the Group operates (Free, Free Infrastructure, Free Réseau, Protelco, Free Mobile, Online, Freebox, Iliad Italia). The contact centers focus on subscriber relations through its seven Group contact centers located mainly in France. Retail operations are covered by the Group's 59 Free Centers (stores).

In 2018, nearly 5,500 employees worked on networks, almost 4,500 in subscriber relations and some 500 in retail stores.

## 4.1.2 HEALTH AND SAFETY

### 4.1.2.1 Policy

The Group has a well-established health and safety policy to protect the physical and mental integrity of all employees.

Several employees who are workplace health and safety specialists are tasked with co-defining and implementing Group policy. Under French labor law, employers are required to complete an occupational risk assessment form (*Document Unique d'Évaluation des Risques*). The workplace health and safety specialists use this form to identify and assess health and safety risks within the Group and draw up action plans to put in place risk prevention and protection measures and resources to mitigate or eliminate identified risks. Examples of such measures and resources include:

1. awareness-raising measures and training for employees (e.g., training related to certification for working at a height, training on psycho-social risks, etc.);
2. implementation of practical tools, appropriate equipment and operating methods integrated into business processes.

The Group works closely with the occupational physician first to identify health and safety aspects specific to different jobs and elicit recommendations, and second to support employees on a case-by-case basis (improving working conditions for employees experiencing physical or psychological difficulty, adapting working conditions following an accident, etc.).

The Group is also concerned about guaranteeing employees quality healthcare coverage at competitive prices, equal for all employees, in the same collective spirit of supporting employees that the Group so firmly believes in.

### 4.1.2.2 Actions implemented

#### 4.1.2.2.1 Strengthening governance

In 2018, heads of production and maintenance from Free Réseau, Free Infrastratucture and Free S.A.S. began meeting monthly or bimonthly to define and implement prevention and protection measures. To reinforce its risk prevention program and support the measures taken, the Group hired more employees to focus on the businesses exposed to risks and form a health and safety prevention team for Free Infrastructure and Free Réseau.

#### 4.1.2.2.2 Results of the labor survey on workplace health and safety

A labor survey was launched in 2017 for Protelco, initiating a Group-wide program. The findings from the survey were communicated to employees, managers and employee representative bodies. Various cross-business Committees were created to guide the action plans defined to address issues reported in the survey. One of these is the Health and Safety Committee, which brings together human resources staff, managers and employee representative bodies. In 2018, surveys were prepared at the rest of the Group entities and are being rolled out individually in the first half of 2019. The Group wants to make sure that action plans take into account employee perception and as such are relevant and adapted to the specific needs of each business at each entity.

The survey asked employees to answer several questions about workplace safety.

These questions are listed below with the findings from the Protelco survey:

- *"Safety conditions are good within the context of my work"*: 93.45% of employees agreed or somewhat agreed with this statement;
- *"Procedures relating to safety and my job are explained"*: 96.14% of employees agreed or somewhat agreed with this statement;
- *"Safety procedures are accessible and easy to apply"*: 88.24% of employees agreed or somewhat agreed with this statement;
- *"I'm aware of the importance of following these procedures for my own safety and the safety of my coworkers"*: 96.64% of employees agreed or somewhat agreed with this statement;
- *"My company has a real risk prevention policy"*: 92.10% of employees agreed or somewhat agreed with this statement.

These results were discussed throughout the year at monthly meetings of Committees tasked with addressing specific issues (career development, working conditions, health and safety) for office-based employees or at "Safety Days" organized for roaming technicians. The different Committees assess progress on the initiatives underway and commitments made to ensure the effectiveness of measures and communication to staff about improvements made and areas to be developed.

#### 4.1.2.2.3 Raising employee awareness about risk prevention

New employees hired at subsidiaries specialized in network rollout – Free Réseau, Free Infrastructure and Free S.A.S. – attend a two-hour safety training session on their first orientation day. Technicians take an additional three-hour module during their first week of orientation. Similarly, all of Protelco's new roaming technicians are given a safety training session lasting around one hour as part of their induction training. All of the risks inherent to their post and the related preventive measures are explained in this training.

Protelco created three new "Safety" booklets in 2018 for office, logistics and roaming staff, focusing on two areas: pregnant women and preventing musculoskeletal disorders for roaming technicians. These booklets are designed to instill the right habits to help prevent risks. They include an entertaining information sheet for each risk involved in the job, a list of the main personal protective equipment (PPE) available for employees and useful contacts in case of trouble or an emergency.

Technical assistance coordinators have been trained about the benefits of good workstation posture and the impact of diet and sleep on employees' overall health and well-being. The coordinators are responsible for relaying this information to Protelco's teams of office-based and on-the-ground technicians. The messages were also conveyed through video clips posted on Workplace, Protelco's intranet. Safety alerts are also posted daily on Workplace depending on current events and weather (epidemics, weather forecasts and the relevant preventive measures to take, e.g., for snow, icy roads, etc.).

Generally speaking, Group entities raise the awareness of office staff to factors related to work on screens in the aim of preventing musculoskeletal disorders. Evacuation drills and training sessions on how to handle fire extinguishers are also held on a regular basis.

Collaboration with the occupational physician helps prevent risks and adapt workstations to individual needs. For example, vehicles have been adapted for roaming technicians (automatic transmissions, accessories to improve the driver's position, etc.) and ergonomic chairs and accessories (e.g., lumbar support cushions) are provided for some office staff.

#### 4.1.2.2.4 Health and Safety training

Group entities provide different types of training, for example, certification for electrical work (B2V, BR, BC and H0, B0, BC and BE measurement) and for working at height, CACES platform work, platform PPE inspection, authorization to perform network operations, awareness of managers at Free Réseau, Free Infrastructure and Free S.A.S. about taking occupational risk prevention into account in their business activities, and special training on fire prevention, psycho-social risks, first aid in the workplace and working in confined spaces.

In 2018, Protelco organized 19 local training sessions for its roaming technicians, divided into two parts:

- a Safety Day focused on the topic "How to protect my health capital", with three workshops: wellness in my mind (relaxation, sophrology), wellness in my body (posture and chrono-nutrition with an osteopathic expert), and wellness on the road (road risk prevention on a simulator);
- discussions between technicians and their manager on the results of the labor survey conducted in late 2017 to come up with suggestions on ways to improve their work and working conditions.

In 2018, heads of production and maintenance from Free Réseau, Free Infrastructure, Free S.A.S., subsidiaries specialized in network rollout, began meeting monthly or bimonthly to define and implement prevention and protection measures.

A one-day Safety training session was organized for Free Center managers in 2018 to make sure that all safety aspects of the business are covered, focusing on the issues of fire prevention, workstation ergonomics, occupational first aid and handling aggressive behavior. In retail operations, a dedicated officer is in charge of overseeing quality of life in the workplace and works closely with the Human Resources Department, coaches and managers to support each team for specific needs and teach them about the appropriate reactions in potentially stressful in-store situations within the subscriber relations framework.

#### 4.1.2.2.5 Health and personal protection insurance

The Group also provides its employees with various types of healthcare and personal protection benefits. The personal protection plan remained unchanged in 2018 to ensure the best continuity of coverage for its employees. As for healthcare coverage, with its collective agreements set to expire at end-2018, the Group made sure to issue tender offers in anticipation of their renewal and to review the competitiveness of pricing and coverage available to employees.

Healthcare and personal protection coverage provided by the Group in 2018 and for 2019 included the following features:

- all employees in France have a supplementary health insurance plan that provides top-up benefits in addition to the amounts received under the French statutory health regime. Employees and their families benefit from mandatory health insurance with more favorable terms than the minimum laid down in the collective bargaining agreements. Employees can also choose to have an optional, supplementary individual plan, carefully negotiated by the management, to provide excellent, yet affordable coverage.
- the Group has also set up a personal protection insurance plan that is open to all employees and provides cover for sick leave as well as death and disability coverage. Under this plan, employees receive a replacement income if they become incapacitated or disabled. In the event of an employee's death, a life annuity is paid to their spouse as well as an education benefit for each dependent child until their 26th birthday.

#### 4.1.2.2.6 Working with our service providers on health and safety

Our action in health and safety is not restricted to our employees. For example, Free Réseau, Free Infra now monitor their service providers by:

- drawing up a prevention plan jointly with each service provider;
- carrying out safety audits;
- assessing safety performance with service providers.

### 4.1.2.3 KPIs

A total of 532 work accidents leading to lost time were identified across the Group in 2018, compared with 336 in 2017. This rise was partly due to the fact that in 2018 there were significantly more employees working on network rollouts and technical interventions, despite (i) an increase in awareness-raising and prevention initiatives among the Group's employees and (ii) more training and improved protective equipment, in particular for technicians, who are the most at risk of work accidents. Accidents occur more frequently in this type of job than in subscriber relations positions.

The other reason for the higher number of accidents in 2018 was exceptional circumstances due to acoustic incidents at one of our contact centers between 2017 and 2018. Specific support measures were taken by our management and human resources teams to deal with the situation. The work accidents arising due to this exceptional incident accounted for around 50% of the year-on-year increase and should be counted separately for a more accurate understanding of the reported data.

The Group carefully monitors the frequency and severity rates of work accidents within all of its entities. In France, these rates were as follows in 2018:

| Frequency rate (France)(1) | Frequency rate (Group)(1) | Severity rate (France)(2) |
|---|---|---|
| 41.03 | 31.40 | 1.31 |

*(1) Frequency rate = Number of work accidents with lost time × 1,000,000/Actual number of hours worked.*
*(2) Severity rate = Total number of days lost due to work accidents x 1,000/Actual number of hours worked.*

In line with its corporate culture, and to maintain operational professionalism and the technical expertise of its staff, Iliad has always chosen to keep its expertise within the Group. As such, it has consistently decided to employ its own roaming technicians and FTTH rollout/connection personnel, who are grouped within Protelco, Free Infrastructure and Free Réseau. These two entities therefore make up a large proportion of Iliad's overall headcount. The specific nature of these employees' work leads to a high number of non-severe accidents, which are nevertheless carefully monitored and for which the Group provides support. Therefore, in the interest of consistency, the Group has voluntarily chosen to present its overall accident frequency rate as well as the accident frequency rate excluding Protelco and Free Réseau.

The accident frequency rate excluding Protelco and Free Réseau also rose, again due to an exceptional incident that impacted one of the contact centers. This incident was the result of acoustic issues related to the ambient noise level. Tests and measurements were carried out by top-level accredited organizations (the CARSAT and CNRS) who concluded that the ambient noise level did not present any danger to the employees concerned. However, for the acoustic comfort and well-being of our contact center agents the center's ceiling tiles were reinforced and made even thicker than in the issued recommendations. Further tests were performed when the work was completed, targeting additional actions that could be taken. For example, in October 2018, all staff members were given headsets and active noise cancellation and acoustic shock protection kits to replace the standard equipment – typically passive noise-cancelling systems – which only limit the power of the signal. Without this exceptional incident the accident frequency rate would have been around ten points lower.

Online's rates fell compared with 2017, despite an increase in headcount in 2018. This decrease resulted from a process introduced in which the employee and witnesses involved complete an accident analysis form. Quick action can then be taken to prevent a similar situation from occurring. By working closely with the occupational health services, physician and nurse to study those jobs exposed to risks and analyze workstations, effective measures can be implemented. All entities actively pledge to lead awareness campaigns in 2019, in collaboration with the occupational health services.

In order to reduce the number of work accidents – especially at Protelco and Free Réseau – we have deployed a number of specific measures since 2013, which notably include:

- defensive driving lessons;
- posture and movement training;
- purchasing additional personal protection equipment for employees;
- raising awareness in new employees on risk prevention in their specific jobs (during initial security training);
- creating advisor/field coordinator positions to help roaming technicians with technical issues and the prevention of occupational risks;
- purchasing accessories to help employees transport heavy professional equipment (trolleys, backpacks, etc.).

## 4.1.3 QUALITY OF LIFE IN THE WORKPLACE

### 4.1.3.1 Policy

For many years the Group has had a pro-active strategy of continuously improving working conditions and support for its employees, with a view to creating an environment that is propitious to well-being at work. The strategy focuses on three key areas:

- **Organization of working time:**

  The Group continually seeks to enhance its work organization methods and systems. For example, in order to encourage flexible working methods, the Group has made it a policy to let employees organize their working time with more flexibility and independence. In addition, with this same aim of giving employees the best work/life balance, each Group entity holds talks with employee representatives and enters into collective agreements containing clauses concerning the right for workers to "disconnect" – i.e. not to engage in work-related electronic communications – outside working hours. These agreements not only set out best practices but also encourage rest and vigilance over monitoring workloads and ensuring that the communication tools provided to employees (professional messaging and chat systems and/or a company telephone) are mainly used in working hours.

- **Enhancing quality of life in the workplace**

  Iliad aims to provide all employees with optimal working conditions.

  To achieve that goal, the Group began refurbishing both its head office and regional sites in 2018, which will continue in 2019, to improve workspaces, and adapt them to suit employees' needs, well-being, and health and safety requirements. Iliad also offers its employees a number of additional benefits to make their working day as stress-free as possible, such as lounges and relaxation areas with a cafeteria on each floor, fruit baskets, as well as special smoking and non-smoking areas.

- **Employee assistance services**

  The Group wants to support its employees who express the need for help in different ways (support for employees experiencing financial or psycho-social difficulties, stress prevention programs, regular information programs – for example, human resources implemented an adapted and tailored communication campaign over several months in 2018 to prepare employees for the withholding tax system that came into effect on January 1, 2019) and by combining expertise from various fields (human resources, occupational health service, trainers, health and safety specialists, managers, and so on).

### 4.1.3.2 Actions implemented

#### 4.1.3.2.1 The "Well-being and quality of life in the workplace" HR project

The Well-being and quality of life in the workplace project was launched in 2018 to structure the Group-level Quality of Life in the Workplace (QLW) program by creating a framework to guide and support QLW initiatives within the Group. As with all 24 cross-business HR projects implemented by the Group Human Resources Department, members from all HR teams from all Group entities are involved. The methodology is the same for each project. The HR Management Committee determines the issue to focus on and appoints a project coordinator with expertise on the issue from within the committee or HR teams. The project coordinator co-designs and approves a preliminary planning report with the working group made up of members from all HR teams who are studying the issue at hand. The preliminary planning report sets explicit targets and a short-, medium- and long-term schedule for implementing overarching, Group-level actions and adapting them at the local level in line with local culture and specific business needs.

In addition to meeting these global objectives, developing a project focused on well-being and quality of life in the workplace at Group level also fulfills specific objectives. It builds bridges between entities, fosters the sharing of knowledge and skills, develops internal expertise, creates a forum for bringing employees together, and pools resources. The well-being and quality of life project also aims to involve the different stakeholders affected by these issues. The idea is to co-design a well-being and QLW policy tailored to the Group's needs. Reaching the targets for this policy requires building interpersonal trust within the project team, group cohesiveness and a shared vision.

1. This project includes several phases: Developing interpersonal trust and group cohesiveness.
2. Creating a shared vision of well-being and quality of life in the workplace.
3. Observing and analyzing existing well-being and QLW practices: audit and recommendations.
4. Establishing a well-being and QLW policy at Group level based on these recommendations.
5. Implementing and monitoring the Well-being and QLW policy at the head office and regional sites.

#### 4.1.3.2.2 Employee questionnaires

*Labor survey*

This survey on employee sentiment and quality of life in the workplace is designed to gain insight into the employee experience, assess Group policy on quality of life in the workplace, and measure the employee satisfaction and engagement rate.

The labor survey was developed in 2017, and its findings were used to determine action plans in 2018. It was first conducted with Protelco employees and will be extended to other Group entities in 2019. The findings reported in 2019 will form the basis of action plans that will continue into 2020, involving managers, human resources, employees and employee representative bodies.

The detailed feedback on numerous issues can be used to understand the implications from various angles, such as:

- employee commitment and engagement;
- interest in their work, job satisfaction;
- feeling of belonging;
- company strategy;
- working conditions;
- workplace safety;
- effectiveness of available procedures and tools;
- feeling of equality in career development;
- compensation policy;
- career prospects within their entity and within the Group;
- ability to motivate and management practices;
- work relationships;
- independence, participation, communication and trust of coworkers;
- inter-team relationships;
- dissemination of information, internal and external communication;
- ability to encourage discussion and be pro-active in work relationships

#### 4.1.3.2.3 Actions to prevent absenteeism

Concrete processes are in place to prevent absenteeism:

- training to improve manager accountability and regularly monitor staff: Iliad organizes stress prevention and management training for line managers and human resource managers in order to help them handle stressful situations that may arise within their teams as well as the related psycho-social risks, and to give them practical solutions for mitigating the impacts of these situations;
- taking a pro-active approach with management, as well as the Group's businesses and its entities, and improving communication, mainly by setting up different steering Committees to focus on an issue or business;
- identifying understaffed teams: This approach has enabled the Group to forward plan job and skills requirements, and put in place a targeted HR strategy focused on the needs of its landline and mobile operations;
- implementing a more situation-specific procedure in the contact centers to help employees returning to work after an extended period of absence. Assistance is provided both during their absence and on their return so that they can come back to work in the best possible conditions.

For example, the action plan initiated by Centrapel in 2015 lowered the absenteeism rate by nearly four points, excluding work accidents and maternity leave.

#### 4.1.3.2.4 Labor agreement on the right to disconnect

Protelco, Free Réseau, Free S.A. and Free S.A.S. signed an agreement with their representative trade unions concerning quality of life in the workplace which sets out employees' rights to disconnect outside working hours and highlights good practices. The objective of these agreements – in addition to meeting the applicable legal requirements – is to empower employees and encourage them to adopt sensible and courteous behavior and best practices when using work communication tools (which also means knowing how to switch off in the office in order to concentrate on a complex matter, not treating all e-mails with absolute urgency, using out-of-office messages and only sending messages to the recipients concerned rather than to everyone).

#### 4.1.3.2.5 Support for parent employees

*Maternity leave*

For instance, it offers flexible working hours as follows:

- before an employee goes on maternity leave a meeting is held with her line manager and a human resources manager to prepare for her departure and discuss her planned return date and working conditions at that time;
- each working day is reduced by 30 minutes as from the third month of pregnancy and by one hour as from the sixth month;
- when an expectant mother's schedule does not include a lunch-break, care is taken to ensure that she does take a break and line managers generally take a much more relaxed approach to respecting working hours;
- the employees concerned can have specific meetings with their line managers and a human resources manager to discuss their rights, if they so wish;
- the Group does all that it can to accommodate requests from employees to work part time;
- a meeting can be organized in the ten days following the employee's return to work in order to discuss her situation.

*Early childhood services*

The Group's Management has signed a contract with the private nursery company Babilou in France. This contract was entered into following the signature of the agreement concerning the annualization of working hours in order to give Group employees access to nursery places at flexible times. Babilou's emergency daycare service is particularly useful, providing a back-up solution when the usual daycare option is temporarily unavailable.

Since 2015, employees at our Moroccan operations also benefit from Group-funded measures to enhance their daily working life, with access to a crèche that can take up to 88 children in a space of nearly 4,000 sq. ft. The Group covers two-thirds of the running costs of the crèche, which it also furnished and fitted out.

#### 4.1.3.3 KPIs

At 5.5%, the Group's overall absenteeism rate in 2018 (excluding for long-term illnesses, work accidents, authorized absences and maternity leave) fell slightly compared with 2017 (down 0.1 points). This rate corresponds to the number of hours lost due to commuting accidents, common illnesses and unauthorized absences expressed as a percentage of the total number of hours actually worked by the whole workforce. Overall, the rate has improved.

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Total absenteeism | 5.50% | 5.70% | 6.50% |

The absenteeism rate is traditionally higher for subscriber relations teams than for Iliad's *Unité Économique et Sociale* (UES). For example, in 2018 the rate was over 6% at contact centers in France whereas it was only 2.7% for Iliad S.A. and 1.5% for Free Mobile. The two-point increase in absenteeism at Free Réseau from the rate in 2017 is the reasonable consequence of the 13% growth in headcount year on year. Measures were taken to accommodate this growth, such as staff integration actions, evaluation by managers and continuous training, with a Human Resources Manager appointed at Free Réseau to deal specifically with hiring, staff monitoring and manager support.

The current stabilization of the absenteeism rate, following on from the decrease in recent years (especially for the contact centers), reflects the resounding success of the communication and action plan put in place by the Group to raise employees' awareness of the issue. These measures are paying off and the absenteeism rates recorded in 2018 once again prove that the overall strategy is working.

### 4.1.4 TRAINING

#### 4.1.4.1 Policy

The Group has put in place a continuing professional development system that helps to further employees' skills and expertise and enhance their in-house employability, while ensuring ongoing high levels of engagement and motivation.

Our training policy is designed based on several key principles:

1. training plans are continuously updated and expanded based on findings from employee surveys to align our training courses with the needs identified.

   The Talent Support Unit comprises a team of experts in training and instructional design who are responsible for creating and deploying a wide array of training programs which draw on various learning tools and methods. These include classroom learning, mixing traditional methods with edutainment, e-learning, rapid-learning and front-line training carried out in pairs during which employees are required to deal with real-life situations, accompanied by a mentor. This strategy enables the Group to adapt its training in line with constraints in terms of time and employees' geographical mobility, as well as to tailor programs to the topics studied and each employee's method and pace of learning;
2. training aims to develop skills (implementation of training accounts, an integration program for new employees, the Talent Support unit, the Leadership Academy, and so on);
3. training is structured by strategic social and environmental issue to meet our business needs. Iliad adapts rigorous, Group-level training programs on health and safety, business technical expertise, subscriber relations, and manager development and support.

#### 4.1.4.2 Actions implemented

##### 4.1.4.2.1 Professional training reforms

Attentive to upcoming changes in labor and employment law, during the year the Group kept a special eye on the professional training reform implemented under the French law on the freedom to choose a professional future. For example, specific training was provided for HR departments and all managers throughout the Group in December 2018, in the presence of professional training experts and the Group's different partner government agencies that manage training taxes (OPCA) from companies, in order to give them a full and clear understanding of the operational challenges resulting from the reform. This training was adapted internally for regional managers through information materials and a video documenting the training session.

##### 4.1.4.2.2 HR projects on training

Two major HR training-related projects from among the 24 HR projects were launched in order to create a corporate university and Group e-learning platform. In 2018, an internal audit was carried out by the two project coordinators to compile the existing training available and define an action plan to create content, suggest instructors, and develop a system to monitor training effectiveness, etc. Dozens of meetings were held over the course of two months. The summary from these meetings formed the basis to begin developing a corporate university to promote the expansive catalog of in-house training courses and to review the internal and external certifications that can help support employees in reaching their career development goals.

##### 4.1.4.2.3 Training new employees

Induction training is a key element of the Group's human resources policy. New employees are given an in-depth induction course (which can last up to seven weeks before the employee actually takes up their post for certain subscriber relations jobs). The overall aim is to train new hires specifically in the skills and expertise required for their particular jobs so that subscribers are always put into contact with specialists in their field and therefore have the best possible subscriber experience. All of the induction courses provided by the Group are designed to prepare new hires for carrying out their future duties by ensuring that each and every one of them has the skills and knowledge they will require.

The induction courses are given by in-house staff who have followed a "train the trainer" program and who not only have on-the-job knowledge but can also help ensure that the new employees are effectively integrated into the teams. These trainers are assisted by Training Managers who are responsible for monitoring the courses given and their overall quality. They provide the trainers with all of the educational material they need, which is regularly renewed and updated in line with trends and developments in each business. This training process has been officially recognized by the French government and an industry trade union as a vocational training program.

#### 4.1.4.2.4 Continuing professional development

We also consider that it is particularly important to leverage the knowledge of our most experienced people and share their expertise. Consequently, the Training Unit has developed a large number of training sessions dedicated to specific functions (such as business support training and specific training for team leaders and platform managers) which are led by specialized external trainers. This approach also helps enhance the quality of the services provided by our teams.

In 2016 the Subscriber Relations Department opened a Leadership Academy dedicated to detecting talent, sharing knowledge and skills, providing management training, compiling "success kits" and mentoring new managers, all in the aim of identifying potential managers, building skills and partnering employees who have recently been promoted to a managerial position.

During 2017, the Subscriber Relations Department in France introduced a program dedicated to training and mentoring women employees in order to help them move up to higher subscriber relations posts. This program takes the form of several months of training through a combination of methods such as continuing education courses, mentoring, brainstorming groups and peer learning. A second program took place in 2018, which was also offered to male employees.

### 4.1.4.3 KPIs

In 2018, the Group provided over 440,000 hours of training, equivalent to 46 hours per employee.

The total number of hours remained virtually unchanged from 2017. However, the breakdown is different due to new hires in the FTTH business in 2017, who took induction and business training upon joining the Group. Efforts were made in 2018 to increase the number of training hours completed with performance reviews (primarily for Free, Free Réseau, Free Infrastructure and Free Mobile) and manager training provided as part of a training plan initiated by Senior Management. This training will continue to be rolled out in 2019 across all Group entities and businesses.

| | Average monthly headcount in 2018 | Average monthly headcount in 2017 | Average monthly headcount in 2016 | Number of training hours in 2018 | Number of training hours in 2017 | Number of training hours in 2016 | Number of training hours/ average annual headcount in 2018 | Number of training hours/ average annual headcount in 2017 | Number of training hours/ average annual headcount in 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Total – France | 7,587 | 7,464 | 6,626 | 243,054 | 260,500 | 300,969 | 32 | 35 | 45 |
| Total – Outside France | 2,091 | 1,788 | 1,840 | 198,489 | 187,970 | 131,173 | 104 | 105 | 71 |
| **TOTAL** | **9,678** | **9,252** | **8,466** | **441,543** | **448,470** | **432,137** | **46** | **48** | **51** |

## 4.1.5 COMPENSATION

Employee compensation is a strategic issue for the Group, with practices continually being adapted.

Iliad's Senior Management introduced several new measures in 2018:

- nearly €8.5 million before tax was paid out in 2018 for 2017 under incentive and profit-sharing plans, versus €7 million in 2017;
- the number of beneficiaries of free share plans almost tripled, increasing from 61 in 2017 to 176 in 2018;
- an exceptional bonus of €1,000 was paid in January 2019 as part of commitments made in December 2018 following the French president's address on purchasing power. The bonus was distributed to 7,400 employees, i.e., most of the Group's workforce in France.

To motivate employees to support the organization's business objectives and reward them for their contribution to Company performance, Senior Management set up the first employee share ownership program in 2018. Offered to over 8,000 employees with preferential terms, the shares are planned for issue in two countries at the beginning of 2019. Guidance will be provided for employees through the process.

## 4.1.6 TALENT ATTRACTIVENESS

### 4.1.6.1 Policy

Recruitment is one of the Group's strategic priorities and is vital for its growth and business development. That is why Iliad's employment policy has for many years been rooted in actively managing careers, motivating and supporting employees and recognizing and rewarding their input.

#### 4.1.6.1.1 Employing young people

Our recruitment policy focuses on employing young talent, who we support with an integration program (orientation week, ambassador program, etc.) and development initiatives. The Group uses professional training contracts and apprenticeships to facilitate the integration of young people into the job market and prepare them for work in the Group's businesses. It also plans to develop its high school internship program to teach young students about the different jobs it has to offer.

For networks, subscriber relations and support services, recruitment terms and training policy for new hires are combined and kept consistent as a first step in motivating employees and enhancing their loyalty.

#### 4.1.6.1.2 Providing career development opportunities

As well as training, we also offer employees the opportunity to change their tasks and responsibilities during their career or even move to a different job altogether. One of the ways we achieve this is by organizing skills assessments to help employees map their career paths.

This approach encourages employees to develop their expertise and their commitment to our subscribers and is an excellent way of fostering loyalty. Several initiatives have been implemented to encourage internal mobility (job forum, etc.).

#### 4.1.6.1.3 Employer brand

The market has changed considerably and become highly competitive in recent years. Moreover, the new generations of workers have different job expectations and are more focused on meaning. This means that the Group must model itself as an attractive company. And to do that, Iliad has initiated a project centered around the Group's culture and values to enhance the attractiveness of its talent and the quality of the people it hires.

The Group's culture is firmly rooted in the entrepreneurial mindset of its founder as well as the very significant impact of Free's positive brand image, which helps unite our employees around a common goal. With a strong sense of belonging, Iliad's employees are proud to be part of a Group and share the same corporate values.

#### 4.1.6.1.4 Giving everyone a chance

Diversity, equal opportunities and non-discrimination form an integral part of Iliad's human resources policy, both when employees are recruited and throughout their time with the Group. This policy is reflected in:

- development of aptitude testing in recruitment;
- training for staff in charge of recruitment on the social and professional integration of people with disabilities.

### 4.1.6.2 Actions implemented

#### 4.1.6.2.1 HR projects to build talent attractiveness

The following HR projects were launched in 2018 to enhance talent attractiveness:

- **The Culture and Values project**

  Employees from different entities were brought together to create two working groups at the end of 2018. Using projective methods, they were able to pinpoint the implicit and explicit fundamentals of their culture and values.

- **Recruitment and integration projects (Free's career website, external job forum, recruitment process, onboarding and ambassador experience program).**

- **The Mobility and Talent project**

  This project aims to build a job skills database based on a common job position template to map out the Group's job positions, thereby facilitating internal mobility and retaining talent. This project will be implemented as part of the Mobility and Talent charter.

#### 4.1.6.2.2 Professional training contracts and apprenticeships

Professional training contracts are used at contact centers to train employees of all ages while meeting the planning requirements. Work-study programs are also in place, mainly aimed at people taking certification training courses (technicians, computer programmers, developers, etc.).

In 2018, 6% of employees were on work-study contracts, with 66 at Equaline, 22 at Certicall, 16 at F Distribution and 3 at Freebox. In Bordeaux, Free Infrastructure and Free Réseau implemented a partnership to create a professional training contract and collective job assistance program. Teams are also working on preparing the training and recruitment program for future work-study participants.

*Individual job assistance program (POEI)*

Thanks to this program and the work carried out jointly between Iliad's Talent Support Unit, HR teams and contact centers, as well as the OPCA and the French national unemployment agency, a total of 139 job seekers have been brought back into the workplace and given specific training with a view to being hired by the Group. The program has helped them acquire the skills they need and 85% of the trainees have joined our teams.

#### 4.1.6.2.3 Retaining talent by recognizing expertise and encouraging internal mobility

Over 50% of the heads of the Group's contact centers and entities – who currently oversee more than 3,000 people – started their career with the Group as contact center agents more than a decade ago (in particular at Certicall, Qualipel, Mobipel and Resolution Call). These employees are a testament to the fact that we have got our internal promotion strategy right. In addition, the vast majority of the Group's managers started out lower down in the organization before taking up a management position, with some also in strategic management positions. A total of 1,988 Group employees were promoted in 2018. This mobility represents how effectively the Group passes on its culture and expertise internally, and serves as a strong symbol of the Group's culture.

In order to ensure that the mobility process is properly respected, the Human Resources Department has drawn up an "Internal Mobility Charter", which sets out the rules applicable within the Group. Additionally, employees can access and apply for internal job vacancies through the intranet, and the Human Resources Department ensures that employees receive information on job vacancies by sending out general e-mails and using in-house communication tools (such as "Workplace", the social network for business, which was deployed in 2016).

A large number of methods of moving from one job to another have been created – particularly in the Subscriber Relations Department – which each year enable a number of contact center agents to move up to supervisory positions. Other contact center agents have been promoted to the post of roaming technician or towards mobile or FTTH jobs, allowing them to fully capitalize on the know-how built up during their time with the contact center and giving them an opportunity to further develop their careers.

To drive internal mobility and increase employee visibility, the Group-wide HR projects launched in 2018 aim to build a job skills database to structure and support internal mobility.

#### 4.1.6.2.4 Training on non-discriminatory hiring practices

In 2018, the Human Resources Department was trained on non-discriminatory hiring practices as a review of best practices that should be applied.

In addition, simulation-based recruitment is used, which involves carrying out professional ability tests to assess applicants' actual capacities for performing a job, and therefore rules out any risk of discriminatory decisions.

The Group's recruitment staff have also followed a specific training course on recruiting people with disabilities with a specialized organization in France (LADAPT).

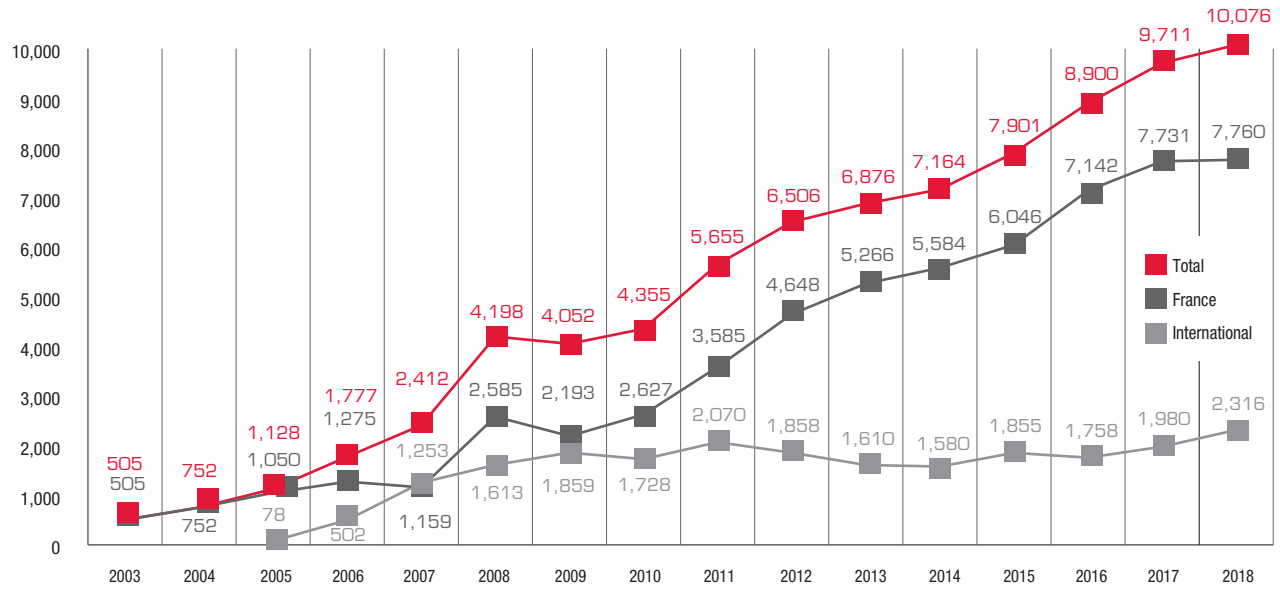
Moreover, in line with its objective of promoting employment opportunities for the disabled, the Group regularly participates in disabled workers' recruitment forums and has entered into partnerships with specialized recruitment firms, including for example Mozaïk RH, a non-profit that supports and promotes diversity in recruitment.

### 4.1.6.3 KPIs

The Group's growth is underpinned by an assertive strategy of recruiting talent and building skill sets. To this end, it pursued its pro-active recruitment policy in 2018, focusing on increasing its headcount. During the year it created nearly 350 jobs on open-ended contracts. At the year-end its French subsidiaries made up around 80% of the total workforce (unchanged from one year earlier).

The Group's growth is underpinned by an assertive strategy of recruiting talent and building skill sets.

The Group's buoyant business growth over the last ten years has resulted in a large number of hires, with headcount increasing four-fold during that period. In recent years the intensified rollout of our landline and mobile networks has led to a large number of recruitments under open-ended contracts.



At December 31, 2018, 98% of the Group's total employment contracts were open-ended, remaining unchanged. The Group takes great care in recruiting employees, either for managerial or non-managerial positions. We favor open-ended rather than fixed-term contracts, demonstrating our commitment to forging long-term relations with our employees and providing them with a stable employment situation.

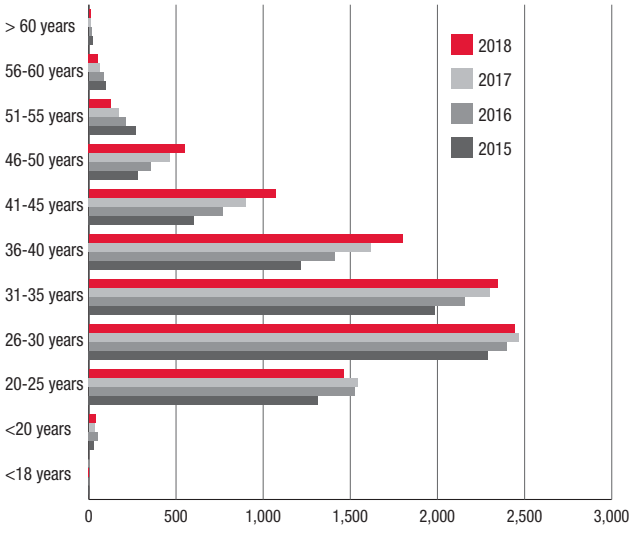
In 2017, we had some limited recourse to temporary staff in order to meet short-term increases in business volumes, notably due to the launch of new products and services and the growth of new activities.

#### 4.1.6.3.1 Breakdown of workforce by age

The Group is a responsible employer, and as such offers employment opportunities for young people by giving them their first job and the possibility of developing their skill sets. As an example, nearly 1,500 Group employees were aged under 26 in 2018. Most of these young recruits left school at eighteen or after two years of higher education, and we take them on for their motivation, skills and ability to perform a particular job. They are then supported with job training provided in house.

At end-2018, 62% of the Group's employees were aged under 35.

Breakdown of workforce by age in 2018:




#### 4.1.6.3.2 Breakdown of workforce by gender

Women represented 25% of the Group's workforce in 2018. The proportion of women working in the Group's contact centers was higher than the overall proportion of women in the workforce, representing 43% at December 31, 2018. This breakdown reflects the number of people recruited for network rollouts (a job that is male-dominated).

## 4.1.7 VOLUNTARY OBJECTIVES

### 4.1.7.1 Organization of employee relations

In order to ensure the continued commitment and drive of our people, we take care to actively maintain high-quality relations with our employees and their representatives so that we can remain closely attuned to their needs and concerns.

Several projects were launched in 2018 to bring the different entities in line with each other on:

- the dates for the annual negotiations of framework agreements concerning working time, compensation, gender equality;
- information and consultation to discuss Group strategy and social and economic policy for greater clarity.

The main collective agreements signed in 2018 covered the following issues:

- right to disconnect;
- gender equality;
- pay, working time and profit-sharing.

#### 4.1.7.1.1 Employee dialog

Internal communications play an important role in employee relations, serving as a vector for providing employees with information and encouraging discussion and exchange. We use various channels for this, such as:

- the Group intranet, which gives the latest updates on Iliad's businesses and financial performance. The internal social network, "Workplace", which is used by the contact centers and technical assistance centers, is an invaluable in-house communications tool. More innovative, faster and open communication channels designed for quick and easy chats between employees are also used, such as "Work Chat" (Workplace's chat app) and Slack for instant messaging;
- in-house communication: "Free For You", a monthly in-house magazine put together by contact center employees, which gives an insight into the daily lives of the Group's employees and their jobs through reports, interviews and articles on activities and events, and Scroll, a Group-wide in-house communication tool, produced by managers to provide employees with videos, infographics and editorial content to highlight the latest business news and Group strategy, all in a mobile-friendly format sent by email to make it equally easy to share for both office and roaming staff;
- the Resource Management Interface, which is an employee-dedicated interface that enables the HR departments of the Group's contact and technical assistance centers to remain closely attuned to employees' needs and expectations;
- specific communications for particular projects and a human resources survey performed every two years within certain entities. The vast majority of the Group's contact center employees take part in the survey, which illustrates their strong sense of involvement in their company;

- we also hold a Best Performers day to reward the best contact center agents as well as an annual Manager Day, which brings together all of the managers from the Group's stores in a festive atmosphere with a view to building team spirit and creating an overall managerial vision.

#### 4.1.7.1.2 Employee representative bodies

Employee-elected representatives are present at all levels of the Group and within each company (Social and Economic Committee in application of labor reforms, and for terms renewed in 2019, Works Council, Central Works Council, Employee Delegates, and the Health, Safety and Working Conditions Committee).

The Group created the first four Social and Economic Committees in 2018 for the four different sized scopes (fewer than 50 employees, fewer than 250 employees, fewer than 1,000 employees and more than 1,000 employees) through union agreements prior to the election of union officers.

We strive to maintain constructive labor relations by supporting the various bodies, which also work in coordination with one another. Lastly, in the interests of guaranteeing ongoing social dialog and providing employee representatives with pertinent information, the Group ensures that the databases containing all of the its economic and labor-related information is continually updated so that transparent information is permanently available that can be used as the basis for talks with representative bodies. In 2018, the Management Committee designed a tool for managing hours that employees spend on tasks related to their role as employee representatives to improve communication between representatives and Management. It also developed an electronic social and economic database that will be rolled out in 2019.

#### 4.1.7.1.3 Unions

Labor-related dialog also takes the form of collective bargaining agreements with unions, which are present in the various Group companies.

Group Management has always believed that dialog is essential and encouraged direct discussions with employee representatives. The main channel for dialog with the unions are the annual negotiations concerning the following three issues as provided for by French law: (i) pay, working time and profit-sharing, (ii) gender equality and working conditions, and (iii) job management, career development and job diversity.

Seven unions are currently represented within the Group, with a balanced presence across its entities. This creates a diversity of union representation that helps to forge effective labor-management relations.

Significant dialog took place between Management and unions in France in 2018, with more than 300 meetings held and almost 40 agreements signed.

### 4.1.7.2 Diversity, anti-discrimination and equal opportunities

Thanks to the wide diversity of profiles and the 63 nationalities of its 10,076 people, the Group has a real corporate culture built up around a shared passion – technological innovation.

#### 4.1.7.2.1 Promoting gender equality

Iliad respects the principle of gender equality by applying a fair policy in terms of recruitment, access to training, compensation and promotion.

Several initiatives were taken in 2018 in support of this issue:

- an ethics platform was created for reporting cases of harassment;
- anti-sexist behavior and anti-discrimination representatives were appointed in all Group employee representative bodies and HR teams. In line with regulations, their names will be posted at company sites, and they will receive group training in early 2019.

The Group takes care to ensure equal pay for men and women who carry out equivalent jobs and have the same levels of skills, responsibility and performance. The gender pay gap in France for both managerial and non-managerial staff has decreased steadily over the past few years.

On March 1, 2019, the Group reported its results on differences between pay for men and women. All entities achieved a score over 75 points out of 100, reflecting an effective equal pay policy, as no pay gap was found. Results were slightly in favor of women. The Group ensures that pay is truly fair and separate from any notion of gender or personal factor.

| | |
|---|---|
| Iliad UES | 76 points |
| Protelco | 76 points |
| MCRA UES | 84 points |

In line with its values, the Group has always sought to reward employees equally. This shows in its equal pay policy, which will be continued in the years to come.

#### 4.1.7.2.2 Disability

The Group pro-actively seeks to recruit people with disabilities and integrate them into the workforce.

In 2018, a project focused on this policy was launched in the Human Resources Department. The project coordinator aims to survey the disability initiatives taken throughout the Group, suggest local or Group-wide actions and implement monitoring and support systems for QLW Committees.

Specific examples of how we go about this are described below:

- **raising awareness among our employees through training, events, and other initiatives etc.;**
- **promoting the recruitment of people with disabilities and supporting them in their jobs.**

  In line with its objective of promoting employment opportunities for the disabled, the Group regularly participates in disabled workers' recruitment forums and has entered into partnerships with specialized recruitment firms.

  We also adapt workstations and use specific working time arrangements to facilitate working life for employees with disabilities. The company-level agreements entered into within the Group also put in place initiatives to help our disabled workers;
- **broadening the ways in which we work with people with disabilities.**

  As part of our policy to help people with disabilities we have worked with a group of visually impaired people in order to make the Free portal easier to use for subscribers with the same disability. Similarly, our help-desk platform for people with hearing loss or a hearing impairment has been in place for several years, and for the past few years we have offered a new job category for video consultants who have hearing loss or a hearing impairment in order to assist subscribers with the same type of disability. Employees from this platform contributed significantly to the accomplishment of a new project that saw some of the Group's key terms translated into French Sign Language.

## 4.2 ENVIRONMENT

Although environmental protection and sustainable development have always been preoccupations for the Group, in recent years we have stepped up our efforts to manage the environmental impact of our activities and we have designed a continuous improvement program to help us achieve our objectives.

Our aim is to contain our impact on the environment in three main ways. First, through our direct operations (i.e. controlling the energy consumption of our buildings, vehicles and networks). Second, through our suppliers, by introducing processes that are both ecological and financially beneficial, such as optimizing the shipping of Freeboxes and using rail travel for business trips wherever possible. And third, through the products and services we provide to our subscribers, by using eco-design principles.

The Environmental and Sustainable Development Committee is responsible for overseeing the Group's environmental policy, under the responsibility of Senior Management.

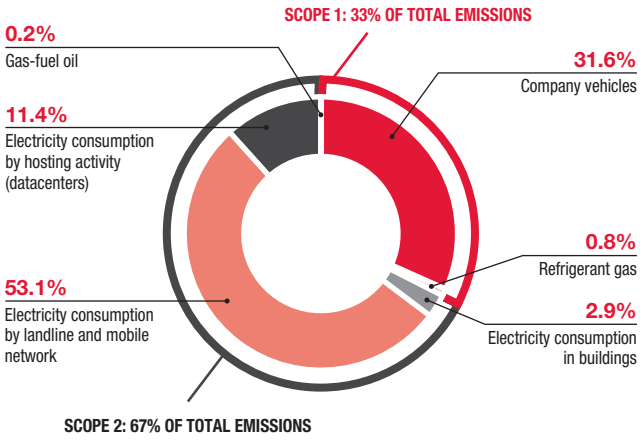
The Group's environmental strategy has two clear and precise main objectives, namely controlling energy consumption and reducing waste, in a context of intense network rollout (both FTTH and mobile) and a very sharp increase in usage.

In 2018, Iliad structured its action into three main environmental issues:

- reducing the direct and indirect environmental footprint of Freeboxes;
- reducing fine particulate emissions (nitrogen oxide) from its automobile fleet;
- optimizing network energy consumption (mainly mobile, FTTH, datacenters) and buildings.

The Group's Scope 1 and 2 emissions totaled 32,400 tons of $CO_2$ equivalent in 2018, remaining stable compared with 2017, despite higher electricity consumption from networks.

### THE GROUP'S ENERGY CONSUMPTION: % EMISSIONS IN SCOPES 1 & 2




Scope 1 emissions are the Group's direct emissions, i.e., emissions associated with the automobile fleet, fuel oil consumption and refrigerant leakage. Scope 2 emissions are the indirect emissions produced in providing our services, mainly the electricity consumption of our landline and mobile networks, our datacenters and Group buildings.

## 4.2.1 THE ENVIRONMENTAL FOOTPRINT OF FREEBOXES

The Group implements policies to optimize the environmental performance of Freeboxes across the value chain, from design, through each production phase, and up to delivery to the subscriber. This means that the production and reconditioning of Freeboxes have become direct concerns for Iliad, along with upstream and downstream logistics and the management of Waste Electrical and Electronic Equipment (WEEE). The Group's indirect environmental challenges include the energy consumption from subscribers' use of our equipment.

### 4.2.1.1 Policy

The Group's action to reduce the environmental footprint of Freeboxes throughout their life cycle focuses on two areas:

#### Managing the circular economy

*Design and production*

Eco-design of products and processes is a key aspect of Iliad's environmental strategy. The Group chose to set up its own R&D center in order to consolidate the production chain and work to shorter deadlines in a more sustainable way.

As part of its strategy to shrink the environmental footprint of its production operations, the Group has taken steps to integrate recycled materials into its equipment and reduce the amount of raw materials it uses in its packaging.

*Extension of the useful life of our products and equipment reconditioning*

In order to limit the amount of waste generated by its manufacturing operations, the Group systematically re-uses electronic equipment. Consequently, whenever subscribers terminate their subscription, the Freeboxes and their accessories have to be returned in good working order, failing which the subscriber is required to pay a penalty.

By reconditioning its equipment, the Group is able to reduce the amount of new raw materials it uses and also to limit its ecological footprint. Accordingly, many Freeboxes are reconditioned for new use by another subscriber.

*Waste recycling*

The Group ensures compliance with applicable regulations on recycling the waste generated by its activities.

All waste generated by the Group's manufacturing operations, which makes up the largest proportion of its total waste by volume, is sent to waste disposal providers where it is fully recycled in accordance with the applicable European standards and regulations.

#### Reducing emissions from upstream and downstream logistics operations

As part of its eco-logistics approach, the Group has set up several processes in its supply-chain organization to optimize loads and transport flows.

*Multimodal transport*

The commitment to achieving more sustainable transport systems was put into practice when the Group decided to use more environmentally-friendly means of transport. This led its logistics teams to restrict the use of air freight to exceptional circumstances and then to massively reduce the proportion of road transport used in the supply chain.

*Delivery optimization*

Iliad's supply chain objective is to minimize the number of small, fragmented deliveries, which push up both the Group's transport costs and its carbon footprint. As such, the Group encourages pooling delivery of Freeboxes at pick-up points near subscribers' homes, works to find innovative solutions for subscribers and reduce the carbon footprint resulting from its logistics chain, and continues to incorporate additional retail partners into its CSR strategy.

### 4.2.1.2 Actions implemented

#### 4.2.1.2.1 Eco-design of Freeboxes and waste recycling

Our Freeboxes follow in the line of major innovations in terms of media center equipment released in the past several years. Thanks to their more multi-functional design, they include features such as a Blu-Ray™ and DVD player, a hard drive, etc., which would otherwise be stand-alone devices. By integrating new capabilities, the Group can contribute to scaling back the overall amount of equipment used by consumers. This is an example of how the Group's continuous innovation strategy serves to lower the carbon impact of all devices used by end users.

In 2015 with the launch of the Freebox mini 4K, Free began to shift towards smaller Freebox formats. This policy has been maintained with the release of the Freebox One in December 2018, combining the functionality of two devices into one. These compact-format boxes also use less electricity than the Freebox Revolution.

The Freeboxes and related accessories (cables, remote controls, gamepads and plastic covers) that are recovered are reconditioned in the Group's Freebox manufacturing plants in France or elsewhere in Europe before being redispatched for use by another subscriber. Any defective equipment is repaired at the same plants and any components that cannot be reused are recycled. The Group's Freebox teams have introduced a polishing process so that the plastic cover on the Freebox Crystal no longer systematically has to be changed when it is reconditioned. In addition, around 80% recycled plastic is used when the cover on the Freebox Revolution is changed. Leftover ground plastic is then sold to other industries that can use the material for their own purposes, such as garden furniture, urban furnishings, etc. We view our waste treatment processes as an opportunity to put our CSR commitments into practice. For example, we have set up three-party agreements with special organizations that support the employment of disabled workers (*Établissements et Services d'Aide par le Travail*, or ESAT), under which the organizations reprocess products (cables) while being quality controlled by the Group's plants.

The Group is also concerned with cutting subscribers' electricity consumption from the use of its products to minimize its indirect environmental impact and lower the subscriber's energy bill. For example, the set-top box for the Freebox Revolution has a deep-sleep mode enabling electricity consumption to be reduced to less than 0.5 Wh, which is 30 times less than the previous generation.

As part of its overall waste management policy, the Group uses registered waste disposal providers to recover its WEEE, which is collected, sorted and recycled in accordance with the applicable legislation. The Group also works with French vocational rehabilitation centers (ESATs) to disassemble its finished goods, sort materials and optimize recycling and recovery by certified specialist firms. Electronic cards are crushed and burned in furnaces at different temperatures to recover raw materials (copper wire, metal, gold bullion, etc.).

#### 4.2.1.2.2 Packaging optimization

Our research teams have designed innovative solutions using only biodegradable materials and recycled paper in order to create ergonomic packaging that is shaped and sized in line with the boxes it contains. This reduces both empty space and the amount of paper and outer packaging required. Freebox packaging is also optimized in terms of weight and volume and has been designed from the outset to be resistant throughout the boxes' life cycle and ensure its primary function of maintaining quality standards in transport.

Furthermore, from a logistical perspective, the reduced volume of packaging means that more boxes can be transported in one delivery journey. This reduces the packaging used by the service providers responsible for transporting Freeboxes, as well as the carbon footprint related to such transport.

For several years now, the Group has also sought to design attractive packaging and to raise the awareness of users about keeping and returning packaging. The new packaging can be used to return Freeboxes (on cancellations or for after-sales services and exchanges) or can be kept by subscribers for their own use.

#### 4.2.1.2.3 Upstream and downstream logistics

##### *Optimization of the transport chain towards logistics sites*

Loads are optimized by packing more into containers and trucks. The format of the loading pallets used has been harmonized in order to enhance the surface area/energy ratio. The Group also strives to eliminate empty running, with only full trucks transporting its products. It now also uses reusable plastic shipping pallets to optimize rotations between our plants and our logistics center, thereby reducing waste by limiting the use of wooden pallets and cardboard packaging. Using plastic pallets also improves the truck fill rate by about 30%.

In order to reduce inventories, costs and $CO_2$ emissions, the logistics team has set up multiservice platforms from which the Group's products are distributed in an optimal way to end customers (via local stores, pick-up points or home deliveries).

In a constant bid to reduce distances traveled, the Group's logistics sites are located as near as possible to unloading and distribution points, i.e., as near as possible to subscribers and road freight providers.

Another way transport distances have been optimized is by reducing the number of links in the supply chain with certain products delivered directly from the logistics platform to the Free Centers.

##### *Multimodal transport*

The Group has set up a sustainable supply chain project that involves extending the use of multimodal transport (i.e., by combining road, rail, sea and, very occasionally, air transport), with a view to containing energy consumption and greenhouse gas emissions.

Despite longer timeframes and more complex tracking processes, the teams at Freebox have made sea freight a standard as it is less polluting than other means of transport. In order to apply this strategy Freebox has had to develop highly efficient systems for anticipating order levels.

For its overland and inter-site transport requirements, Freebox uses rail for part of the journey, which is a first in its industry. Rail freight – which is less polluting than road transport – cuts down significantly on $CO_2$ emissions and the aim is for trucks to be used only for the few legs of the journey where rail transport is impossible.

##### *Delivery optimization*

For many years the Group has sought to reduce the number of deliveries to subscribers' homes and to encourage the use of pick-up points. To that end, we have developed partnerships with specialized companies that have very good national coverage so that Freebox delivery and return points are located near subscribers' homes.

The network of Free Centers evenly covers the entire country. The Group had 59 stores as of end-2018, providing another effective option for pooling the transport of Freeboxes and accessories.

On top of optimizing shipment, the Group continued its partnership with a specialized transport company for premium delivery service, in which subscribers receive their orders at their homes at a pre-agreed time. The Group has developed systems used to notify the subscriber of delivery within a two-hour time slot, to prevent repeat attempts to deliver the parcel at the subscriber's address. If absent, the subscriber can indicate to the driver another day and time slot for delivery. The Group also delivers small, low-value parcels in mailboxes to reduce the rate of failed first attempts.

As well as these recent innovations in the supply chain, the Group has started the process of involving its main business partners in its CSR approach. For example, our main logistics partners are now required to provide us with greenhouse gas emissions reports.

#### 4.2.1.3 KPIs

##### 4.2.1.3.1 Production and waste management

Waste generated by Freebox – which accounts for most of the Group's overall waste production – that was recycled on its behalf was as follows in 2018:

- 746 tons of plastic;
- 984 tons of electronic waste;
- 47 tons of scrap metal;
- 158 tons of cables and wires;
- 37 tons of plugs;
- 9 tons of hard drives.

The tons of industrial waste recycled for Freebox, which generates the most waste by volume, accounts for 50% of total production volume, down from 52% in 2017. The indicator has remained stable despite the production and release of two new Freeboxes in 2018, attesting to Group staff's effective management of industrial waste.

##### 4.2.1.3.2 Logistics

Iliad has more control over upstream freight, i.e., from supplier to the Group, than over downstream freight, from the Group to subscriber, which essentially uses road transport, for lack of other alternatives. The Group makes it a rule to minimize air freight, which accounted for less than 2% of total shipment volume in 2018. However, that figure represents a 0.4% rise on 2017 due to the launch of the Freebox Delta and Freebox One, a one-off situation in 2018 that required a larger number of shipments to be made by air. This brought about an increase in $CO_2$ emissions generated by transport between Freebox production or reconditioning plants and the Group's logistics platform in 2018. Despite this, the Group does everything it can to use more energy-efficient means of transport, such as transport by waterways or rail, whenever possible.

### 4.2.2 AUTOMOBILE FLEET

The Group's automobile fleet expanded to almost 4,000 vehicles at the end of 2018, i.e. over 400 cars added over the year. This year-on-year increase reflects the growth in activity for network rollouts and call-outs to subscribers' homes. Optimizing the automobile fleet is one of the Group's key priorities as it accounts for a third of total $CO_2$ emissions.

#### 4.2.2.1 Policy

Iliad's policy focuses on three points:

- renewing the automobile fleet: Group policy for short distances is to use more environmentally-friendly vehicles to reduce the fleet's carbon intensity and fine particulate emissions (nitrogen oxide) per kilometer traveled;
- optimizing travel for roaming technicians: Group policy is to reduce energy consumption and $CO_2$ emissions by minimizing the distances between each appointment;
- developing alternatives to the use of cars: The Group encourages employees to choose whenever possible the least-polluting modes of transport and to use videoconferencing facilities and conference calls whenever possible.

#### 4.2.2.2 Actions implemented

##### 4.2.2.2.1 "Green driving" program

Three years ago the Group initiated a large-scale campaign to renew its automobile fleet as part of its green driving program. We solicited offers from various suppliers for the renewal of our entire automobile fleet with a view to reducing both our $CO_2$ emissions and gas consumption in anticipation of the gradual increase in the Group's vehicle needs. For instance, Group policy for short distances is to use more environmentally-friendly vehicles. This decision to migrate the entire fleet to vehicles that meet Euro 6 standards and that have start-stop technology is fully in line with our policy to use more eco-friendly vehicles for short journeys.

For over a year, the Group has continued its action to reduce pollution from its automobile fleet by starting to gradually migrate part of its fleet to gas-powered vehicles to reduce the amount of fine particulates (nitrogen oxide) released into the air. The higher proportion of gas-powered vehicles and of utility vehicles within the fleet has led to a significant increase in $CO_2$ emissions per vehicle, from 111 g of $CO_2$/km to 113 g of $CO_2$/km.

Currently, almost 100% of the fleet is made up of models that consume less than 5 liters per 100 km for combined city/highway driving conditions.

The Group also uses electric vehicles and had about 15 within its fleet at the end of 2018. Electric vehicles are available to employees at the Group's datacenters and are primarily intended for short journeys given their lower mileage range than traditional vehicles.

Lastly, as part of the above-mentioned "green driving" program, eco-driving lessons have been made available to employees who use their car for their work.

##### 4.2.2.2.2 Optimizing travel for roaming technicians

Within our IT system we have a specific application for scheduling the appointments and assignments of our roaming technicians. The aim of this application is to reduce energy consumption and $CO_2$ emissions by minimizing the distances between each appointment.

The table below lists the application's various functionalities:

### ROAMING TECHNICIAN

| Functionality | Aim |
|---|---|
| Technician's first appointment of the day is located as close as possible to the vehicle storage point | Optimize journey between home and deployment area |
| Server automatically calculates distances between each appointment | Optimize the day's routes |
| Slot any new appointments into the previously calculated route | Optimize the distance between each appointment |

### PLANNING MANAGEMENT TECHNICIAN

| Functionality | Aim |
|---|---|
| Creation of a scheduling procedure that proposes the best routes when appointments are changed | Optimize the day's routes |
| Creation of a graphic presentation of routes, with sectors differentiated by color | Optimize routes with the aid of a visual tool |

## 4.2.2.3 KPIs

### Average vehicle emissions

The Group's automobile fleet included almost 4,000 vehicles at end-2018, up from 3,557 at end-2017, meaning over 400 cars were added over the year.

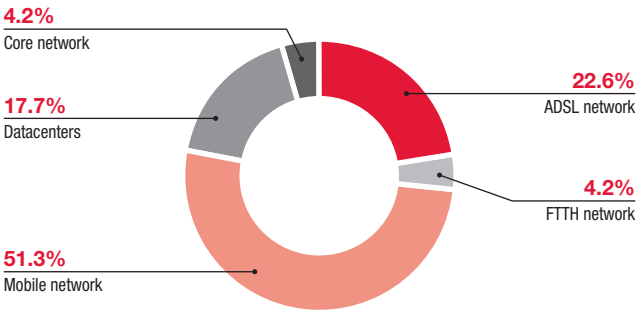
The higher proportion of gasoline-powered vehicles and of utility vehicles within the fleet, in a move to balance out the level of fine particulate emissions, has led to a significant increase in $CO_2$ emissions per vehicle, from 113 g of $CO_2$/km to 112 g of $CO_2$/km. The Group targets an average impact of less than 119 g of $CO_2$/km.

## 4.2.3 NETWORK ENERGY CONSUMPTION

The Group's business activities (landline and mobile electronic communications) have a limited environmental impact compared with other industrial activities. However, as the services it provides are at the heart of the digital economy, the Group needs to deploy energy-hungry infrastructure in order to expand.

With the strong growth in use and rollout, energy consumption rose in 2018 and will continue to rise in the coming years, due to the ongoing rollout of the FTTH and mobile networks and the growing datacenter business.

### NETWORK ENERGY CONSUMPTION: SHARE OF ELECTRICITY CONSUMPTION BY TYPE OF NETWORK




Network electricity consumption for 2018 totaled 546 GWh, up 70 GWh since last year due to the Group's FTTH and mobile network rollout.

The energy consumed by its networks accounts for over two-thirds of the Group's total $CO_2$ emissions and is therefore a major priority. These emissions relate to:

- electricity consumption, which accounts for almost all of the networks' $CO_2$ emissions;
- the use of refrigerant gas to cool infrastructure for the core network and data hosting servers;
- the consumption of fuel oil (in very small quantities) to power electricity generators in the event of electricity outages in that infrastructure.

### 4.2.3.1 Policy

For many years, controlling energy consumption has been one of the key aspects of the Group's environmental policy. As part of its overall approach to reduce energy consumption the Group has broken down energy use by activity and identified areas to be improved for each of them:

- **landline and mobile networks:**

  We constantly aim to use the least energy-hungry equipment possible and work with our electricity suppliers to optimize our electricity management.

- **datacenters:**

  In the aim of ensuring that its energy policy complies with industry standards the Group respects the requirements of the EU Code of Conduct on Data Centre Energy Efficiency, which it signed up to in 2012. Staff at our hosting subsidiaries are educated about environmental issues and pro-actively take measures to optimize and reduce energy consumption.

### 4.2.3.2 Actions implemented

#### 4.2.3.2.1 Landline and mobile networks

Following a call for tenders, in 2016 we changed our energy supplier with a view to optimizing and simplifying our management of electricity and redefining the scope of our electricity supply agreements. This initiative is fully in line with our efforts to reduce our impact on the environment.

At the same time, we constantly aim to use the least energy-hungry equipment possible. One example of the measures put in place by the Group in this area is the new-generation radioelectric equipment installed by Free Mobile, which is up to five times smaller and lighter than previous generations and consumes 30% less energy. This has enabled Free Mobile to keep the increase in its mobile network's energy consumption at contained levels despite the strong growth in its business as well as the recent rise in the use of 4G technology.

#### 4.2.3.2.2 Datacenters

All of the Group's datacenters are ISO 50001 certified, which demonstrates the quality of Online's energy management system. The aim of putting in place the process of certification, renewed in 2018, was to set up a dedicated energy management system used to define, oversee and monitor the implementation of a clearly stated energy policy. Our datacenters received an energy efficiency award from the European Union in 2013.

The measures adopted to achieve energy efficiency and minimize energy loss have made our datacenters highly innovative structures in terms of electricity consumption. The technologies used are detailed in an internal specifications document entitled ECS 2.0.

All the electricity used by our datacenters in 2018 was certified from hydropower sources.

The Group is continuing with its measures to boost the energy efficiency of its datacenters. The Datacenters DC2, DC3 and DC4, built according to the Group's specifications, have a Power Usage Effectiveness (PUE) rating of less than 1.4. A continuous improvement program was implemented for these three datacenters' cooling systems, which represent a significant proportion of their power consumption. These improvements are primarily based on the free-cooling technique which uses outside air to cool IT infrastructures as well as modernizing primary infrastructure by using high-performing equipment. The Group estimates that these measures enable its datacenters to save more than 14 GWh of electricity per year, representing approximately 650 tons of $CO_2$ equivalent.

A new datacenter (DC5) with a total capacity of 20 MW was delivered in 2018 based on new specifications. Its PUE rating is less than 1.1, and it uses evaporative cooling to cool its infrastructure without using air conditioning or refrigerants. DC5 is the first site of this size in Europe to feature this type of system. Energy savings compared to a traditional datacenter exceed 20%.

As part of an overall ecological and responsible approach, the Group has developed an innovative technology capable of recovering and reusing the excess heat generated by its datacenters. One practical example of this approach is an energy recycling mechanism designed by the Group for its DC4 datacenter that uses a heat exchanger to supply heating for social housing in Paris. A final agreement concerning this heating system was signed with Paris Habitat OPH in July 2013 for the 15$^{th}$ *arrondissement* of Paris, whereby 60 GWh to 70 GWh of heating per year will be transferred to around 170 homes from 2019 through 2026.

In line with the Kyoto Protocol and EU Directive 2003/87/EC, Online implemented a plan to gradually replace sulfur hexafluoride (SF6) and other greenhouse gases. This gas is currently used in traditional electrical switchgear, which will be replaced by vacuum switchgear by 2026.

Lastly, the Group has replaced traditional transformer oils with natural ester triglyceride. In France, Online was the first operator to introduce the large-scale use of this ecological oil, which has a biodegradation rate of 99% after only 43 days.

In a bid to be as transparent as possible, the Group has decided to publish the energy indicators for its datacenters in open data format and in real time on a dedicated website at http://pue.online.net.

#### 4.2.3.3 KPIs

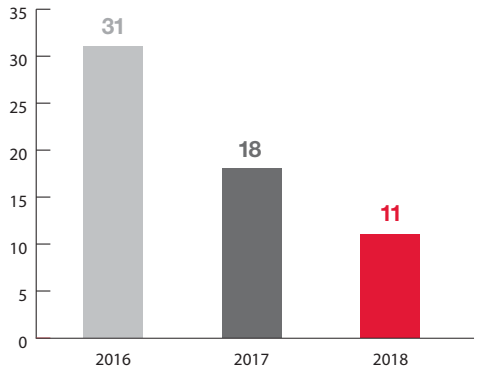
Due to the intensive rollout of FTTH and mobile networks and datacenters, which is set to continue for the next several years, the Group is aware of the difficulty of making any commitment to reduce its future energy consumption in terms of value.

The Group's landline and mobile networks, along with its datacenters, account for two-thirds of its total $CO_2$ emissions, and that proportion is likely to increase over the next few years.

However, the Group's energy efficiency index is low, at 0.36 terajoules per euro of revenue for 2018, therefore relatively stable compared with its 2017 performance at 0.38. The Group expects this indicator to rise in the years to come due to continued network rollouts, but is taking steps to keep it low.

Given the intense rollout of our mobile networks, rapidly growing demand for new uses, which is likely to continue with the development of 5G technology, the Group believes it is important to report a key indicator that measures mobile network consumption. For example, Iliad is making efforts to reduce the amount of $CO_2$ emissions of its mobile network per gigabyte used by its subscribers. This indicator came out at 11 g of $CO_2$/GB for 2018, three times lower than in 2016. The Group plans to improve this performance over the next few years.

**$CO_2$ EMISSIONS OF THE MOBILE NETWORK PER GB USED (G OF $CO_2$/GB):**




## 4.3 SOCIAL ROLE

### 4.3.1 BUSINESS ETHICS AND DUTY OF CARE PLAN

#### 4.3.1.1 Ethics and compliance policy

Our subscribers, service providers and employees are increasingly aware and mindful of our business ethics and the quality of our commitments. At the same time, tighter regulations expose our Group to the risk of sanctions and reputational risk, especially in terms of corruption.

Iliad's governing body, intent on meeting the ethics and compliance challenges that guide the business dealings of the Group and its subsidiaries, plays an active role in bringing our practices in line with regulations.

The Corporate Secretary was the first to embody these efforts by implementing an adapted compliance program. He appointed a Head of Ethics and Compliance in 2018 to develop, implement and monitor the effectiveness of the measures taken. His role includes ensuring that the necessary resources are allocated to achieve the Group's compliance targets.

The commitment of Iliad's governing body also shows through the involvement of Senior Management. An Ethics Committee was added on the same footing as the Committees reporting to Senior Management. Made up of members from the Group's different support functions, the Committee is tasked with defining the main tenets of the Group's ethics policy and reviewing its compliance program.

#### 4.3.1.2 Taking the right action

Adapted actions translate our commitments into operational practice and aim to prevent, mitigate and eliminate any risk of non-compliance faced by the Group.

##### 4.3.1.2.1 Code of Ethics

First of all, Iliad implemented a Code of Ethics. This document sets out the Group's ethics policy and the principles and behavior to avoid exposing employees, the Group or any stakeholder to an ethics or non-compliance risk.

Widely distributed within the Group and at its subsidiaries, the Code of Ethics is annexed to the Board of Directors' Internal Rules and is available to all employees at any time on the company's intranet and our dedicated ethics and compliance website: https://compliance.iliad.fr

The principles laid down in the Code of Ethics are disseminated through an internal awareness and training plan. The Code of Ethics is reviewed and updated every year, aligning our efforts to continuously improve the compliance program with any changes in regulations or new expectations from our stakeholders.

**Monitoring and implementation**

The Code of Ethics will be sent personally to all new employees hired as of 2019.

***KPIs***

Starting in 2018, all new employment contracts refer to the Code of Ethics, which is annexed to the Board of Directors' Internal Rules.

#### 4.3.1.2.2 Risk mapping

The risks and uncertainties of which the Group is currently aware and considers to be significant are described in Chapter 2 of this Registration Document – Risk factors. A specific risk map has been drawn up for ethics and compliance risks based on the following methodology:

- risks relating to breaches of fundamental liberties, personal health and safety, and environmental damage are identified.
- risk factors and the method for weighting them are defined based on criteria adapted to our businesses, such as business sector or geographical location. Objective, authoritative indicators are also used, such as Transparency International's Corruption Perceptions Index and the European Commission's official black and gray lists of non-cooperative tax jurisdictions with regard to matters involving tax evasion.
- these risks are then analyzed, prioritized and weighted by revenue generated by the Group's different companies.
- simultaneous analysis of existing formal or non-standard procedures, along with the impact of mitigation measures planned for implementation in the following year, can be used to estimate the Group's residual risk.
- this assessment is reviewed annually unless a one-off event motivates an additional review in the course of the year.

**Monitoring and implementation**

An initial map was prepared in 2017 by consulting with Iliad's main internal stakeholders.

In 2018, the Group developed a more operational map by integrating new criteria from the supplier database to prioritize risks.

The map will be updated to align it with the two previous years and provide the Group with a more structured, operational approach consistent with other tools in place.

#### 4.3.1.2.3 Awareness and training

An awareness and training plan was developed on preventing ethics and compliance risks, which is set to include both a classroom and an e-learning module.

Over 250 Group employees in France and Morocco took the classroom training course in 2018, and an e-learning module will be implemented for all employees in the first half of 2019.

The primary aim of these training modules is to spread a culture of compliance throughout the Group. They outline identified risks and the main principles set out in the Code of Ethics.

The scenarios in the e-learning module describe situations that were discussed during the initial classroom training sessions to better reflect the reality faced by operational staff in preventing ethical risks.

In addition to the annual review to keep them up to date, the modules are also revised to reflect any substantial changes in Group policy or applicable regulations.

#### 4.3.1.2.4 Gifts and hospitality

Although giving and accepting gifts, invitations and signs of hospitality may be commonplace in the world of business, the practice carries risks that all of our staff members understand how to identify and avoid. This awareness is supported by Iliad's system for reporting and monitoring gifts and hospitality, and large-scale communication of best practices to make sure everyone makes the right choices.

After being compiled and analyzed, reported gifts and hospitality are used in the annual review of Iliad's risk map to update operational factors.

In 2018, the Group lowered the thresholds for accepting gifts and hospitality to limit associated risks.

**An excerpt from a document on the subject**

"Before giving or accepting a gift, invitation or gesture of hospitality, make sure that none of the following circumstances are met: the act is not in line with proper business conduct (e.g., cash, gift vouchers, gift of excessive value); its purpose is clearly to influence a decision (e.g., to award work); the period is undeniably strategic (e.g., negotiations, bids, agreements pending signature); the act is repeated (e.g., several invitations to restaurants)."

#### 4.3.1.2.5 Whistle-blowing procedure

Iliad has implemented a whistle-blowing procedure in accordance with the Sapin II Act and local regulations applicable in the countries where the Group operates. The procedure is designed for reporting corruption, violations of duty of care, and cases of harassment and discrimination. The whistle-blowing procedure can be accessed on the Group's compliance website.

In practice, valid cases are verified as described in the whistle-blowing procedure and to protect the whistle-blower. The procedure is also being monitored to determine where improvements can be made.

**Technical procedure and monitoring**

- A platform was developed for processing and monitoring reports.
- The system has been used seven times since its launch.
- Three cases were reported as valid.
- Access to the whistle-blowing procedure is publicly available on the Ethics and Compliance page of www.iliad.fr.

#### 4.3.1.2.6 Combating tax evasion

The risk of tax evasion, although very low, is monitored by the Finance Department, which ensures Iliad's compliance with current regulations, especially through its supplier assessment procedure.

### 4.3.2 RESPONSIBLE RELATIONS WITH OUR SUPPLIERS

#### 4.3.2.1 Responsible purchasing policy

While Iliad believes in the importance of providing its subscribers with quality products and services, it is also concerned about the CSR performance of its partners and supply chain. The Group has a responsible purchasing policy to bring together these goals and regulatory compliance.

Sustainable development has become a key criterion in our purchasing policy, on par with price and quality. In practice, this policy involves:

- integrating CSR into the Company's purchasing process;
- taking steps to reduce $CO_2$ emissions by adapting needs, incorporating eco-design principles into Freeboxes, optimizing logistics, replacing part of the automobile fleet with electric cars;
- guaranteeing satisfactory working conditions that respect fundamental human rights in our supplier relations;
- working with suppliers that comply with International Labour Organization conventions and human rights guidelines;
- constantly striving to protect the health and safety of end consumers;
- guarding against obsolescence.

#### 4.3.2.2 Taking the right action

Sharing common values is essential to building and maintaining lasting partnerships and business relations. That's why our policy is to involve our stakeholders in an assessment and continuous improvement approach that aims to achieve exemplary performance in key issues, including business ethics, environmental protection and respect for labor and human rights.

We assess the CSR performance of a group of strategic suppliers selected from the most sensitive activities and based on the risk map. The selection covers the Group's various purchasing units, from the supply chain to terminals to network rollout.

Once the assessment is carried out and the supplier's score analyzed, a plan is implemented to guide stakeholders through a list of prioritized recommendations on the measures necessary to ensure our partners' compliance with our ethical standards.

**Monitoring and implementation**

2018: selection of strategic suppliers, criteria and the assessment platform

2019: launch of initial assessments

**Suppliers are selected** for this assessment based on a map of ethics and non-compliance risks. This map combines criteria such as region, business sector, business volume and indexes defined by recognized NGOs such as Transparency International's Corruption Perceptions Index.

**Assessment results are used** at several stages in Iliad's business relations: supplier approval process, in calls for tenders, purchasing decision-making process, and annual review of its ethics and compliance policy. Suppliers assigned an unsatisfactory score may be asked to make proportionate improvements. Results will also be used for statistical purposes to improve the management of our responsible purchasing policy.

**What happens if a supplier doesn't participate in the assessment?**

The business relation is moved to a watch list, and additional verifications are carried out to obtain assurance that it is compliant with our responsible purchasing policy. Cooperation in conducting these assessments and, more broadly, compliance with our responsible purchasing policy is an essential factor in the quality of our business relations.

A process to harmonize supplier assessment procedures will be launched in 2019 with the support of a specialized sustainability ratings platform, EcoVadis, which bases its rating methodology on ISO 26000.

### KPIs

The service providers selected for the CSR assessment campaign cover over 50% of the Group's expenses.

## 4.3.3 RESPECT FOR OUR SUBSCRIBERS AND RIGHTS OF CITIZENS

### 4.3.3.1 Role of respect for rights and personal data protection

For the Group, social and environmental responsibility implies informing consumers in a transparent way about its business activities. That is why we make sure that we act as a responsible operator towards consumers on a daily basis by rolling out policies and actions covering two key issues:

- protecting personal data;
- informing and protecting vulnerable populations.

#### 4.3.3.1.1 Protecting personal data

EU regulation no. 2016/679 passed by the European Parliament and Council on April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, defined a new, compliance-based legal framework for protecting personal data.

As an electronic communications operator, Iliad must comply with strict regulations governing the privacy of its subscribers and confidentiality of information shared on its networks. The Group's Legal Affairs Department and Corporate Secretary ensure compliance with laws and ethical principles applicable to the Group's business sectors by defining and implementing proportionate special compliance programs, particularly pertaining to personal data protection. They are also responsible for ensuring that measures put in place in all Group's subsidiaries are effective. They do this through a GDPR Committee that meets regularly to plan procedures to be implemented or review those in place, and can call special meetings to resolve any potential risk of non-compliance that could arise.

A Personal Data Committee has also been set up to review the Group's compliance program.

#### 4.3.3.1.2 Managing security risks

The Group attaches great importance to guaranteeing security for its subscribers and protecting their personal data. This is a major concern that has led us to make a number of strategic choices for our landline, mobile and Internet activities as well as our subscriber management platforms.

For example, Iliad's strategic equipment manufacturers are all in Europe or internal to the Group (Freebox). Other choices include encryption of its wireless connections (WiFi, radio, mobile) using the latest algorithms, and in-house oversight and operation of equipment with secure, authentication-based access control.

Subscriber relations platforms are managed internally at Group level by dedicated structures in order to ensure that personal data is not dispersed among different external parties. The Group prefers to develop its information systems in-house. Access to data bases containing subscribers' personal information also systematically requires authentication, with hierarchical access levels and archived authentication logs to ensure traceability.

#### 4.3.3.1.3 A strict framework for communicating data

The legal provisions applicable in France require the Group to notify the CNIL (Commission Nationale de L'Informatique et des Libertés) in the event of any security breach and/or violation of personal data. In addition, in accordance with Decree no. 2012-1266 of November 15, 2012, the department of the French government responsible for IT security may carry out audits on the Group's security systems whenever it deems fit.

The Group does not communicate any personal data of its subscribers to third parties without their consent, other than when required to do so by law.

#### 4.3.3.1.4 Security solutions for all subscribers

Free offers all of its subscribers (both for landline Broadband and Ultra-Fast Broadband and mobile services) an Online personalized management interface (subscriber's Online area), which can be used to securely manage the various aspects of their subscription and connection.

This interface – which is accessible through any Internet access point – can be used to allow personal contact information to appear in directories, restrict the caller-ID function on calls, and filter incoming, outgoing and unwanted calls.

#### 4.3.3.1.5 Informing and protecting vulnerable populations

Free has designed and put in place a number of different solutions aimed at protecting vulnerable populations from inappropriate content.

In its television interface, Free has set up a parental code system to protect vulnerable populations. This code is initialized in the subscriber's Online personal space, which only the adult holder of the subscription can access using his or her login and password.

Concerning Internet access, the FreeboxOS (for computers) or the Freebox Compagnon application provides subscribers with a parental control service that can be set up and configured from a mobile device remotely and in real time.

This service enables subscribers to allocate specific rules to each of the peripheral devices connected to their network, either authorizing or restricting Internet access at specified times, or completely prohibiting access for any unauthorized device (MAC address filtering).

Additionally, Freebox Revolution, mini 4K, Delta or One subscribers can use a WiFi planning function to enable or disable their WiFi service.

### 4.3.3.2 Our economic role and how we meet consumer expectations

The foundation of our overall offering is to provide subscribers with straightforward and value-for-money services, and for over a decade now we have focused on proposing innovative solutions and bringing new information and communication technologies within everyone's reach. When we launched our mobile offerings, we decided to use a similar business model to that which we had successfully rolled out for our landline operations, namely offering simple, attractively priced plans that are cheaper for subscribers and at the same time give them much more usage. The effects of this have been pronounced, with the average mobile phone bill for subscribers in France dropping since the launch of Free Mobile to €14.60 per month, excluding tax (based on Arcep data). In parallel, the penetration rate of mobile communications in Metropolitan France (excluding M2M) rose to 112.6% at end-2018 from 99.6% before the Free Mobile plan was released.

Free Mobile's entry-level €2/month plan is a clear illustration of the Group's objective of bringing mobile phone usage within everyone's reach as ever since its launch it has offered a better service, at five times less the price, than the "social" mobile plans designed by France's operators and government in 2011.

The Group has also played a key role in integrating the French overseas departments (DOM) and foreign destinations into mobile plans. For example, in January 2013, it was the first operator to include in its plans (Freebox Revolution and mobile plans) unlimited calls and text messages to mobiles in the DOM. The Group was also the driver behind reducing roaming costs by incorporating numerous destinations into the Free Mobile plan at no extra cost, as well as 25 GB of monthly data in a large number of countries.

In connection with these offerings we have put in place a highly effective subscriber relations system based on dialog and anticipating needs, with the constant aim of fully meeting our subscribers' expectations.

All of these efforts were recognized by the high rankings and prizes awarded to the Group in numerous surveys carried out in 2018, including:

- ***nPerf* performance survey of mobile Internet connections in Metropolitan France – Q4 2018**: Free obtained the best 4G download speed of Alternative operators;
- ***nPerf* performance survey of landline Internet connections in Metropolitan France – 2018**: Free obtained the best FTTH download speed;
- **2019 Customer Excellence Award**: as in 2018, Free won the 2019 Customer Excellence Award in the mobile operator category, recognizing our subscriber relationship efforts (assistance and community involvement).

Subscriber satisfaction is particularly important for Free Mobile as it only offers no-commitment plans. In the space of six years since the launch of its mobile offerings the Group has already won a 19% market share in Metropolitan France (excluding M2M), demonstrating the quality of the service provided to subscribers under these no-commitment plans.

The Group has also been awarded certifications by the French standard-setting agency, AFNOR, for the quality of its subscriber relations service in both the Landline and Mobile businesses. This certification is a guarantee of the high-quality, reliable and conscientious service provided by the Group's subscriber relations teams. The Landline business has been certified since 2008 and the Mobile business received certification in 2013, just one year after its commercial launch.

**Monitoring and implementation**

- Results of the subscriber satisfaction survey: over 9 out of 10 subscribers recommend Free.
- Net adds: FTTH subscriber base nearly doubled in the space of a year to 1 million subscribers in January 2019, and 722,000 net new subscribers to our Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).

## KPIs

Purchasing power saved: about 40% on the average mobile phone bill for subscribers in France since the launch of Free Mobile.

## 4.3.4 RESPECT FOR HUMAN RIGHTS

The Group respects the principles of the Fundamental Conventions of the International Labour Organization (ILO) and promotes the human rights principles set out in the United Nations' Universal Declaration of Human Rights.

Consequently, it has undertaken to (i) respect the right to freedom of association and protect the right of collective bargaining (the Freedom of Association and Protection of the Right to Organise Convention (no. 87) dated July 9, 1948, and the Right to Organise and Collective Bargaining Convention (no. 98) dated June 8, 1949); and (ii) combat all forms of forced labor and child labor (the Abolition of Forced Labour Convention (no. 105) dated June 25, 1957, and the Worst Forms of Child Labour Convention (no. 182), dated June 17, 1999). These commitments are implemented in the different countries where Iliad operates in line with local regulations. We are also vigilant about respecting the principles of equality, diversity and non-discrimination.

The Code of Ethics distributed to all employees and available on the Group intranet lists our commitments to human rights.

## 4.3.5 COMMITMENT TO SOCIETY AND TO THE COMMUNITY

### 4.3.5.1 The Free Foundation

The Group's solidarity policy is mainly illustrated in the actions led by the Free Foundation. In line with the Group's overall commitment to corporate social responsibility, one of the key ways the Free Foundation has pursued this mission since its formation in 2006 is by promoting the development of open-source software. Its objective is to enable as many people as possible to have access to technology through several forms of support.

#### 4.3.5.1.1 Financial support for charities and other non-profit organizations

With a €250,000 budget allocated each year, the Free Foundation promotes the use of digital technology by vulnerable populations by financing projects to teach and train them in using IT tools. Every year, some 30 non-profit organizations in France and around the world receive an average grant of €10,000. In 2018, 23 projects were co-financed by the Foundation, including:

- **Konexio**

  This non-profit organization makes digital knowledge accessible and provides training for people from all walks of life, especially refugees by offering them professional opportunities in technology. It is about creating a community that is passionate about digital technology and computer programming;

- **Electronik**

  With the realization that the digital divide is wider for seniors than for young people, Electronik has designed creative workshops to guide older generations in learning how to use digital tools. Two programs are available – "creating a digital photo album" and "intergenerational artistic workshops" – to help bring them up to speed on digital technology while curbing the social isolation affecting this population group;

- **PiNG**

  This non-profit regularly organizes digital workshops and educational gatherings addressing a wide audience, regardless of level in using IT tools. After several years of field testing new digital third places that can be used to share knowledge, skills and expertise, in 2018 PiNG wanted to share its experience in written publications available in both paper and electronic format;

- **Open Atlas**

  Open Atlas created the collaborative platform Communecter, a free, open-source social innovation project open to anyone in all regions. This open, locally-minded and community-driven social network brings people, non-profits, governments and local businesses in a town or region together to develop projects;

- **My Human Kit**

  This non-profit researches new solutions to allow people with disabilities greater independence and enhance their quality of life. Based on the values of sharing, exchange, collaboration and accessibility for all, its action focuses on producing reduced cost upper limb prosthetics. MHK also implements technical, social and cultural initiatives that revolve around achieving its goals, ranging from technical assistance, knowledge sharing and talks, to training, humanitarian aid and artistic performance.

The Free Foundation also hosts and provides servers, and donates equipment.

#### 4.3.5.1.2 Change in the Foundation's missions in 2018

To have a greater impact, the Foundation decided to target its initiatives in two specific areas: digital culture for young people and collaborative tools to support people with disabilities.

The idea is to bring greater consistency and clarity to its action, especially to give staff members a clearer understanding of the issues it defends. In 2018, at both the Group's offices and middle schools and high schools in the Greater Paris region, Iliad employees presented their career path and the range of jobs available within the Group. The focus for the years to come will be to drive employee engagement through skills sponsorship programs by bringing together schools and non-profit organizations.

### 4.3.5.2 Voluntary initiatives

The Group takes part in numerous community initiatives and encourages its employees to contribute to causes that reflect Iliad's corporate values.

- **Sidaction**

  Every year for the past ten years, Iliad has supported the fundraising day organized by Sidaction for combating AIDS. As part of this support, the Group lends its premises for the event, calls on its employees to give up their weekend time to help as volunteers to take donation pledges, broadcasts the Sidaction logo on Freebox TV and displays the Sidaction banner on the Free portal in order to rally as many people to the cause as possible. As it has done almost every year, Free had its logo printed on condom wrappers and distributed them to its subscribers;

- **Support for humanitarian and charity organizations**

  The Group's contact centers raise their employees' awareness of supporting charities and other non-profit organizations by organizing clothing, food and toy drives, events for sick children (drawing, coloring and creativity workshops and distributing snacks and gifts) in partnership with the Total Call crèche;

- **Getting employees involved in voluntary initiatives**

  Iliad promotes major social causes and encourages all employees to get involved in supporting them. The Certicall contact center has created a specific page about the Group's CSR approach on its internal social network in order to obtain its employees' opinions about this issue and encourage discussions;

- **Blood drives**

  We organize blood donation days at our sites in partnership with regional blood transfusion centers and the Établissement Français du Sang. In parallel, we run an awareness-raising campaigns under the supervision of the occupational physician, explaining the benefits and objectives of giving blood;

- **Academic support**

  Certicall regularly participates in interview role-plays in a middle school in a disadvantaged area as part of an employee-preparation program organized by France's national unemployment agency. Under this program companies receive government funding to provide training to jobseekers prior to them being hired, and/or to certain employees under subsidized contracts. In addition, as part of its policy of contributing to regional development, the Certicall site built up links with local higher education establishments during the year.

# REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT INCLUDED IN THE GROUP'S MANAGEMENT REPORT

**For the year ended December 31, 2018**

*This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

**Iliad**
16 rue de la Ville l'Évêque
75008 Paris, France

To the Shareholders,

In our capacity as Statutory Auditor of Iliad (hereinafter "the entity"), appointed as an independent third party and certified by COFRAC under number 3-1060 (revised, accreditation scope available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the management report in accordance with Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

## The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the company's head office.

## Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

## Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on:

- the consistency of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the consistency of products and services with the applicable regulations.

## Nature and scope of our work

The work described below was performed in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the consistency of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the labor and environmental risks associated with their activities and, where applicable, the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;

- we verified that the Statement includes each category of labor and environmental information set out in Article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L. 233-16;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative results that we considered to be the most important and for which a list is provided in the appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities – Free Réseaux, Free Mobile, F Distribution, Equaline and Resolution Call – and covers between 46% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests,
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important and for which a list is provided in the appendix;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

## Means and resources

Our work was carried out by a team of six people between December 2018 and March 2019 and took a total of three weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around ten interviews with the persons responsible for preparing the Statement, representing the CSR Committee and the human resources, investment and compliance departments.

## Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

## Comment

Without qualifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comment:

- No formal process exists for identifying and prioritizing risks that can be used to present the principal risks.

Signed in Neuilly-sur-Seine, March 26, 2019

One of the Statutory Auditors

**PricewaterhouseCoopers Audit**

Thierry Leroux

Partner

Pascal Baranger

Sustainable Development partner

## Appendix: List of CSR Information that we considered to be the most important

**Key performance indicators:**

- Change in the number of work accidents with lost time and in the absenteeism rate between 2017 and 2018;
- Change in the number of training hours between 2016, 2017 and 2018;
- Percentage of permanent employment contracts in the workforce for 2018;
- Change in the tonnage of recycled industrial waste for Freeboxes between 2017 and 2018;
- Share of CO2 emissions generated by air freight;
- Change in average CO2 emissions of the automobile fleet;
- Change in CO2 emissions of the mobile network per GB used (g of CO2/GB);
- Percentage of employment contracts signed in 2018 containing the Code of Ethics;
- Coverage of the service providers selected for the CSR assessment campaign based on Group expenses;
- Change in the purchasing power saved since the launch of Free Mobile.

**Qualitative information (measures and outcomes):**

**Health and safety:**

- Strengthened governance and improved safety conditions and employee awareness;
- Employee awareness about safety and support for employees.

**Quality of life in the workplace:**

- Improved communication within the Group;
- Organization of working time for pregnant employees and for the well-being of employees.

**Training:**

- Training initiatives implemented in 2018.

**Talent attractiveness:**

- Internal employee mobility charter and training on non-discrimination.

**Environmental footprint of Freeboxes:**

- Measures to reduce emissions associated with transporting products;
- Measures taken in eco-design, recycling, multimodal transport and delivery optimization.

**Environmental impact of the automobile fleet**:

- Green driving and introduction of electric vehicles.

**Network energy consumption:**

- Energy reduction and consumption measures and ISO certification of datacenters.

**Business ethics and duty of care plan:**

- Code of Conduct, risk map based on the Sapin II Act, and measures taken to combat tax evasion;
- Training on anti-corruption;
- Policy on gifts and hospitality.

**Responsible relations with our suppliers:**

- CSR assessment process.

**Respect for our subscribers and compliance with human rights and rights of citizens:**

- Measures taken to support and promote respect for human rights;
- GDPR Committee and security solutions for all subscribers.

# 5

# ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS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IFRS 15, Revenue from Contracts with Customers, has been applicable since January 1, 2018. Iliad has therefore prepared its consolidated financial statements for 2018 in accordance with this new standard, which impacts its figures for revenues and purchases used in production in the income statement.

## KEY CONSOLIDATED FINANCIAL DATA

| *In € millions* | Year ended Dec. 31, 2018 | Year ended Dec. 31, 2017 |
|---|---|---|
| **INCOME STATEMENT** | | |
| Total revenues | 4,891 | 4,860 |
| Revenues excluding sales of terminals | 4,689 | 4,615 |
| **EBITDA** | **1,755** | **1,777** |
| Profit from ordinary activities | 690 | 862 |
| **Profit for the period** | **330** | **405** |
| **BALANCE SHEET** | | |
| Non-current assets | 9,959 | 7,424 |
| Current assets | 1,277 | 972 |
| Of which cash and cash equivalents | 181 | 216 |
| Assets held for sale | 15 | 20 |
| **Total assets** | **11,252** | **8,416** |
| Total equity | 3,606 | 3,374 |
| Non-current liabilities | 4,974 | 2,882 |
| Current liabilities | 2,671 | 2,160 |
| **Total equity and liabilities** | **11,252** | **8,416** |
| **CASH FLOWS** | | |
| Cash flows from operations | 1,693 | 1,737 |
| Capital expenditure – France | (1,555) | (1,460) |
| Capital expenditure – Italy | (261) | (43) |
| Capital expenditure – frequencies* | (605) | (528) |
| Net change in cash and cash equivalents – Group (excluding change in Net debt and dividends) | (1,444) | (754) |
| Dividends | (40) | (26) |
| Net debt | 3,983 | 2,449 |

* *Including €342 million in Italy (second installment paid to Wind Tre and first installment of the 5G spectrum auction) and €263 million in France (including the last installment relating to the acquisition of 700MHz frequencies).*

In accordance with IFRS 15, €21.4 million has been reclassified from "Capital expenditure – France" to "Cash flows from operations" for 2017.

# 5.1 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 landline narrowband Internet Service Provider to an integrated landline and mobile Ultra-Fast Broadband operator. It has some 20 million subscribers in France and 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 2.8 million subscribers in seven months. Consequently, in the space of 20 years, the Group has become one of the leading electronic communications players in France and Italy, with some 23 million subscribers, over 10,000 employees, and almost €4.9 billion in revenues.

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 business 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 landline telecommunications market. In addition, since 2012 when it first launched its mobile offerings, the Group has become an integrated operator present in both the landline Broadband and Ultra-Fast Broadband and mobile segments. The Group's success in these two segments has been built on the following fundamentals – straightforward offerings, excellent value for money and innovation;

- **Italy**

  In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries, which provided for Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – involves (i) the transfer of a set of frequencies, (ii) an undertaking to acquire macro sites of the merged network, (iii) a possibility either to bring into force a RAN sharing agreement covering rural areas or to acquire macro sites in those areas, and (iv) an all-technologies roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period.

The Group launched its mobile telephony offering in Italy on May 29, 2018 and had over 2.8 million mobile subscribers at December 31, 2018. The Italian mobile business generated €125 million in revenues in seven months of operations in 2018.

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

- EBITDA, which corresponds to profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets;
- *Revenues invoiced to subscribers*, which corresponds to revenues generated from the sale of services to subscribers.

## 5.1.1 BREAKDOWN OF REVENUES

### 5.1.1.1 France

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

*Presentation of the Group's landline offerings*

In 2018, the Group put in place a new sales and marketing approach based on:

- **a more streamlined pricing and promotions policy**. The Group overhauled the pricing for its long-standing deals by offering an automatic discount for the first 12 months. It also introduced a 12-month contract period and a €49 activation fee. Consequently, the Group now has four Internet access deals offered at a discounted price. All of these deals come with a Freebox and are priced at between €9.99 and €29.99 per month for the first 12 months and then €24.99 to €44.99 per month. It also has a premium offering, with no discount, priced at €49.99 a month;
- **differentiation through innovation**, with the launch of the Freebox Delta and the Freebox One in December 2018, aimed at upscaling the Group's offerings and achieving a better segmentation of the subscriber mix.

At December 31, 2018 therefore, the Group had five main offerings in all:

- **the Freebox Delta – Free's premium offering (€49.99 per month)** – which delivers the fastest possible speeds, whether via fiber, through 10G fiber technology, or DSL, by bonding xDSL and 4G. The Freebox Delta deal also includes 280 TV channels and calls to landlines and mobiles, as well as Netflix Essential for S-VOD (4K HDR possible if the subscriber has Netflix Premium), and LeKiosk for unlimited access to newspapers and magazines. Subscribers also become owners of the Freebox Delta Player (invoiced at €480), which comes with a Devialet speaker, two voice assistants (OK Freebox and Amazon Alexa), a smart-home hub and a security pack (optional). Lastly, subscribers can store up to 1 TB of data via NAS (also optional). If subscribers wish to sign up to the Freebox Delta deal without purchasing the Free-Devialet Player they can opt for the Freebox Delta S plan, which excludes TV services, OK Freebox and Amazon Alexa but has a lower monthly price than the full Freebox Delta offering;
- **the Freebox One (€29.99 per month for one year and then €39.99 per month)**, which has a Server and a Player combined in a single box. The Freebox One plan includes Netflix Essential and provides access to 4K HDR download-to-own content through the Canal VOD platform. The standard services such as 220 channels with Freebox TV and 110 telephone destinations to landlines and mobiles are also included. And, of course, the Freebox One is compatible with FTTH and xDSL technologies;

- **the Freebox Revolution (€19.99 per month for one year and then €44.99 per month)**, which allows subscribers to connect several terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative services, such as the NAS server which has storage capacity of up to 250 GB accessible from anywhere at any time, a Blu-Ray™ player and calls to mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and speakers;
- **the Freebox mini 4K (€14.99 per month for one year and then €34.99 per month)**, which is the world's first triple-play box that has integrated AndroidTV™ – the Google™ platform for TV – and is compatible with 4K technology (Ultra High Definition). It has Bluetooth™ technology and offers many other innovative services, such as a remote control with a voice search function and the possibility of using a mobile phone as the remote control. It is also the most compact box on the market, measuring 11 x 15 cm;
- **the Freebox Crystal (€9.99 per month for one year and then €24.99 per month)**, which was originally withdrawn from the Group's commercial offerings when it was replaced by the Freebox mini 4K. However, when the Group overhauled its landline offerings it decided to bring back the Freebox Crystal as an entry-level offering.

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);
- **VDLS2**, which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload;
- **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.

Through the Group's offerings, depending on the plan they choose, subscribers are provided with the services described below:

- **telephony**: all subscribers have access to a telephone service under which they can make calls through their Freebox to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to over 110 landline destinations outside Metropolitan France depending on the terms of their plan. Additionally, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France;
- **Free proposes the largest 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 channels, 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 also 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). Lastly, 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 offers and services available under the Online, Dedibox and Iliad Entreprises brands*

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

- **Hosting services**, which correspond to (i) providing dedicated servers to private individuals and SMEs that 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;
- **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.

## (b) Mobile offerings

As part of its new sales and marketing strategy launched in 2018, the Group is particularly focusing on improving its subscriber mix by increasing the proportion of its subscribers on the Free Mobile Unlimited 4G Plan. The following measures were taken during the year to help achieve this objective:

- launch of an intermediate deal at €8.99/month for the first year, with automatic migration to the Free Mobile Unlimited 4G Plan at the end of 12 months, which will lead to an increase in revenues invoiced to subscribers;
- stepping up campaigns for migrating subscribers on the €2 plan to the Free Mobile Unlimited 4G Plan.

At December 31, 2018, the Group had the following mobile offerings:

- **the €2/month plan (€0/month for Freebox subscribers)**, which includes:
  - 120 minutes of voice calls per month in Metropolitan France and (i) to mobiles in the United States, Canada, China and the French overseas departments (*départements d'outre-mer* – DOM) as well as to 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM,
  - unlimited texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM,
  - 50 MB of 3G/4G mobile data plus an additional 50 MB usable in Europe and the DOM, as well as unlimited access to the FreeWifi network,
  - this no-commitment plan – which also includes services such as voice mail, caller display and usage monitoring – was primarily designed for subscribers mainly wanting to make voice calls at a competitive price. Under the plan, subscribers can opt for extra minutes and data volume as well as for calls to and from additional foreign countries,
- **the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers) **at €19.99/month (€15.99/month for Freebox subscribers)**, which includes:
  - unlimited voice calls (i) to mobiles and landlines in Metropolitan France, mobiles in the United States, Canada, China and the DOM and 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM and from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France,
  - unlimited texts/MMS in Metropolitan France and (i) from Europe and the DOM to Metropolitan France, Europe and the DOM (excluding MMS to Mayotte), and (ii) from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating message and in Metropolitan France,
  - unlimited 4G data for Freebox subscribers in Metropolitan France (50/100 GB/month for non-Freebox subscribers) and 25 GB/month of data in Europe, the DOM, Switzerland, the United States, South Africa, Australia, Canada, Mexico, Turkey, Algeria, Thailand, Russia, Brazil, Israel, New Zealand, Ukraine, Jersey, Guernsey and the Isle of Man,
  - the Group also has a special version of its Free Mobile Unlimited 4G Plan – the **Free 4G Series Plan – which costs €8.99 per month** for 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).

### (c) 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.

## 5.1.1.2 Italy

On May 29, 2018, the Group announced the launch of its mobile business in Italy, with a straightforward and innovative offering at an attractive price.

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. Iliad Italia subsequently upscaled its offer, proposing 40 GB/month for €6.99 a month. Since September 6, 2018, Iliad Italia has offered a plan costing €7.99/month which includes:

- unlimited voice calls (i) to mobiles and landlines in Italy, mobiles in the United States and Canada and over 60 international landline destinations and (ii) from Europe to landlines 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 usage monitoring – 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 landlines and mobiles in the USA and Canada, as well as from Europe to landlines and mobiles in Italy and Europe;
- unlimited texts/MMS in Italy and from Europe to Italy and Europe;
- 40 MB of 4G/4G+ data plus an additional 40 MB of roaming in Europe;
- this no-commitment plan has no hidden costs, is for life, and includes the same services as the 50 GB and 40 GB offerings.

The Group's Italian offering also includes a selection of the latest Apple iPhones (iPhone XR, XS, XS Max and 8). 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. Currently the solution offered by Iliad Italia for acquiring a phone is outright purchase with upfront payment.

## 5.1.2 THE GROUP'S MAIN OPERATING COSTS

### 5.1.2.1 France

#### (a) Main operating costs of the Group's landline 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 they 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 (€9.31/month and line) as well as maintenance costs.

(ii) Costs related to FTTH offerings

As it rolls out its network, the Group is offering its subscribers in eligible areas the possibility of migrating to an FTTH offering. The gross margin and EBITDA margin on FTTH 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 FTTH subscribers in eligible areas where technically feasible.

For co-financed areas, when certain areas are first opened up, in order to optimize its capital expenditure the Group sometimes has to make a choice of whether to pay rental costs in addition to its investments. In such cases, the operating costs borne by the Group are higher than in cases when it co-invests.

#### (b) Main operating costs of the Group's mobile offerings

(i) Mobile call and text message termination charges

The applicable termination charges in 2018 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 roaming services provided to it, which are defined in a roaming agreement signed with France's incumbent operator in 2011. The agreement applies to 2G and 3G technologies and has been amended since it was first signed – notably in relation to interconnection capacity – in order to take into account the increase in mobile subscriber numbers. It had an initial term of six years commencing from the commercial launch of the Group's mobile offerings but was extended on June 15, 2016 and now expires at end-2020.

The roaming agreement allows the Group to:

- offer a service to subscribers with a 2G phone;
- provide 3G mobile coverage in addition to that available on its own network, which is still in the expansion phase.

Margins are significantly higher for Free Mobile's own-network traffic than for roaming traffic. Margin levels also depend on (i) changes in subscriber usage patterns, particularly in relation to data, and (ii) the proportion of subscribers on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).

The Group's objective is therefore to maximize the proportion of traffic carried directly on its own network, by pursuing the rollout targets described in Section 1.3.d below, and to increase the proportion of subscribers on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), notably by migrating subscribers on the €2/month plan (or €0/month for Freebox subscribers) to the Unlimited 4G Plan (50/100 GB for non-Freebox subscribers). Achieving this objective is being helped by the fact that people are increasingly using mobile Internet on a daily basis.

In June 2016, Iliad and Orange announced that they had signed an addendum to their 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018, 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020.

### 5.1.2.2 Italy

#### (c) MOCN (Multi-Operator Core Network) roaming agreement

The Group has to pay roaming charges for the roaming services provided to it, 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, Internet, 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 in relation to 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.

#### (d) 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 0.98 euro cents per call in 2018, whereas text message termination charges are not regulated.

## 5.1.3 CAPITAL EXPENDITURE AND DEPRECIATION

### Main capital expenditure and investments carried out in the last three years

In the last three years, the Group has implemented a pro-active capital expenditure strategy in France, reinvesting on average more than a quarter of its revenues over the period. It has also launched its capital expenditure drive for its operations in Italy. The main capital expenditure in the year is described below:

- network expenditure, which includes investments for the core network, backhaul points, migration of certain network equipment, information systems, the extension of unbundled areas and areas covered by an FTTH local loop, and connections of mobile sites. Over the past three years, the Group has made major investments for deploying its 3G and 4G mobile sites, and extending its fiber local loop and backhaul and transmission networks;
- expenditure directly related to growth of the subscriber base, which mainly comprises the costs of Freebox modems and SIM cards sent to subscribers;
- expenditure related to the mobile roaming agreement signed with Orange (fixed fee portion);
- expenditure incurred for the acquisition of 700 MHz frequencies in France;
- expenditure incurred related to its operations in Italy, including setting up the local structure for the deployment of sites, deploying a long-distance backbone, deploying the Core Network and interconnections with Wind Tre for managing traffic under the Multi-Operator Core Network (MOCN) solution, as well as purchasing frequencies, primarily from Wind Tre, in order to round out its frequency portfolio, and from the Italian government in the 5G spectrum auction.

Acquisitions of property, plant and equipment and intangible assets (net of asset disposals) since 2016 break down as follows:

| *In € millions* | 2018 | 2017 | 2016 |
|---|---|---|---|
| **TOTAL CAPITAL EXPENDITURE – ITALY (EXCLUDING PURCHASES OF FREQUENCIES)** | **1,555** | **1,460** | **1,286** |
| Purchases of frequencies – France | 263 | 257 | 472 |
| **TOTAL CAPITAL EXPENDITURE – ITALY (EXCLUDING PURCHASES OF FREQUENCIES)** | **261** | **43** | **-** |
| Purchases of frequencies – Italy | 342 | 271 | - |
| **LEVERAGE RATIO** | **2,421** | **2,031** | **1,758** |

### 5.1.3.1 France

#### (a) Broadband (DSL offerings)

(i) Transmission network and unbundling the local loop

Having laid over 130,000 km of fiber, Iliad has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. The Group draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In 2018, the Group continued to extend its coverage by opening 1,700 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to 13,300 throughout France at the year-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with VDLS2 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.

#### (b) Rollout of an FTTH 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 FTTH rollout is a logical extension of Iliad's strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability.

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.

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

#### (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.

**Private co-financed areas (approximately 14 million lines)**

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. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve, through purchases of 5% tranches. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node.

The Group has subsequently extended its co-financing commitments in line with the progress of the incumbent operator's rollouts, so that it has FTTH coverage in all of the geographic areas in which the incumbent operator has deployed an FTTH network.

The Group has also signed an access agreement based on co-financing along the same principles with the second operator responsible for deployments in these areas and, as part of this agreement, has undertaken to co-finance the network in several urban areas.

**Public Initiative Networks – PINs (rest of France)**

FTTH networks are rolled out in PIN areas in a number of ways, which may require entering into agreements with the public bodies in charge of rolling out the networks or with the private entities that market them. Since 2017, the Group has entered into a number of framework agreements with operators marketing FTTH lines in PIN areas, including Axione, Orange for the Mayenne *département* and Altitude. The Group has also signed agreements directly with public bodies such as Auvergne Très Haut Débit and Véndée Numérique. Under these agreements, the Group can access the networks by leasing the individual lines used, or through co-financing under conditions similar to those applicable in private co-financed areas outside very densely populated areas. The Group has pledged to co-finance some or all of the rollouts in the Aisne, Vaucluse and Vendée *départements*, as well as the *départements* of former regions Nord-Pas-de-Calais and Auvergne (France recently redrew its internal borders, reducing the total number of regions). And in January 2019, it signed a partnership agreement with Covage covering 1.4 million FTTH sockets, which will be deployed by 2023.

Outside very densely populated areas, the Group occasionally has to make a choice between co-financing and rental, in order to optimize its capital expenditure.

#### (iii) FTTH progress report at December 31, 2018

2018 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 more than 50% over the year** and totaled 9.6 million at end-December 2018 (versus 6.2 million one year earlier). The Group's fiber offerings are now available in some 1,100 municipalities. In addition, the Group completed its horizontal coverage in very densely populated areas in 2018;
- **the Group's FTTH subscriber base grew by 75% in 2018, bringing the total to 983,000 at the year-end**. Fourth-quarter 2018 was a record quarter in terms of connections, with over 140,000 new subscribers (i.e. almost double the number for fourth-quarter 2017). This increase was due to three main factors:
  - French households' growing appetite for FTTH technology,
  - the gradual start-up of marketing of 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 sharp acceleration in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. The Group therefore significantly exceeded its objective of having 9 million connectible sockets by end-2018, and reached its target of one million FTTH subscribers in early 2019. As a result, the Group confirms that it intends to:

- have installed 20 million connectible sockets by 2022;
- connect up more than 500,000 subscribers per year.

### (c) A comprehensive and enriched frequency portfolio

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France by acquiring the following frequencies:

- 5 MHz duplex in the 1,800 MHz frequency band freed up by Bouygues Telecom as part of the refarming process defined by ARCEP in its December 16, 2014 decision. The frequencies

concerned gradually became available during the first half of 2015 and have been fully available throughout Metropolitan France since July 1, 2015;

- an additional 10 MHz duplex in the 1,800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz was freed up for the Group's use throughout Metropolitan France on May 25, 2016;
- 10 MHz obtained on November 17, 2015 following the national auction for spectrum in the 700 MHz frequency band. This spectrum will be made available gradually on a region by region basis starting with the Île-de-France region in April 2016 and followed by a further region each quarter from January 1, 2018 through July 1, 2019 (when the frequency in the final region will be freed up). These frequencies were acquired for a total of €933 million, payable in four installments, the last of which was paid in December 2018.

The Group therefore now has a total portfolio of 55 MHz duplex (increased to 68.5 MHz following the reallocation process described below for frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands), with balanced coverage across Metropolitan France, enabling it to deliver high-performing services in both 3G and 4G.

In 2018, ARCEP 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. Free Mobile already has a license to use frequencies in the 1,800 MHz band.

Only France's four national operators participated in this reallocation procedure and all applicants for the available licenses were required to accept a number of regional digital development obligations.

ARCEP 's decision on the reallocation of the frequencies was made on November 15, 2018, and as a result the Group will have 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.

### (d) Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see Section 1.3.a above) and putting in place specific business lines to effectively manage and oversee the network rollout process (seeking out sites, undertaking discussions with all types of lessors, carrying out administrative and regulatory procedures, performing installation works and ensuring compliance with the related safety rules, and monitoring the operation and maintenance of radio equipment at sites where it has been installed).

The Group continued its mobile network rollout drive in 2018, with:

- **the opening of almost 2,400 new 3G sites**, bringing the Group's total number of 3G sites to 14,500 at end-2018 and giving it a coverage rate of over 96% of the French population;
- **ongoing deployment of 4G technology**, which has been a priority for the Group since it first launched its Mobile business. This priority was put into practice in 2018, with (i) new 1,800 MHz frequencies made available at over 3,000 additional sites, and (ii) the deployment – in accordance with the applicable regulatory schedule for their availability – of 700 MHz frequencies at 2,300 additional sites. The continued deployment of these new frequencies during 2018 enabled the Group to increase its 4G coverage to 92% at the year-end and to strengthen its 4G indoor quality. At December 31, 2018, the Group had more than 12,000 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, 2018, 92% of the Group's sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds.

Thanks to these advances, the Group exceeded its coverage objectives for the year, as well as its target of deploying more than 2,000 new sites in 2018. The Group intends to (i) continue its gradual deployment of 700 MHz frequencies in eligible areas as these frequencies become available in line with the regulatory schedule, and (ii) finalize bringing into service 1,800 MHz frequencies at its directly-owned 4G sites.

The depreciation/amortization periods applied for the main assets brought into service in 2018 are as follows:

- licenses: between 15 and 19 years;
- general equipment: 10 years;
- mobile technical equipment: 6 and 18 years;
- other equipment: 3 to 5 years;
- other assets: 2 to 10 years.

### (e) Rollout of the distribution network: stores and kiosks

At December 31, 2018, the Group had a full physical presence in France, thanks to:

- its 59 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, 2018, the Group had approximately 1,500 such kiosks across France.

### 5.1.3.2 Italy

#### (a) 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 Group 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, 2018, the Group had already paid a total of €243 million.

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 its 2018 Finance Act published in late 2017, the Italian government issued its procedures for the allocation of 700 MHz frequencies as well as the 3,600 MHz-3,800 MHz and 26 GHz-27 GHz frequencies that will be used for 5G. The results of the spectrum 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.

The total purchase price of the frequencies was €1,193 million. In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the amount due is payable in installments over the period 2018-2022 as follows:

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

#### (b) 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 notably involves:

- setting up a local structure for deploying the mobile sites using (i) sites that are scheduled to be decommissioned by Wind Tre, mainly from 2018 through 2020 and (ii) sites made available by major infrastructure lessors and operators. At end-December 2018, the Group was fully dependent on its roaming agreement with Wind Tre and had already secured 2,500 sites, of which 1,500 are already fully equipped;
- deploying a backbone of some 10,000 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.

#### (c) 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 11 stores in major Italian cities,
  - a network of over 500 SIM card dispenser kiosks ("Simboxes"), with 138 located 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 on line and receive their SIM card at home through the post.

## 5.2 SIGNIFICANT EVENTS OF THE YEAR

The key figures and significant events of 2018 were as follows:

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| **Revenues – France** | **4,768** | **4,860** | **-1.9%** |
| • Landline | 2,638 | 2,726 | -3.2% |
| • Mobile | 2,139 | 2,143 | -0.2% |
| • Intra-group sales | (9) | (9) | - |
| Revenues – Italy | 125 | - | - |
| Intra-group sales | (2) | - | - |
| Consolidated revenues | 4,891 | 4,860 | +0.6% |
| **Revenues – France excluding sales of terminals** | **4,566** | **4,615** | **-1.1%** |
| **Group revenues excluding sales of terminals** | **4,689** | **4,615** | **+1.6%** |
| EBITDA - France | 1,807 | 1,777 | +1.7% |
| EBITDA - Italy | (52) | - | - |
| **Consolidated EBITDA** | **1,755** | **1,777** | **-1.2%** |
| **Profit from ordinary activities** | **690** | **862** | **-20.0%** |
| **Profit for the period*** | **330** | **405** | **-18.5%** |
| **LEVERAGE RATIO** | **2.3X** | **1.4X** | **+0.9X** |

* *Including the negative contribution of Italy for €121 million, and the Group's share of the profit/(loss) of eir for a negative €25 million.*

### 5.2.1 GROUP

- **Consolidated revenues were up by 0.6% to €4.9 billion. Excluding sales of terminals, growth came in 1.6%.**
- **Successful launch of Iliad Italia and firm** economic resistance in France thanks to the performance of the Mobile business.
- **Continued solid financial structure**, with a Leverage ratio of 2.3x EBITDA and a significant level of liquidity.

### 5.2.2 FRANCE

**2018 operational information:**

- **success for the differentiation strategy put in place by the Group in both the Landline and Mobile businesses:**
  - **nearly two-fold increase in the total FTTH subscriber base** to 983,000 at end-2018,
  - **722,000 Net adds for the Free Mobile Unlimited 4G Plan** (50/100 GB for non-Freebox subscribers), i.e., 7.8 million subscribers,
- **sales performance nevertheless impacted by a fiercer competitive environment in 2018:**
  - contraction in the subscriber base for the €2/month mobile plan (€0/month for Freebox subscribers) and for the Landline business due to the expiry of promotions,
- **a major player in digital transformation, the Group has stepped up the rollout of its Landline and Mobile businesses, making it the leading Alternative operator** of latest-generation networks:
  - **more than 50% increase in FTTH coverage** over the year, to nearly 10 million connectible sockets, the Group's Fiber offerings are now available in over 90 *départements*,
    - **best average speed on fiber** for the year[1], with an average download speed of 453 Mbps;
  - **the Group is maintaining the unprecedented pace of its Mobile network rollout**, with nearly 2,400 new sites brought into service in 2018. In February 2019, Free passed the milestone of 15,000 base stations, giving it a coverage rate of over 96% of the French population:
    - **best Alternative operator in terms of average download speed for 4G**[2] – 45 Mbps – more than 30% faster than France's two other Alternative operators. The strong performance of the Group's 4G network is reflected in the average monthly data usage per 4G subscriber, which was 10.9 GB in 2018, one of the highest usage levels in Europe.

*(1) nPerf survey of landline Internet connections for 2018.*

*(2) nPerf survey of mobile connections – Q4 2018.*

2018 financial information:

- **overall financial performance holds firm despite a fiercely competitive environment** that led to a contraction in the subscriber base and trimmed 1.1% off revenues excluding sales of terminals:
  - **landline revenues down 3% against a backdrop of heavy promotions**, due to fierce competition as well as a higher VAT rate,
  - **mobile revenues invoiced to subscribers up 4% year on year** despite a decrease in the total subscriber base, reflecting the improved subscriber mix,
- **a low-point reached in France in fourth-quarter 2018**, but the sales and marketing initiatives launched during the year should drive a return to revenue growth for the Landline business in 2019 and re-boost growth in revenues invoiced to subscribers in the Mobile business;
- **EBITDA up to more than €1.8 billion, representing 37.9% of revenues, demonstrating the success of the Group's strategy of investing in its networks**, and despite a contraction in EBITDA for the Landline business;
- **profit up 13% in France to €476 million**, based on a constant Group structure, excluding the share of the profit/(loss) of eir;
- **ambitious capital expenditure, at €1.55 billion**, supporting the rapid extension of the FTTH network, the opening of new mobile sites and the launch of the new Freeboxes.

### 5.2.3 ITALY

- **Outstanding commercial success, with 2.8 million subscribers recruited in the space of 7 months** and the creation of a go-to brand. Iliad Italia's launch was the most successful in Europe for a new entrant since that of Free Mobile in 2012.
- **€125 million in revenues**.
- **Operating losses** of €52 million.
- **€261 million invested** in the Italian network and the rollout of the MOCN agreement, and €342 million paid for purchases of frequencies.

# 5.3 COMPARISON OF RESULTS FOR 2018 AND 2017

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| Revenues | 4,891 | 4,860 | +0.6% |
| **Revenues excluding sales of terminals** | **4,689** | **4,615** | **+1.6%** |
| Purchases used in production | (2,129) | (2,230) | -4.5% |
| **Gross profit** | **2,762** | **2,630** | **+5.0%** |
| ***as a % of revenues*** | ***56.5%*** | ***54.1%*** | ***+2.4 pts*** |
| Payroll costs | (285) | (256) | +11.3% |
| External charges | (579) | (417) | +38.8% |
| Taxes other than on income | (97) | (108) | -10.2% |
| Additions to provisions | (26) | (53) | -50.9% |
| Other income and expenses from operations, net | (20) | (19) | +5.3% |
| **EBITDA** | **1,755** | **1,777** | **-1.2%** |
| ***as a % of revenues*** | ***35.9%*** | ***36.6%*** | ***-0.7 pts*** |
| Share-based payment expense | (14) | (4) | - |
| Depreciation, amortization and provisions for impairment of non-current assets | (1,050) | (911) | +15.3% |
| **Profit from ordinary activities** | **690** | **862** | **-20.0%** |
| Other operating income and expense, net | (11) | (1) | - |
| **OPERATING PROFIT** | **680** | **861** | **-21.0%** |
| Finance costs, net | (46) | (28) | +64.3% |
| Other financial income and expense, net | (42) | (63) | -33.3% |
| Corporate income tax | (239) | (366) | -34.7% |
| Share of profit/(loss) of equity-accounted investees | (23) | 1 | - |
| **PROFIT FOR THE PERIOD** | **330** | **405** | **-18.5%** |

## 5.3.1 ANALYSIS OF CONSOLIDATED RESULTS

### (a) Key indicators

| France | Dec. 31, 2018 | Dec. 31, 2017 |
|---|---|---|
| Total mobile subscribers | 13,441,000 | 13,695,000 |
| • Of which on the Free Mobile Unlimited 4G Plan[1] | 7,783,000 | 7,060,000 |
| • Of which on the voice-based plan | 5,658,000 | 6,635,000 |
| Average 4G data usage (in GB per month per subscriber) | 10.9 GB | 8.4 GB |
| Total Broadband and Ultra-Fast Broadband subscribers | 6,427,000 | 6,520,000 |
| • Of which FTTH | 983,000 | 556,000 |
| **TOTAL NUMBER OF SUBSCRIBERS – FRANCE** | **19,868,000** | **20,215,000** |
| Broadband and Ultra-Fast Broadband ARPU[2] *(in €)* | 31.8 | 33.9 |
| Number of connectible FTTH sockets | 9.6m | 6.2m |

| Italy | Dec. 31, 2018 | Dec. 31, 2017 |
|---|---|---|
| Total mobile subscribers | 2,837,000 | - |

*(1) 50/100 GB for non-Freebox subscribers.*
*(2) €31.3 including the restatements related to IFRS 15.*

## (b) Analysis of results for France

The following table presents income statement data for France (up to "Operating profit") for 2018 and 2017, including the impact of IFRS 15:

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| Revenues | 4,768 | 4,860 | -1.9% |
| **Revenues excluding sales of terminals** | **4,566** | **4,615** | **-1.1%** |
| Purchases used in production | (2,044) | (2,230) | -8.3% |
| **Gross profit** | **2,724** | **2,630** | **+3.6%** |
| ***as a % of revenues*** | ***57.1%*** | ***54.1%*** | ***+3.0 pts*** |
| Payroll costs | (277) | (256) | +8.2% |
| External charges | (500) | (417) | +19.9% |
| Taxes other than on income | (96) | (108) | -11.1% |
| Additions to provisions | (26) | (53) | -50.9% |
| Other income and expenses from operations, net | (17) | (19) | -10.5% |
| **EBITDA** | **1,807** | **1,777** | **1.7%** |
| ***as a % of revenues*** | ***37.9%*** | ***36.6%*** | ***+1.3 pts*** |
| Share-based payment expense | (14) | (4) | - |
| Depreciation, amortization and provisions for impairment of non-current assets | (964) | (911) | +5.8% |
| **Profit from ordinary activities** | **830** | **862** | **-4.3%** |
| Other operating income and expense, net | (11) | (1) | - |
| OPERATING PROFIT | 819 | 861 | -5.4% |

### (i) Revenues

The table below shows the breakdown of consolidated revenues for France by category for 2018 and 2017 as well as the percentage change between the two years.

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| **Landline** | **2,638** | **2,726** | **-3.2%** |
| Mobile | 2,139 | 2,143 | -0.2% |
| • Revenues invoiced to subscribers | 1,498 | 1,441 | +4.0% |
| • Terminals | 202 | 245 | -17.6% |
| • Other | 438 | 457 | -4.2% |
| **Mobile revenues excluding sales of terminals** | **1,937** | **1,898** | **+2.1%** |
| Intra-group sales | (9) | (9) | - |
| **Total revenues – France** | **4,768** | **4,860** | **-1.9%** |
| **TOTAL REVENUES – FRANCE EXCLUDING SALES OF TERMINALS** | **4,566** | **4,615** | **-1.1%** |

*Landline revenues*

Landline revenues came to just over €2.6 billion in 2018, representing a 3.2% year on year decrease against a backdrop of fiercer market competition. The main factors underlying this business's performance in 2018 were as follows:

- **major actions undertaken to meet the challenges faced by the Group in 2018, including overhauling its sales and marketing approach**. In a mature and highly competitive market characterized by heavy promotions, the Group decided to refocus its strategy on gradually upscaling its subscriber base, by (i) launching new Online deals that offer a 12-month promotional discount, (ii) initiating a subscriber loyalty program, (iii) offering state-of-the art equipment, with the launch of the Freebox Delta and Freebox One, and (iv) stepping up the pace of its FTTH migrations;
- **a strong increase in FTTH connections during the year, with the milestone of one million subscribers passed in January 2019**. The Group cemented its position as France's number one alternative FTTH operator in 2018 and has set itself very ambitious targets, with the aim of reaching a pace of around half a million new subscribers each year as from 2019. During 2018 the Group (i) installed 3.4 million new connectible sockets, bringing the total to 9.6 million at the year-end, and (ii) connected up 427,000 additional subscribers

to fiber. This means that the Group's FTTH subscriber base increased by 75% in the space of a year, and at December 31, 2018 it stood at 983,000;

- according to the nPerf survey of landline Internet connections in Metropolitan France for 2018, **Free was the operator offering the best fiber download speed in 2018**, with an average of 453 Mbps;
- **over €2.6 billion in revenues**. The Group's landline revenues contracted 3.2% compared with 2017, with the decrease attributable to (i) a fiercely competitive environment, which led to a slight decline in the subscriber base, (ii) a higher VAT rate, and (iii) the negative impact of promotional deals;
- **broadband and Ultra-Fast Broadband ARPU at €31.8 for 2018**. The decrease in overall ARPU slowed during the year, thanks to the initial positive effects of the Group's new sales and marketing policy.

### *Mobile revenues*

At just over €2.1 billion, revenues generated by the Mobile business in France were on a par with 2017, but the Group once again registered buoyant growth in revenues invoiced to subscribers, which rose 4% year on year. The main factors that drove the Mobile business's performance in 2018 were as follows:

- **a successful strategy for improving the subscriber mix, with 722,000 new subscribers signed up to the Free Mobile Unlimited 4G Plan** (50/100 GB for non-Freebox subscribers), in a fiercely competitive environment and despite an unprecedented level of promotional deals (plans at €5 or €10 per month, guaranteed for life). The number of subscribers on the €2/month plan (€0/month for Freebox subscribers) continued to decrease in 2018 and was down by almost one million at the year-end, reflecting the policy put in place to migrate subscribers to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers). The steady growth in the number of subscribers signing up to this Plan demonstrates the strength of the Free brand, the quality of the Group's directly-owned network and the fact that the Group has got its strategy right by regularly enriching its mobile offerings. At December 31, 2018, the Group had a total of 13.4 million mobile subscribers, of which 7.8 million were on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers);
- **a much better subscriber mix: at end-2018, 58% of the Group's mobile subscribers, i.e. almost 7.8 million, were on the Free Mobile Unlimited 4G Plan** (50/100 GB for non-Freebox subscribers);
- **one of the highest levels of monthly average data usage per 4G subscriber in Europe (10.9 GB), illustrating the strong performance of the Group's network**. Thanks to the Group's large portfolio of frequencies dedicated to 4G and its gradual deployment of 700 MHz frequencies in authorized areas, the quality of its 4G network once again scored well in the nPerf mobile connections performance survey, with an average download speed of 45 Mbps – 30% faster than the speeds recorded by France's two other Alternative operators[1];
- **revenues invoiced to subscribers up by 4%**. Despite a slight year-on-year decrease in the Group's total mobile subscriber base, the number of subscribers on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers) continued to rise. Revenues invoiced to subscribers – which is the Mobile business's main margin generator – came in at €1.5 billion. However, the overall figure was adversely affected by the measures taken to enrich the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), notably the addition of numerous new roaming destinations;
- **a near-18% reduction in revenues from sales of terminals, reflecting the stricter strategy for phone rentals put in place by the Group** in order to significantly reduce fraud and payment defaults on rentals.

### *Intra-group sales*

Intra-group sales correspond to sales between companies from the Group's two different businesses and mainly consist of billings of interconnection operations. They are eliminated in consolidation.

#### (ii) Gross profit

Gross profit for France amounted to €2,724 million in 2018, up 3.6% year on year.

As a percentage of revenues, Gross profit climbed 3 percentage points to 57.1%. This increase stemmed solely from the Mobile business and was due to (i) lower roaming costs thanks to higher traffic volumes carried directly on the Group's own network, and (ii) a better subscriber mix, with more subscribers on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers).

Gross profit for the Landline business edged down year on year, as the positive impact of subscriber migrations to fiber was offset by the effect of the Group's promotional deals and subscriber loyalty measures launched in 2018.

#### (iii) Payroll costs

Excluding Italy, the Group's headcount was approximately 9,800 at December 31, 2018, representing a year-on-year increase.

The rise was mainly due to the Group's assertive strategy of accelerating its FTTH rollouts and connections as well as the recruitment of developers for its hosting activities.

In view of these factors, payroll costs (excluding employee benefits and capitalized costs) rose 8.2% to €277 million.

#### (iv) External charges

External charges increased by 20% to €500 million in 2018. The year-on-year rise was attributable to the new FTTH and mobile deployments carried out in 2018, which led to additional costs (rental, maintenance, energy, insurance, sub-contracting, easements etc.).

#### (v) Taxes other than on income

Taxes other than on income decreased by €12 million to €96 million, primarily due to reductions in certain taxes.

#### (vi) Additions to provisions

Additions to provisions for bad debts, impairment of inventories and contingencies and charges totaled €26 million in 2018, down 50% year on year. The main amounts recognized during the year related to provisions for bad debts.

*(1) nPerf survey of mobile connections – Q4 2018.*

**(vii) Other income and expenses from operations, net**

This item represented a net expense of €17 million in 2018.

**(viii) EBITDA**

EBITDA generated in France climbed €30 million to €1,807 million and the EBITDA margin widened by 1.3 points to 37.9%. These figures – which were achieved despite the revenue decline – demonstrate the resilience of the Group's financial model and the effectiveness of its capital expenditure strategy.

In 2018 the Group decided to focus its efforts on creating value within its subscriber base, by accelerating growth in the number of FTTH subscribers, launching new commercial offerings in the summer and new Freeboxes in December, and reducing its use of aggressive promotions which have a dilutive impact on margins.

The EBITDA picture was mixed in 2018, with a contraction for the Landline business and a sharp rise for Mobile. Overall, consolidated EBITDA was affected by both positive and negative factors during the year.

- **positive factors:**
  - **better mobile network coverage** (a coverage rate of more than 96% of the French population), resulting in lower roaming costs (a trend that is set to continue over the next two years, especially as the 3G roaming agreement is due to expire),
  - **an improved mobile subscriber mix**, resulting in a higher amount of margin-generating revenues. At end-December 2018, 58% of the mobile subscriber base was on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), i.e. 7.8 million subscribers,
  - **an increase in the number of FTTH subscribers**, leading to operating cost savings. The Group has set itself the ambitious objective of connecting up over 500,000 new subscribers to FTTH a year;
- **negative factors:**
  - **even fiercer competition** in 2018, leading to an erosion of the landline and mobile subscriber base, and a decrease in revenues (and therefore the related margin), combined with the impact of promotions,
  - **a rise in the VAT rate** as from March 1, 2018, adversely impacting revenues by tens of millions of euros on an annual basis,
  - **other significant impacts**: signature of new audiovisual distribution contracts, the addition of new roaming destinations, and the end of roaming charges in Europe (whose 12-month effect ended in June 2018).

**(ix) Profit from ordinary activities**

Profit from ordinary activities retreated to €830 million in 2018. The year-on-year decrease chiefly reflects higher depreciation and amortization expenses deriving from the extension of the Group's FTTH and mobile networks and, to a lesser degree, the exercise of stock options by employees.

## (c) Analysis of results for Italy

The following table presents a simplified income statement for the Italy segment for 2018 and 2017.

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| **Revenues – Italy** | **125** | **-** | **-** |
| Gross profit | 39 | - | - |
| **EBITDA** | **(52)** | **-** | **-** |
| ***as a % of revenues*** | **-** | **-** | **-** |
| Profit/(loss) from ordinary activities | (139) | - | - |
| Operating profit | (139) | - | - |

As the commercial launch of the Group's Italian mobile business took place on May 29, 2018, it only contributed seven months of operations in 2018. Its main results are described below.

**(i) Revenues**

- **outstanding commercial success**, with over 2.8 million subscribers at end-2018, recruited in the space of just 7 months;
- **successful brand integration**. The Group successfully met the challenge of launching its Italian offering despite initially having no brand recognition in the country. The Iliad brand is now well integrated into the Italian telecommunications landscape;
- **successful strategy of upscaling and diversifying Iliad Italia's offerings.** The Group successfully introduced two consecutive price increases for its data-focused offering, while at the same time enriching it and keeping up the strong pace of Net adds. At December 31, 2018, Iliad's main offer in Italy was invoiced at €7.99/month, including unlimited voice calls and texts, as well as 50 GB of 4G/4G+ data and a 4 GB roaming allowance. Iliad Italia also proposes a plan centered on voice calls which costs €4.99/month and includes unlimited voice calls and text messages plus 40 MB of mobile data;
- **revenues of €125 million generated in seven months.** This amount comprises the price of (i) subscriptions (€5.99/month, €6.99/month or €7.99/month for the data-based plan, depending on the offer, or €4.99/month for the voice-based plan), and (ii) SIM card activations carried out during the period (€9.99 per SIM card).

### (ii) EBITDA

The Italy segment ended 2018 with negative EBITDA of €52 million, primarily reflecting (i) interconnection costs, (ii) marketing and advertising expenses related to the commercial launch and developing the brand's image in Italy, and (iii) overheads, particularly expenses relating to rentals, subscriber relations and wages and salaries.

### (iii) Profit/(loss) from ordinary activities

The Group's Italian operations generated a €139 million loss from ordinary activities in 2018, including the depreciation/amortization expense for the network's initial components and frequencies.

## 5.3.2 CONSOLIDATED CASH FLOWS AND CAPITAL EXPENDITURE

| *In € millions* | 2018 | 2017 | % change |
|---|---|---|---|
| **Consolidated cash flows from operations** | **1,693** | **1,737** | **-2.5%** |
| Change in working capital requirement | 32 | (75) | - |
| **Operating Free Cash Flow** | **1,725** | **1,662** | **+3.8%** |
| Capital expenditure – France (excluding payments for frequencies) | (1,555) | (1,460) | +6.5% |
| Capital expenditure – Italy (excluding payments for frequencies) | (261) | (43) | - |
| Income tax paid | (306) | (334) | -8.4% |
| Other | (441) | (51) | - |
| **Consolidated Free Cash Flow (excluding payments for frequencies, financing activities and dividends)** | **(839)** | **(226)** | **+271.2%** |
| Capital expenditure – payments for frequencies – France | (263) | (257) | +2.3% |
| Capital expenditure – payments for frequencies – Italy | (342) | (271) | +26.2% |
| **Consolidated Free Cash Flow (excluding financing activities and dividends)** | **(1,444)** | **(754)** | **+90.8%** |
| Dividends | (40) | (26) | +53.8% |
| **CASH AND CASH EQUIVALENTS AT YEAR-END** | **173** | **215** | **-19.5%** |

*Consolidated Free Cash Flow*

In 2018, the Group pursued its major capex programs focused on rolling out its landline 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 2018, the Group invested over €1.8 billion in its networks, and over €600 million for the purchase of frequencies in France and Italy.

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

- €1,693 million in consolidated cash flows from operations;
- a €32 million positive change in working capital requirement, with a negative contribution for France and a positive contribution for Italy;
- €1,555 million in capital expenditure for France, in line with the Group's objective. During the year the Group pursued its capital expenditure drive for its FTTH and mobile rollouts, with 3.4 million new FTTH connectible sockets and 427,000 new subscribers connected to fiber, as well as some 2,400 new 3G sites deployed and thousands of sites newly-equipped for 4G frequencies. The capital expenditure figure for 2018 also includes the effect of the new Freebox launches in 2018;
- €261 million invested in the Italian network and MOCN agreement and €342 million paid for the purchase of frequencies (the second installment paid to Wind Tre and the first installment for the frequencies allocated in the 5G spectrum auction;
- €306 million in income tax paid;
- other: includes the outflow for the acquisition of the Group's interest in eir and the partial buyout of minority interests in Free Mobile (both of which took place in the first half of 2018), as well as interest paid during the year.

### Net change in cash and cash equivalents

The Group ended the year with €173 million in available cash and cash equivalents.

## 5.3.3 CONSOLIDATED DEBT

The Group is not subject to any liquidity risk as a result of acceleration clauses contained in loan agreements entered into by Group companies or as a result of any breaches of financial covenants (ratios, targets, etc.).

At December 31, 2018, the Group had gross debt of €4,164 million and Net debt of €3,983 million. The Group has strong liquidity, low average interest rates and, in line with its strategy, decided to increase its leverage in 2018 in view of the major industrial projects underway which will generate substantial future cash flows. Consequently, at December 31, 2018 the Group's Leverage ratio was 2.3x EBITDA.

The Group's gross debt primarily comprised the following at December 31, 2018:

### (a) Borrowings due within one year

- A €1 billion short-term commercial paper program.

The Group has set up a short-term commercial paper program for up to €1 billion. At December 31, 2018, €655 million of this program had been used.

### (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 FTTH networks. These loans – which are repayable in installments and have long maturities – were as follows at December 31, 2018:

  - a €150 million loan granted in 2010 with the final installment due in July 2020,
  - 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,
  - a €300 million loan granted in 2018 with the final installment due in December 2032, unused at December 31, 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.
- A €500 million syndicated credit facility maturing in 2023.

  In view of the favorable conditions in the banking market and in order to extend the average maturity of its debt, on January 8, 2016, the Group set up a €500 million credit facility with a pool of 11 international banks. This term-loan – which originally had a five-year maturity expiring in 2021 – was renegotiated on July 16, 2018 and now matures in 2023.
- A €1,650 million syndicated credit facility maturing in 2025.

  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 December 31, 2018.

  The applicable interest rate is based on Euribor for the period plus a margin that varies depending on the Group's Leverage ratio. The margin was originally between 0.35% and 1.10% per year but was reduced to between 0.25% and 0.95% when the facility was renegotiated in July 2018.
- €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 is repayable at maturity.

The Group's bank borrowings are subject to financial covenants based on the Group's leverage and interest cover ratios. None of these covenants had been breached at December 31, 2018.

#### 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 €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.

Summary of the Group's borrowings due beyond one year

| *In € millions* | Maturity | Type of repayment/ redemption | Total amount of financing | Amount used | Amount available |
|---|---|---|---|---|---|
| **Bank borrowings** | | | | | |
| EIB - 2010 | July 2020 | In installments | 150 | 50 | - |
| EIB - 2012 | May 2022 | In installments | 200 | 117 | - |
| EIB - 2016 | September 2030 | In installments | 200 | 200 | - |
| EIB - 2018 | December 2032 | In installments | 300 | - | 300 |
| KFW - 2017 | May 2029 | In installments | 90 | 90 | - |
| Bilateral credit facility | November 2023 | At maturity | 50 | 50 | - |
| Syndicated credit facility - 2016 | July 2023 | At maturity | 500 | 500 | - |
| Syndicated credit facility - 2015 | July 2024 | At maturity | 1,650 | - | 1,650 |
| **Bonds** | | | | | |
| Ordinary bonds - 2015 | December 2022 | At maturity | 650 | 650 | - |
| Ordinary bonds - 2017 | October 2024 | At maturity | 650 | 650 | - |
| Ordinary bonds - 2018 | Nov. 2021 and April 2025 | At maturity | 500 & 650 | 1,150 | - |

## (c) Finance lease commitments

The Group uses finance leases to finance (i) the purchase of real estate assets required for rolling out its networks and (ii) a portion of the technical equipment in its datacenters. At December 31, 2018, the Group's total obligations under finance leases amounted to €61 million.

# 5.4 ADDITIONAL INFORMATION

## 5.4.1 STRATEGIC OBJECTIVES

The Company does not issue eamings forecasts or estimates.

With a view to continuing to implement its strategy of achieving profitable growth, the Group has set itself the following objectives:

### 5.4.1.1 France

- Landline business:
  - achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term,
  - increase the FTTH subscriber base by over 500,000 subscribers per year,
  - have 20 million connectible FTTH sockets by end-2022.
- Mobile:
  - roll out some 2,000 new sites in 2019,
  - achieve a 25% share of the mobile market in the long term.
- Financial targets:
  - return to revenue growth in France in 2019,
  - speed up EBITDA growth in France in 2019,
  - generate EBITDA margin in France (excluding B2B and equipment sales) of over 40% in 2020,
  - have 2019 CAPEX in France (excluding purchases of frequencies) in line with the 2018 CAPEX figure,
  - achieve an EBITDA less CAPEX figure in France (excluding B2B activities) of more than €800 million in 2020 and around €1 billion in 2021.

### 5.4.1.2 Italy

- Have 3,500 equipped sites at end-2019.
- Make a higher negative contribution to consolidated EBITDA in 2019 than that recorded in 2018, as business growth speeds up and the mobile network is rolled out.
- Achieve EBITDA break-even, with a market share of less than 10%.

## 5.4.2 EVENTS AFTER THE BALANCE SHEET DATE

### 5.4.2.1 Strategic alliance with Jaguar Network

On January 18, 2019, the Group announced that it had entered into a strategic alliance with Jaguar Network by acquiring a 75% majority stake in the Company for just under €100 million. The long-standing shareholder and founder of Jaguar Network has retained the remaining 25% interest in the Company.

Jaguar Network is a sovereign service provider that supplies high availability services to private businesses and the public sector and is one of France's leading developers of cutting-edge technologies for the cloud, telecommunications and smart cities markets.

This acquisition marks a major step forward in Iliad's development strategy for addressing the corporate market, by forging an alliance with a well-known entrepreneur and combining the strong, complementary skills of both groups.

### 5.4.2.2 Potential industrial partnership for the Group's passive mobile infrastructure

The Group has begun a process to review its mobile assets and is currently exploring the possibility of forming an industrial partnership with an investor for its passive mobile infrastructure. As part of this partnership, Iliad would retain a significant interest in the entity. The aim of this process is to speed up rollouts of passive mobile infrastructure and maximize corresponding value creation by expanding existing agreements to share its infrastructure and setting up financing dedicated to the development thereof.

## 5.4.3 IFRS 15 RECONCILIATION TABLE FOR 2017 QUARTERLY REVENUES

| | After IFRS 15 | | | | Before IFRS 15 | | | |
|---|---|---|---|---|---|---|---|---|
| *In € millions* | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 |
| **Landline** | **683** | **682** | **680** | **681** | **698** | **696** | **694** | **695** |
| **Mobile** | **511** | **530** | **537** | **566** | **529** | **547** | **554** | **584** |
| • Revenues invoiced to subscribers | 341 | 359 | 371 | 371 | 358 | 376 | 389 | 389 |
| • Terminals | 55 | 57 | 55 | 78 | 55 | 57 | 55 | 78 |
| • Other | 115 | 114 | 111 | 117 | 115 | 114 | 111 | 117 |
| Intra-group sales | (3) | (2) | (2) | (2) | (3) | (2) | (2) | (2) |
| **TOTAL REVENUES – FRANCE** | **1,192** | **1,209** | **1,215** | **1,245** | **1,224** | **1,240** | **1,246** | **1,277** |

# 6

# CONSOLIDATED FINANCIAL STATEMENTS


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Pursuant to Article 28 of EU no. 809/2004 of April 29, 2004, the following information is included by reference in this Registration Document: the management report, the consolidated financial statements for the year ended December 31, 2017 and the associated Statutory Auditors' report presented in Chapter 20, Section 20.1 of the 2017 Registration Document filed with the French securities regulator (Autorité des Marchés Financiers – AMF) on April 11, 2018 under no. D.180315; the management report, the consolidated financial statements for the year ended December 31, 2016 and the associated Statutory Auditors' report presented in Chapter 20, Section 20.1 of the 2016 Registration Document filed with the French securities regulator on April 7, 2017 under no. D.170342.

# 2018, 2017 AND 2016 CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED INCOME STATEMENT

| *In € millions* | Note | 2018 | 2017 |
|---|---|---|---|
| **REVENUES** | **4** | **4,891** | **4,860** |
| Purchases used in production | 6 | (2,129) | (2,230) |
| Payroll costs | 7 | (285) | (255) |
| External charges | 6 | (579) | (417) |
| Taxes other than on income | | (97) | (108) |
| Additions to provisions | 10 | (26) | (54) |
| Other income from operations | 9 | 63 | 27 |
| Other expenses from operations | 9 | (83) | (46) |
| **EBITDA*** | **1** | **1,755** | **1,777** |
| Share-based payment expense | 27 | (14) | (4) |
| Depreciation, amortization and provisions for impairment of non-current assets | 10 | (1,051) | (911) |
| **PROFIT FROM ORDINARY ACTIVITIES** | | **690** | **862** |
| Other operating income and expense, net | 11 | (10) | (1) |
| **OPERATING PROFIT** | | **680** | **861** |
| Income from cash and cash equivalents | 12 | 1 | 0 |
| Finance costs, gross | 12 | (47) | (28) |
| **FINANCE COSTS, NET** | **12** | **(46)** | **(28)** |
| Other financial income | 12 | 2 | 0 |
| Other financial expenses | 12 | (44) | (63) |
| Corporate income tax | 13 | (239) | (366) |
| Share of profit of equity-accounted investees | 20 | (23) | 1 |
| **PROFIT FOR THE PERIOD** | | **330** | **405** |
| **Profit for the period attributable to:** | | | |
| • *Owners of the Company* | | 323 | 398 |
| • *Minority interests* | | 7 | 7 |
| **Earnings per share attributable to owners of the Company** *(in €)* | | | |
| • *Basic earnings per share* | 14 | 5.51 | 6.76 |
| • *Diluted earnings per share* | 14 | 5.38 | 6.59 |

* *See definition on page 283.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *In € millions* | Note | 2018 | 2017 |
|---|---|---|---|
| **PROFIT FOR THE PERIOD** | | **330** | **405** |
| • Items that may be subsequently reclassified to profit: | | | |
| Fair value remeasurement of interest rate and currency hedging instruments | 32/33 | 6 | (1) |
| Tax effect | 32/33 | (2) | 0 |
| | | **4** | **(1)** |
| • Items that will not be reclassified to profit: | | | |
| Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions | 7 | 4 | 0 |
| Tax effect | | (1) | 0 |
| Items of OCI* arising from equity-accounted investments that will not be reclassified to profit or loss | | 25 | 0 |
| Tax effect | | | |
| | | **28** | **0** |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX** | | **32** | **(1)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **362** | **404** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| • Owners of the Company | | 355 | 397 |
| • Minority interests | | 7 | 7 |

* *Other comprehensive income.*

## CONSOLIDATED BALANCE SHEET – ASSETS

| *In € millions* | Note | At December 31, 2018 | At December 31, 2017 |
|---|---|---|---|
| Goodwill | 16 | 215 | 215 |
| Intangible assets | 17 | 3,938 | 2,705 |
| Property, plant and equipment | 19 | 5,358 | 4,417 |
| Investments in equity-accounted investees | 20 | 318 | 16 |
| Other long-term financial assets | 21 | 50 | 37 |
| Deferred income tax assets | 13 | 65 | 21 |
| Other non-current assets | 23 | 16 | 13 |
| **TOTAL NON-CURRENT ASSETS** | | **9,960** | **7,424** |
| Inventories | 22 | 90 | 31 |
| Current income tax assets | | 28 | 0 |
| Trade and other receivables | 23 | 972 | 725 |
| Other short-term financial assets | 21 | 6 | 0 |
| Cash and cash equivalents | 24 | 181 | 216 |
| **TOTAL CURRENT ASSETS** | | **1,277** | **972** |
| **ASSETS HELD FOR SALE** | **25** | **15** | **20** |
| **TOTAL ASSETS** | | **11,252** | **8,416** |

## CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

| *In € millions* | Note | At December 31, 2018 | At December 31, 2017 |
|---|---|---|---|
| Share capital | 26 | 13 | 13 |
| Additional paid-in capital | 26 | 439 | 433 |
| Retained earnings and other reserves | 26 | 3,154 | 2,928 |
| **TOTAL EQUITY** | | **3,606** | **3,374** |
| *Attributable to:* | | | |
| • **Owners of the Company** | | ***3,591*** | ***3,364*** |
| • **Minority interests** | | ***15*** | ***10*** |
| Long-term provisions | 28 | 2 | 0 |
| Long-term financial liabilities | 29 | 3,407 | 2,168 |
| Deferred income tax liabilities | 13 | 2 | 0 |
| Other non-current liabilities | 30 | 1,563 | 714 |
| **TOTAL NON-CURRENT LIABILITIES** | | **4,974** | **2,882** |
| Short-term provisions | 28 | 35 | 44 |
| Taxes payable | | 0 | 8 |
| Trade and other payables | 30 | 1,880 | 1,611 |
| Short-term financial liabilities | 29 | 757 | 497 |
| **TOTAL CURRENT LIABILITIES** | | **2,672** | **2,160** |
| **TOTAL EQUITY AND LIABILITIES** | | **11,252** | **8,416** |

## 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 | 419 | (18) | 55 | 2,530 | 2,999 | 3 | 3,002 |
| **Movements in 2017** | | | | | | | | |
| • Profit for the period | | | | | 398 | **398** | 7 | 405 |
| • 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)** | **398** | **397** | **7** | **404** |
| • Change in share capital of Iliad S.A. | | 14 | | | | **14** | | 14 |
| • Dividends paid by Iliad S.A. | | | | | (26) | **(26)** | | (26) |
| • Dividends paid by subsidiaries | | | | | | | | |
| • Purchases/sales of own shares | | | (3) | | | **(3)** | | (3) |
| • Impact of stock options | | | | 4 | | **4** | | 4 |
| • Impact of changes in minority interests in subsidiaries | | | | (21) | | **(21)** | | (21) |
| **BALANCE AT DECEMBER 31, 2017** | **13** | **433** | **(21)** | **37** | **2,902** | **3,364** | **10** | **3,374** |
| BALANCE AT JANUARY 1, 2018 | 13 | 433 | (21) | 37 | 2,902 | 3,364 | 10 | 3,374 |
| **Movements in 2018** | | | | | | | | |
| • Profit for the period | | | | | 323 | **323** | 7 | 330 |
| • Other comprehensive income for the period, net of tax: | | | | | | | | |
| – Impact of interest rate and currency hedges | | | | 4 | | **4** | | 4 |
| – Impact of items of OCI arising from equity-accounted investees | | | | 25 | | **25** | | 25 |
| – Impact of fair value adjustments | | | | 3 | | **3** | | 3 |
| – Impact of post-employment benefit obligations | | | | 3 | | **3** | | 3 |
| **Total comprehensive income for the period** | | | | **35** | **323** | **358** | **7** | **365** |
| • Change in share capital of Iliad S.A. | | 6 | | (15) | | **(9)** | | (9) |
| • Dividends paid by Iliad S.A. | | | | | (40) | **(40)** | | (40) |
| • Dividends paid by subsidiaries | | | | | | | | |
| • Purchases/sales of own shares | | | (20) | | | **(20)** | | (20) |
| • Impact of stock options and free shares | | | 12 | | | **12** | | 12 |
| • Impact of changes in minority interests in subsidiaries | | | | (74) | | **(74)** | (2) | (76) |
| **BALANCE AT DECEMBER 31, 2018** | **13** | **439** | **(29)** | **(17)** | **3,185** | **3,591** | **15** | **3,606** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| *In € millions* | Note | 2018 | 2017 |
|---|---|---|---|
| **PROFIT FOR THE PERIOD (INCLUDING MINORITY INTERESTS)** | | **330** | **405** |
| +/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges | | 1,044 | 907 |
| -/+ Unrealized gains and losses on changes in fair value | | (2) | 3 |
| +/- Expenses and income related to stock options and other share-based payments | | 12 | 4 |
| -/+ Other income and expenses, net | | 2 | 28 |
| -/+ Gains and losses on disposals of assets | | (1) | (3) |
| -/+ Dilution gains and losses | | 0 | 0 |
| +/- Share of profit of equity-accounted investees | 20 | 23 | (1) |
| - Dividends (investments in non-consolidated undertakings) | | 0 | 0 |
| **CASH FLOWS FROM OPERATIONS AFTER FINANCE COSTS, NET, AND INCOME TAX** | | **1,408** | **1,343** |
| + Finance costs, net | 12 | 46 | 28 |
| +/- Income tax expense (including deferred taxes) | 13 | 239 | 366 |
| **CASH FLOWS FROM OPERATIONS BEFORE FINANCE COSTS, NET, AND INCOME TAX (A)** | | **1,693** | **1,737** |
| - Income tax paid **(B)** | | (306) | (334) |
| +/- Change in operating working capital requirement (including employee benefit obligations) **(C)** | 15 | 31 | (75) |
| = **NET CASH GENERATED FROM OPERATING ACTIVITIES (D) = (A + B + C)** | | **1,418** | **1,328** |
| - Acquisitions of property, plant and equipment and intangible assets | 15 | (2,447) | (2,046) |
| + Disposals of property, plant and equipment and intangible assets | | 21 | 12 |
| - Acquisitions of investments in non-consolidated undertakings | | 0 | 0 |
| + Disposals of investments in non-consolidated undertakings | | 0 | 0 |
| +/- Effect of changes in scope of consolidation – acquisitions and price adjustments | | (392) | (21) |
| +/- Effect of changes in scope of consolidation – disposals | | 0 | 0 |
| +/- Change in outstanding loans and advances | | 10 | (18) |
| + Cash inflows from assets held for sale | | 5 | 3 |
| - Cash outflows for assets held for sale | | 0 | 0 |
| = **NET CASH USED IN INVESTING ACTIVITIES (E)** | | **(2,803)** | **(2,070)** |
| + Proceeds from capital increases: | | | |
| – Paid by owners of the Company | | 0 | 0 |
| – Paid by minority shareholders of consolidated companies | | 0 | 0 |
| + Proceeds received on exercise of stock options | | 6 | 17 |
| -/+ Own-share transactions | | (35) | (3) |
| - Dividends paid during the period: | | 0 | 0 |
| – Dividends paid to owners of the Company | | (40) | (26) |
| – Dividends paid to minority shareholders of consolidated companies | | 0 | 0 |
| + Proceeds from new borrowings | | 1,528 | 847 |
| - Repayment of borrowings (including finance leases) | 29 | (86) | (88) |
| - Net interest paid (including on finance leases) | | (30) | (26) |
| = **NET CASH GENERATED FROM FINANCING ACTIVITIES (F)** | | **1,343** | **721** |
| +/- Effect of exchange-rate movements on cash and cash equivalents **(G)** | | 0 | 0 |
| = **NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)** | | **(42)** | **(21)** |
| Cash and cash equivalents at beginning of year | 15 | 215 | 236 |
| Cash and cash equivalents at end of year | 15 | 173 | 215 |

# NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

## 1.1 General information

Iliad S.A. is a *société anonyme* registered in France and listed on Eurolist by Euronext Paris under the symbol "ILD".

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

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2018 on March 18, 2019 and their publication date was set for March 19, 2019. These financial statements will only be definitive after approval by the Company's shareholders at the Annual General Meeting scheduled to be held on May 21, 2019.

## 1.2 Applicable accounting standards and policies

The principal accounting policies adopted for the preparation of these consolidated financial statements are set out below. Unless otherwise specified, the same policies have been consistently applied for all of the periods presented.

### 1.2.1 Basis of preparation

The consolidated financial statements of the Iliad Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for financial assets and liabilities carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is used.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

### 1.2.2 New standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2018

- **Annual Improvements to IFRS (2014-2016 cycle), applicable from January 1, 2018**, which comprise narrow-scope 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.

  The Group has applied these amendments.
- **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.

  These amendments are not relevant to the Group.
- **Amendments to IFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions, applicable as from January 1, 2018**. These amendments set out 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.

  The Group has applied these amendments.
- **IFRS 9, Financial Instruments (final version).** The final version of IFRS 9 brings together the three phases of the IASB's project to replace IAS 39: classification and measurement, impairment and hedge accounting. The improvements introduced by the standard include:
  - a single, logical model for the classification and measurement of financial assets that reflects the business model in which they are managed and their cash flow characteristics,
  - a single, forward-looking "expected loss" impairment model,
  - a substantially-reformed approach to hedge accounting.

  The final version of IFRS 9 also introduces enhanced disclosure requirements with the aim of improving the information provided to investors.

  The Group has applied this standard.
- **IFRS 15, Revenue from Contracts with Customers**. The core principle of IFRS 15 is for entities to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

  The Group has applied this standard.

- **Clarifications to IFRS 15, Revenue from Contracts with Customers**. These amendments to IFRS 15 clarify how the principles of IFRS 15 should be applied and mainly comprise illustrative examples as well as amendments to the Basis for Conclusions. They clarify how to:
  - identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract,
  - determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided), and
  - determine whether the revenue from granting a license should be recognized at a point in time or over time.

  The Group has applied these amendments.
- **IFRIC 22, Foreign Currency Transactions and Advance Consideration.** IFRIC 22 clarifies which exchange rate to use for recognizing transactions that involve advance consideration paid or received in a foreign currency.

  The Group has applied this interpretation.

### 1.2.3 Standards, amendments and interpretations available for early adoption in 2018

- **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.
- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation, applicable as from January 1, 2019.** 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).
- **IFRS 16, Leases, applicable as from January 1, 2019.** IFRS 16 replaces IAS 17 and its associated interpretative guidance. The main change the new standard introduces is that lessees will be required to recognize all leases on their balance sheets, which will increase the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases.

  For the purpose of assessing the impact of IFRS 16, the lease terms used by the Group for measuring its lease liabilities correspond to the contractual lease term, or, where applicable, a reasonable estimate of the lease term. The discount rates applied for lease accounting under IFRS 16 vary depending on the contractual term of each identified asset and in most cases correspond to the Group's incremental borrowing rate depending on the geographic region concerned.

  The most significant effects for the Group of no longer recognizing its operating leases off balance-sheet – as previously required under IAS 17 – and instead recognizing a right-of-use asset in accordance with IFRS 16, relate to (i) making a reasonable estimate of the lease terms for subscribers' copper pairs in connection with unbundling operations, and (ii) separating out certain hosting costs (particularly for mobile sites) between the service and lease components.

Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements in IFRS 16. However, the Group does not expect to use these exemptions.

- **IFRIC 23, Uncertainty over Income Tax Treatments, applicable as from January 1, 2019.** 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 judgement 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 has not early adopted the above standards, amendments or interpretation.

  The Group will apply IFRS 16 as from January 1, 2019 using the simplified retrospective approach, without restating comparative prior periods.

As at the date of this Registration Document, the estimated impacts of this first-time application are as follows:

- consolidated balance sheet: the recognition at January 1, 2019 of non-current assets and related lease liabilities amounting to between €1.9 billion and €2.3 billion;
- consolidated EBITDA: an increase of between €0.7 billion and €0.8 billion.

The Group's main contracts that will be affected by this new standard are unbundling contracts, lease agreements relating to fiber lines, optical nodes, subscriber connection nodes, the mobile network, mobile sites, stores and head offices, as well as agreements granting access to cable ducts.

### 1.2.4 New standards and amendments that were not applicable in 2018 (as not yet endorsed by the European Union)

- **Annual Improvements to IFRS (2015-2017 cycle), which comprise amendments to four standards as follows:**
  - IAS 12, Income Taxes: clarifying the recognition of the income tax consequences of dividends,
  - IAS 23, Borrowing Costs: clarifying how an entity determines 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: clarifying 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: clarifying that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- **Amendments to IAS 1 and IAS 8: Definition of Material.** These amendments clarify the definition of the term "material" and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition,

the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- **Narrow-scope amendments to IAS 19 – Plan Amendment, Curtailment or Settlement.** IAS 19, Employee Benefits, specifies how a company accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The narrow-scope amendments specify that the company must use the updated assumptions from such remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **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 IFRS 3 – Definition of a Business.** These amendments make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The distinction is important because an acquirer recognizes goodwill only in acquiring a business, not in acquiring a group of assets.
- **IFRS 14, Regulatory Deferral Accounts.** The objective of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.
- **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.

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

### 1.2.5 First-time application of IFRS 9, Financial Instruments

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

As a result of applying this new standard, it has changed its method of classifying and measuring its financial assets. Consequently, it now measures shares held in non-consolidated companies at fair value through other comprehensive income, recognized in equity.

The Group applies the hedge accounting principles contained in IFRS 9.

Prior to IFRS 9, the Group already applied an expected credit loss impairment model for its trade receivables, based on historical loss rates.

### 1.2.6 First-time application of IFRS 15, Revenue from Contracts with Customers

The Group has applied IFRS 15 retrospectively from January 1, 2018 and has restated the reported comparative data for 2017. It has not used the simplified approach provided for in the standard.

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 qualitative or quantitative terms in view of (i) the structure of the Group's commercial offerings, i.e., no-commitment service offerings at prices that do not change during the subscription period (no "subsidized" offerings), and (ii) the revenue recognition methods used prior to IFRS 15.

In addition, most subscribers sign up online or through the Group's directly-owned physical stores (i.e., not using 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 2018.

The balance-sheet impacts of applying this standard are not material, corresponding to the recognition of contract assets in the amounts of €13 million at December 31, 2017 and €16 million at December 31, 2018.

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 an 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 main criterion used to make this distinction in accordance with IFRS 15 is the notion of whether a good or service is controlled by the Group before it is transferred to the customer.

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

| | 2017 | | |
|---|---|---|---|
| *In € millions* | Reported data | Impacts of applying IFRS 15 | Data restated for IFRS 15 |
| Revenues | 4,987 | (127) | 4,860 |
| Purchases used in production | (2,357) | 127 | (2,230) |
| Profit for the period | 405 | 0 | 405 |

The balance sheet impacts of this change in accounting policy are as follows:

| | At December 31, 2017 | | |
|---|---|---|---|
| *In € millions* | Reported data | Impacts of applying IFRS 15 | Data restated for IFRS 15 |
| Intangible assets | 2,706 | (1) | 2,705 |
| Property, plant and equipment | 4,429 | (12) | 4,417 |
| Other non-current assets | 0 | 13 | 13 |

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

| | 2017 | | |
|---|---|---|---|
| *In € millions* | Reported data | Impacts of applying IFRS 15 | Data restated for IFRS 15 |
| Cash flows from operations | 1,758 | (21) | 1,737 |
| Net cash generated from operating activities | 1,349 | (21) | 1,328 |
| Net cash used in investing activities | (2,091) | 21 | (2,070) |

## 1.3 Consolidation

### Consolidation methods

#### *Subsidiaries*

Subsidiaries are entities that are controlled by the Group.

Control is presumed to exist when the Group has the power to govern an entity's financial and operating policies, either directly or indirectly, so as to obtain benefits from its activities. The Group controls an entity, if and only if, it has all of the following elements of control:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the Group's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control (i.e., entities that are not subsidiaries or joint ventures). Interests in associates are accounted for using the equity method.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

The financial statements of associates are accounted for by the equity method in the Group's consolidated financial statements from the date significant influence arises to the date significant influence ceases.

The Group does not have any investments in special-purpose entities or joint ventures.

#### *Eliminations on consolidation*

All intra-group transactions and balances are eliminated on consolidation as well as gains and losses on transactions between subsidiaries.

#### *Business combinations*

The Group applies the acquisition method to account for business combinations.

The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the transaction date, plus all costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, including any minority interests.

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recognized as goodwill except for costs directly attributable to the acquisition, which are recorded in the income statement.

If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is carried out, the combination is accounted for using those provisional values and any adjustments made as a result of completing the initial accounting must be recognized within 12 months of the acquisition date.

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill related to acquisitions of associates is included in "Investments in equity-accounted investees". Separately recognized goodwill is tested for impairment annually – or whenever events or circumstances indicate that it may be impaired – and is carried at cost less any accumulated impairment losses. Impairment losses on goodwill may not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Goodwill impairment losses are recorded within operating profit in the income statement, under "Other operating income and expense, net".

### Functional and presentation currency

In accordance with IAS 21, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

Unless otherwise specified, all amounts are presented in millions of euros.

### Foreign currency translation

Assets and liabilities of Group companies that are denominated in foreign currencies are translated into euros at the year-end rate. Income and expense items are translated at average exchange rates for the year.

All resulting exchange differences are recognized directly in equity.

### Fiscal year-end

All Group companies have a December 31 fiscal year-end.

## 1.4 Presentation of the financial statements

As permitted under IAS 1, Presentation of financial statements, the Group's income statement is presented by nature.

Operating profit corresponds to profit for the period, before:

- financial income and expenses (as defined in Note 12);
- current and deferred taxes;
- profit from discontinued operations and assets held for sale; and
- share of profit of equity-accounted investees.

Profit from ordinary activities corresponds to operating profit as defined above, before "Other operating income and expense, net". These items include income and expenses that are rare, unusual and infrequent, which represent material amounts and whose presentation within other items relating to ordinary activities could be misleading for users of the financial statements in their understanding of the Group's performance.

Costs included in "Other operating income and expense, net" notably include expenses incurred for acquiring new entities or costs borne on the sale of a Group entity.

In 2018, they also included the costs of the one-off "purchasing power" bonus payable to employees in France as announced by the French government at the end of the year.

The Group has elected to present an additional indicator 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 (as defined above) before:

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

## 1.5 Summary of significant accounting policies

The main accounting policies applied by the Group are as follows:

### Revenues

Revenues from the Group's operations are recognized and presented as follows in accordance with IFRS 15, Revenue from Contracts with Customers:

- revenues from usage of connection time are recognized in the period in which the usage takes place;
- revenues from subscriptions and flat-fee plans are recognized over the period covered by the subscriptions or plans;
- revenues from the sale of mobile phones and boxes are recognized when they are delivered to the purchaser;
- revenues from the sale or provision of content supplied by external parties are presented as a gross amount when the Group is deemed to be the party in the transaction with primary responsibility in relation to the end-customer. These revenues are presented net of the amounts due to the content supplier when it is the content supplier that is responsible for providing the content to the end-customer and setting the retail price;
- revenues from the sale of advertising banners are spread over the period during which the banners are displayed;
- revenues from website hosting activities are recognized during the period in which the service is rendered.

The Group applies IAS 17 when recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IAS 17, the Group considers that the present value of the lease payments receivable is approximately equivalent to the fair value of the leased asset and that losses associated with any cancellation are borne by customers (i.e., the lessees). Consequently, revenues from these transactions are accounted for as sales revenue as provided for in IAS 17.

The application of IFRS 15 as from 2018 does not affect this accounting treatment.

The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased phone less the present value of the unguaranteed residual value. This accounting treatment does not affect the legal classification of these transactions under French law, which still corresponds to the rental of a movable asset.

### Foreign currency transactions

The recognition and measurement rules for foreign currency transactions are set out in IAS 21, The Effects of Changes in Foreign Exchange Rates. In accordance with that standard, transactions denominated in foreign currencies are recorded at their value in euros at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate and any exchange gains or losses are recognized in profit as follows:

- as operating income or expenses for commercial transactions;
- as financial income or expenses for financial transactions.

### Earnings per share

The Group presents basic and diluted earnings per share.

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the Company (attributable profit) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the figures for attributable profit for the period and the weighted average number of shares outstanding for the impact of all potentially dilutive financial instruments.

### Intangible assets

Intangible assets primarily include the following:

- development costs capitalized in accordance with IAS 38, which are amortized over the period during which the Group is expected to consume the related future economic benefits.

  These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future economic benefits will be generated.

  These conditions are deemed to be met when the six general criteria defined in IAS 38 are fulfilled, i.e., when the Group can demonstrate:

1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2) its intention to complete the intangible asset and use or sell it;
3) its ability to use or sell the asset;
4) how the intangible asset will generate probable future economic benefits;
5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
6) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development costs are presented net of any related subsidies or research tax credits:

- intangible assets acquired in connection with a business combination. These assets are recognized separately from goodwill when (i) their fair value can be measured reliably, (ii) they are controlled by the Group, and (iii) they are identifiable, i.e., are separable or arise from contractual or other legal rights. Where these assets have a finite useful life they are amortized from the date they are made available for use in the same way as for intangible assets acquired separately, and an impairment loss is recorded if their carrying amount exceeds their recoverable amount.

Intangible 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.

Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed. The Group's 3G and 4G licenses in France are being amortized on a straight-line basis over a period of 18 years on average.

Impairment losses recognized following impairment tests are recorded in the income statement under "Other operating income and expense, net" below profit from ordinary activities.

The national roaming agreement for Metropolitan France is being amortized over a period of four years as from the effective date of the last addendum signed in early 2017 with the incumbent operator. Amortization is spread over the period based on decreasing volumes between 2017 and 2020.

The Group's Multi-Operator Core Network (MOCN) agreement in Italy is being amortized as from June 2018, when it came into force following the launch of Iliad's Italian mobile business;

- software, which is amortized on a straight-line basis over a period of one to three years;
- the Alice customer base, which is being amortized over a period of 12 years.

### Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, including transaction expenses, or at production cost. Cost includes any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Group Management.

Depreciation is calculated by the straight-line method, based on the following estimated useful lives:

- buildings: 15 to 50 years;
- technical equipment: 3 to 14 years;
- general equipment: 10 years;
- specific investments for optical fiber network rollouts: 8 to 30 years;
- specific investments for mobile network rollouts: 4 to 18 years;
- computer equipment: 3 to 5 years;
- office furniture and equipment: 2 to 10 years;
- modems: 5 years;
- access fees for co-location facilities used to conduct unbundling operations are depreciated over a period of 15 years;
- access fees for services specific to Broadband Internet operations are depreciated over 7 years;
- amounts paid as consideration for obtaining indefeasible rights of use (IRUs) on dark optical fibers are depreciated over the term of use of the fiber concerned.

At each reporting date, the Group assesses whether the depreciation schedules still reflect the useful lives of its assets, and makes amendments where necessary.

### Borrowing costs

In accordance with IAS 23, borrowing costs directly attributable to the acquisition or production of a qualifying asset are included in the cost of that asset.

### Finance leases

Material assets acquired under finance leases are capitalized in the consolidated financial statements.

In accordance with IAS 17, leases are considered to be finance leases when they have the effect of transferring to the lessee substantially all the risks and rewards inherent to ownership of the leased asset.

In such cases:

- at the commencement of the lease term, the assets acquired are recognized in the balance sheet based on the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are subsequently depreciated over their useful lives;
- the related obligation is recorded as a financial liability and is repaid based on the lease terms;
- Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

### Impairment of non-financial 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 either on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

### Financial assets

Financial assets held under the "hold to collect" business model (held for the purpose of collecting contractual cash flows, notably for repayments of principal and collection of interest payments) are measured at amortized cost. This is the case for loans and paid deposits and guarantees.

Financial assets held under the "hold to collect and sell" business model (held for the purpose of collecting contractual cash flows – notably for repayments of principal and collection of interest payments – as well as selling the financial assets) are measured at fair value through other comprehensive income.

Financial assets held under other business models are measured at fair value through profit or loss. This is the case for hedging instruments that are classified as financial assets.

However, in some cases, the Group has used the fair value option available in IFRS 9, and on initial recognition has irrevocably designated certain financial assets at fair value through other comprehensive income that would otherwise have been designated at fair value through profit or loss. This is notably the case for investment securities.

## Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventories are written down if their carrying amount is higher than their estimated selling price less any related selling expenses.

## Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of short-term receivables with no stated interest rate corresponds to the original invoice amount.

The Group recognizes a provision for expected credit losses on receivables. The probability of default and the expected credit loss are measured based on historical data adjusted for forward-looking information such as specific factors or the general economic environment.

Expected credit losses are measured by reference to the probability of default occurring, the "loss given default" (i.e., the size of the loss in the event of default), and exposure at default.

The amount of expected credit losses is remeasured at each reporting date to reflect changes in credit risk since the initial recognition of the financial instruments concerned. In order to assess whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the credit default risk at the reporting date with the default risk on the financial instrument at the initial recognition date. This allows the Group to collate reasonable and documented quantitative and qualitative information about expected credit losses, including the existence of any unresolved claims and litigation, claims history and any significant financial difficulties experienced by its debtors.

## Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination and there is no difference in the applicable tax and accounting treatment. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is recovered or the deferred tax liability is settled.

Deferred tax assets are recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred taxes are recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of less than three months and highly liquid investments in money-market mutual funds. Short-term investments are marked to market at each balance sheet date.

Bank overdrafts are classified as current financial liabilities.

## Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified as "Assets held for sale".

These assets are presented in the balance sheet under "Assets held for sale" and are measured at the lower of carrying amount and fair value less costs to sell.

## Own shares

Own shares held are recognized as a deduction from equity based on their acquisition cost. Gains and losses on the disposal of own shares held are also recorded in equity.

## Provisions

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, when the Group's obligations to third parties known at the balance sheet date are certain or likely to cause an outflow of resources for the benefit of a third party, without at least equivalent consideration, a provision is recorded when the amount concerned can be estimated with sufficient reliability.

## Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

### *Interest-bearing borrowings*

Interest-bearing borrowings are initially recognized at fair value, net of directly attributable transaction costs incurred. They are subsequently measured at amortized cost.

### *Convertible bonds*

The fair value of the liability component of convertible bonds is determined based on prevailing market interest rates for similar bonds with no conversion rights. This amount is recognized as a liability based on amortized cost. The balance of the bond issue proceeds is allocated to the conversion option and recognized in equity, net of tax.

### Employee benefits

Other than share-based payments – which are described in a specific note – the only employee benefits within the Group correspond to post-employment benefits.

In accordance with IAS 19, Employee Benefits, independent actuarial valuations of post-employment benefit obligations under defined benefit plans are made using the projected unit credit method, with benefit entitlements recognized in line with vesting.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the applicable collective bargaining agreement and/or company-level agreement, using personal data projected to the standard age for payment of the benefit. The Group's total obligations toward each participant (total actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of either leaving the Group or dying before the age of payment of the benefit;
- the discounted value of the benefit at the measurement date.

These total benefits are then allocated over each of the past and future years for which rights are accrued under the plan. The portion of the Company's obligation allocated to years prior to the measurement date (projected benefit obligation) corresponds to obligations for services rendered. The projected benefit obligation represents the Group's obligation existing at the balance sheet date.

The individual results of the valuation are then aggregated to obtain Group-level results.

In accordance with IAS 19R, actuarial gains and losses are immediately recognized in equity. In addition, interest cost and expected return on plan assets have been replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

### Stock options and share grants

In accordance with IFRS 2, Share-based Payment, stock options, employee share issues and grants of shares of Group companies to employees are measured at fair value at the grant or issue date.

Calculations of the fair value of stock options are performed based on criteria such as the exercise price and life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends on the shares and the risk-free interest rate over the life of the options.

The fair value of stock options is recognized under "Share-based payment expense" on a straight-line basis over the vesting period (i.e., the service period that must be completed in order for the options to vest), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

Performance shares are measured at fair value based on the Iliad share price at the grant date and, where appropriate, taking into account certain vesting conditions using a mathematical valuation model. Vesting conditions not taken into account for the fair value measurement at the vesting date are taken into account in estimating the number of shares that will vest at the end of the vesting period. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

A certain number of Group employees have been granted shares in Iliad subsidiaries subject to conditions relating to their presence within the Group. The shares are measured based on the fair value of the benefit granted to the employee on the grant date, with the calculation incorporating assumptions concerning the staff turnover rate for beneficiaries, a discount in respect of the lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

### Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. It also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Notes 32 and 33. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item exceeds 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of any gain or loss from remeasuring a derivative financial instrument designated as a cash flow hedge is recognized directly in equity and the ineffective portion is recognized in the income statement.

Changes in the fair value of other derivative instruments are recorded in the income statement.

If a derivative instrument no longer qualifies for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is transferred to the income statement under financial income or expense when:

- the hedging instrument is exercised, terminated or sold;
- the Group no longer expects the forecast transaction to occur; or
- the original hedged item affects profit.

## NOTE 2 SCOPE OF CONSOLIDATION

### 2.1 List of consolidated companies and consolidation methods

The list of consolidated companies and the consolidation methods used is provided in Note 36.

### 2.2 Changes in scope of consolidation in 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, LLC 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.

In October 2018, the Group sold its subsidiary Mobipel, which operated a call center in the Greater Paris area.

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future.

It continually reviews these estimates and assumptions which are based both on past experience and on other factors deemed reasonable to be used for assessing the carrying amount of assets and liabilities. Actual amounts may differ significantly from these estimates should different assumptions or conditions apply.

The main accounting estimates and judgments used by the Group relate to:

- useful lives and impairment of non-current assets;
- assessment of the fair value of certain financial assets;
- assessment of the recoverable amount of deferred tax assets recognized for tax loss carryforwards;
- assessment of doubtful receivables and calculating the corresponding impairment losses;
- the length of mobile phone rental periods;
- assessment of the estimated net realizable value of inventories and calculating the corresponding impairment losses;
- assessment of risks related to disputes and litigation in process and calculating the corresponding provisions;
- estimation of future cash outflows for certain operating licenses granted to the Group for which the definitive prices have not yet been set;
- determining whether the Group is principal or agent in accordance with IFRS 15.

## NOTE 4 REVENUES

At €4.9 billion, consolidated revenues for 2018 were on a par with the previous year.

The presentation of the Group's revenues by geographic segment is provided in Note 5 below.

This presentation may be changed in the future, depending on operating criteria and the development of the Group's businesses.

## NOTE 5 SEGMENT INFORMATION

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

- France;
- Italy.

### 2018 revenues

| *In € millions* | France | Italy | Total |
|---|---|---|---|
| **Revenues** | | | |
| Landline | 2,638 | 0 | **2,638** |
| Mobile | 2,138 | 125 | **2,263** |
| Intra-group sales | (9) | (1) | **(10)** |
| Total | 4,767 | 124 | **4,891** |

### 2018 earnings

| *In € millions* | France | Italy | Total |
|---|---|---|---|
| **Earnings** | | | |
| EBITDA | 1,807 | (52) | **1,755** |
| Share-based payment expense | (14) | 0 | **(14)** |
| Depreciation, amortization and provisions for impairment of non-current assets | (964) | (87) | **(1,051)** |
| Profit from ordinary activities | 829 | (139) | **690** |
| Profit for the period | 451 | (121) | **330** |

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

| *In € millions* | France | Italy | Total |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets (carrying amount) | 1,594 | 2,344 | **3,938** |
| Property, plant and equipment (carrying amount) | 5,151 | 207 | **5,358** |
| **Current assets (excluding cash and cash equivalents, financial assets and tax assets)** | 989 | 73 | **1,062** |
| **Cash and cash equivalents** | 181 | 0 | **181** |

### Liabilities, excluding financial liabilities and taxes payable

| *In € millions* | France | Italy | Total |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other non-current liabilities | 170 | 1,393 | **1,563** |
| **Current liabilities** | | | |
| Trade and other payables | 1,388 | 492 | **1,880** |

## NOTE 6 PURCHASES USED IN PRODUCTION AND EXTERNAL CHARGES

Purchases used in production mainly include:

- interconnection costs invoiced by other operators (including roaming charges);
- costs relating to unbundling operations;
- costs and fees related to the FTTH business;
- acquisitions of goods and services for resale or for use in designing goods or services invoiced by the Group.

External charges primarily comprise:

- logistics and dispatch costs;
- leasing expenses (including leases entered into for network development purposes, such as "mobile" sites);
- marketing and advertising costs;
- external service provider fees;
- subcontracting costs.

## NOTE 7 HUMAN RESOURCES DATA

### Payroll costs

Payroll costs break down as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Wages and salaries | (213) | (195) |
| • Payroll taxes | (72) | (60) |
| **TOTAL** | **(285)** | **(255)** |

### Number of employees at year-end

The Group's headcount can be analyzed as follows by category:

| Number of employees at year-end | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| • Management | 1,573 | 1,216 |
| • Other | 8,503 | 8,496 |
| **TOTAL** | **10,076** | **9,712** |

## Post-employment benefits

The methods used for recognizing and measuring pension and other post-employment benefit obligations comply with IAS 19R, Employee Benefits (see Note 1).

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| • Discount rate | 1.90% | 1.75% |
| • Long-term inflation rate | 2% | 2% |
| • Mortality table | INSEE 2012-2014 | INSEE 2012-2014 |
| • Type of retirement | Voluntary | Voluntary |
| • Retirement age | | |
| – Management | Statutory retirement age | Statutory retirement age |
| – Other | Post 2014 French pension reform and the 2015 French Social Security Financing Act | Post 2014 French pension reform and the 2015 French Social Security Financing Act |

Movements in the Group's post-employment benefit obligations in 2018 and 2017 can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Present value of obligation at beginning of year: | 19 | 16 |
| • Current service cost | 3 | 3 |
| • Loss/(gain) from changes in assumptions | (4) | 0 |
| • Experience (gains)/losses | 1 | 0 |
| **TOTAL** | **19** | **19** |

The impact on equity of the Group's post-employment benefit obligations was a positive €3,830 million (before tax) at December 31, 2018 and the amount recognized in the income statement for the year then ended corresponded to a €3,603 million expense (before tax).

# NOTE 8 DEVELOPMENT COSTS

Development costs include the following:

- the cost of designing new products, adapting existing products to the Internet, and researching or creating databases for new applications. These costs are primarily incurred by Freebox;
- specific development costs for remote processing and/or storage of information by Online;
- the technological development costs incurred in the mobile telephony business, notably concerning the network's architecture and functionalities. These costs are primarily incurred by Free Mobile.

Development costs incurred in 2018 are presented net of any related research tax credits.

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Capitalized development costs | (10) | (7) |
| • Development costs recognized directly in the income statement | (1) | (1) |
| **TOTAL** | **(11)** | **(8)** |

## NOTE 9 OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Proceeds from sales of non-current assets | 36 | 13 |
| • Customer contract termination fees | 9 | 6 |
| • Other revenues | 18 | 8 |
| **TOTAL OTHER INCOME FROM OPERATIONS** | **63** | **27** |

"Other expenses from operations" can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Carrying amount of divested non-current assets | (32) | (6) |
| • Royalties and similar fees | (42) | (39) |
| • Bad debts | 0 | 0 |
| • Other | (9) | (1) |
| **TOTAL OTHER EXPENSES FROM OPERATIONS** | **(83)** | **(46)** |

| *In € millions* | 2018 | 2017 |
|---|---|---|
| **OTHER INCOME AND EXPENSES FROM OPERATIONS, NET** | **(20)** | **(19)** |

## NOTE 10 DEPRECIATION, AMORTIZATION AND PROVISIONS

The following tables show the breakdown between the various components of depreciation, amortization and provisions:

### Depreciation, amortization and provisions for impairment of non-current assets

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Depreciation and amortization expense: | | |
| – Intangible assets | (287) | (235) |
| – Property, plant and equipment | (765) | (678) |
| • Additions to provisions for impairment of non-current assets: | | |
| – Property, plant and equipment | (1) | 0 |
| • Depreciation/amortization of investment grants: | | |
| – Intangible assets | 1 | 1 |
| – Property, plant and equipment | 1 | 1 |
| **TOTAL** | **(1,051)** | **(911)** |

## Additions to provisions for contingencies and charges and impairment of current assets

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Provisions for contingencies and charges | 6 | 3 |
| • Provisions for impairment of inventories and trade receivables | (32) | (56) |
| **TOTAL** | **(26)** | **(54)** |

## NOTE 11 OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €10 million in 2018, compared with a net expense of €1 million in 2017.

In December 2018, the Group announced to its French employees that they would be receiving a one-off "purchasing power" bonus. This bonus falls within the scope of the measures introduced by the French government to increase the population's purchasing power and is therefore eligible for exemptions from income and payroll taxes. The aggregate amount of the bonus is €7 million and it will be paid to the employees concerned in early 2019.

The costs incurred in 2018 in relation to the acquisition or sale of companies (notably the eir acquisition) amounted to €4 million.

## NOTE 12 FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Income from cash and cash equivalents | 1 | 0 |
| • Finance costs, gross | | |
| – Interest on borrowings | (46) | (26) |
| – Finance lease payments | (1) | (2) |
| **Sub-total – Finance costs, gross** | **(47)** | **(28)** |
| **Finance costs, net** | **(46)** | **(28)** |
| • Other financial income | 2 | 0 |
| **Sub-total – Other financial income** | **2** | **0** |
| • Other financial expenses | | |
| – Translation adjustments/Hedging expense | (4) | 0 |
| – Discounting expense | (40) | (63) |
| – Other | 0 | 0 |
| **Sub-total – Other financial expenses** | **(44)** | **(63)** |
| OTHER FINANCIAL EXPENSES, NET | (42) | (63) |
| **NET FINANCIAL EXPENSE** | **(88)** | **(91)** |

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 29) as well as discounting expense.

Finance costs, gross, comprises interest on borrowings and finance lease payments.

Discounting expense mainly concerns trade payables with maturities of more than one year.

## NOTE 13 CORPORATE INCOME TAX

### Analysis of the corporate income tax charge

The Group's corporate income tax charge breaks down as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Current taxes | | |
| • on income | (253) | (336) |
| • on value added (CVAE) | (33) | (39) |
| CURRENT INCOME TAX CHARGE | (286) | (375) |
| Deferred taxes | | |
| • on income | 47 | 9 |
| • on value added (CVAE) | 0 | 0 |
| DEFERRED INCOME TAX BENEFIT/(CHARGE) | 47 | 9 |
| **TOTAL TAX CHARGE** | **(239)** | **(366)** |

The total tax charge for 2017 included €76 million attributable to the exceptional income tax contribution introduced by France's Amended Finance Act for 2017 and only applicable to fiscal 2017.

### Tax group

Iliad has set up a tax group, which at end-2018 included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is outside France.

### Tax proof

The table below reconciles the Group's theoretical tax rate with the effective tax rate calculated on consolidated profit from continuing operations before tax.

| *In € millions* | 2018 | 2017 |
|---|---|---|
| **PROFIT FOR THE PERIOD** | **330** | **405** |
| • Corporate income tax | 239 | 366 |
| **CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS BEFORE TAX** | **569** | **771** |
| **THEORETICAL TAX RATE** | **34.43%** | **34.43%** |
| • Net impact of permanent differences | +2.96% | +3.37% |
| • Impact of unrecognized tax loss carryforwards | -0.16% | 0% |
| • Impact of different tax rates | +4.75% | +9.64% |
| • Other impacts | +0.02% | +0.06% |
| **EFFECTIVE TAX RATE** | **42.00%** | **47.50%** |

## Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- tax loss carryforwards of companies outside the Iliad tax group that have been in a loss-making position for several years and are not expected to return to profit in the near future;
- tax loss carryforwards that are not expected to be utilized based on the projected future earnings of the companies concerned using information available at the balance sheet date, or when the companies concerned have been historically loss-making and their turnaround is in progress.

Unrecognized deferred tax assets totaled €899 million at December 31, 2018 versus €804 million at December 31, 2017.

# NOTE 14 BASIC AND DILUTED EARNINGS PER SHARE

## Basic earnings per share

| Number of shares used for the calculation | 2018 | 2017 |
|---|---|---|
| • Number of shares at the year-end | 59,045,555 | 59,032,661 |
| • Weighted average number of shares | 58,602,699 | 58,849,298 |

## Diluted earnings per share

| | 2018 | 2017 |
|---|---|---|
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | 322,804 | 397,873 |
| Interest expense on OCEANE convertible bonds | 0 | 0 |
| DILUTED PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | 322,804 | 397,873 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (AFTER DILUTION) | | |
| • Weighted average number of shares outstanding (see above) | 58,602,699 | 58,849,298 |
| • Number of share equivalents: | | |
| – Stock options and free share grants | 1,358,337 | 1,561,912 |
| MAXIMUM WEIGHTED AVERAGE NUMBER OF SHARES AFTER DILUTION | 59,961,036 | 60,411,210 |
| **DILUTED EARNINGS PER SHARE (IN €)** | **5.38** | **6.59** |

## Dilutive instruments

As Iliad's average share price in 2018 was €146.60, all of the Group's stock option plans were considered to be dilutive during the year.

# NOTE 15 ANALYSIS OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

## Cash flows from operating activities

Net cash generated from operating activities is determined by the indirect method, which consists of adding back to or deducting from profit for the period:

- all non-cash transactions;
- deferrals or adjustments concerning past or future cash inflows or outflows related to operations; and
- all cash flows relating to investing or financing activities.

## Changes in operating working capital requirement

Changes in operating working capital requirement during 2018 and 2017 can be analyzed as follows:

| *In € millions*<br>2018 | Note | Balance at Jan. 1, 2018 | Net debits | Net credits | Change in scope of consolidation | Other | Balance at Dec. 31, 2018 |
|---|---|---|---|---|---|---|---|
| • Net inventories | 22 | 31 | 59 | | 0 | 0 | 90 |
| • Net trade receivables | 23 | 492 | 149 | | 0 | 0 | 641 |
| • Other net receivables | 23 | 233 | 87 | | 0 | 0 | 320 |
| • Trade payables (suppliers of goods and services) | 30 | (490) | | (220) | 1 | (3) | (712) |
| • Other payables | | (347) | | (106) | 4 | 0 | (449) |
| **TOTAL** | | **(81)** | **295** | **(326)** | **5** | **(3)** | **(110)** |
| CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT IN 2018 | | | | (31) | | | |

| *In € millions*<br>2017 | Note | Balance at Jan. 1, 2017 | Net debits | Net credits | Change in scope of consolidation | Other | Balance at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|
| • Net inventories | 22 | 15 | 16 | | 0 | 0 | 31 |
| • Net trade receivables | 23 | 454 | 38 | | 0 | 0 | 492 |
| • Other net receivables | 23 | 221 | 16 | | 0 | (4) | 233 |
| • Trade payables (suppliers of goods and services) | 30 | (507) | 17 | | 0 | 0 | (490) |
| • Other payables | | (335) | | (12) | 0 | 0 | (347) |
| **TOTAL** | | **(152)** | **87** | **(12)** | **0** | **(4)** | **(81)** |
| CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT IN 2017 | | | | 75 | | | |

## Other receivables

| *In € millions* | Note | At December 31, 2018 | At December 31, 2017 |
|---|---|---|---|
| Trade and other receivables: | 23 | 972 | 725 |
| • Net trade receivables (incl. VAT) | 23 | (641) | (492) |
| • Receivables on sales of non-current assets (excl. VAT) | 23 | (11) | 0 |
| **OTHER RECEIVABLES** | | **320** | **233** |

## Other payables

| *In € millions* | Note | At December 31, 2018 | At December 31, 2017 |
|---|---|---|---|
| Trade and other payables: | 30 | 3,443 | 2,324 |
| • Suppliers of goods and services (incl. VAT) | 30 | (712) | (490) |
| • Suppliers of non-current assets (excl. VAT) | | (2,282) | (1,487) |
| **OTHER PAYABLES** | | **449** | **347** |

## Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

| *In € millions* | Note | 2018 | 2017 |
|---|---|---|---|
| • Acquisition of intangible assets | 17 | 1,513 | 214 |
| • Remeasurement of intangible assets | 17 | 0 | (520) |
| • Acquisition of property, plant and equipment | 19 | 1,702 | 1,316 |
| • Suppliers of non-current assets (excl. VAT): | | | |
| – at January 1st | | 1,487 | 2,455 |
| – at December 31 | | (2,282) | (1,487) |
| • Other | | 27 | 68 |
| **TOTAL** | | **2,447** | **2,046** |

## Cash and cash equivalents

| *In € millions* | Note | Cash and cash equivalents at December 31, 2018 | Cash and cash equivalents at December 31, 2017 |
|---|---|---|---|
| Cash (including currency hedges) | 24 | 68 | 100 |
| Marketable securities | 24 | 113 | 116 |
| **SUB-TOTAL** | | **181** | **216** |
| Bank overdrafts | 29 | (8) | (1) |
| **TOTAL** | | **173** | **215** |

## Non-monetary flows relating to investing and financing activities

The following table presents transactions carried out by the Group that did not have an impact on cash flows, and which are therefore not included in the statement of cash flows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Acquisitions of assets under finance leases | 39 | 20 |

# NOTE 16 GOODWILL

The carrying amount of the Group's goodwill was €215 million at both December 31, 2018 and 2017.

## NOTE 17 INTANGIBLE ASSETS

Intangible assets break down as follows:

| *In € millions* | At December 31, 2018 Gross | Amortization and impairment | Net | At December 31, 2017 Gross | Amortization and impairment | Net |
|---|---|---|---|---|---|---|
| **Acquisitions:** | | | | | | |
| • 3G licenses - France | 323 | 125 | 198 | 323 | 107 | 216 |
| • 4G licenses - France | 1,284 | 163 | 1,121 | 1,266 | 127 | 1,139 |
| • Wimax license | 0 | 0 | 0 | 54 | 53 | 1 |
| • Licenses - French overseas *départements and collectivités* | 8 | 0 | 8 | 7 | 0 | 7 |
| • Licenses - Italy | 2,050 | 75 | 1,975 | 921 | 0 | 921 |
| • Alice customer base | 25 | 22 | 3 | 25 | 19 | 6 |
| Other intangible assets | 1,726 | 1,105 | 621 | 1,362 | 955 | 407 |
| **Internally-generated intangible assets:** | | | | | | |
| • Development costs | 22 | 10 | 12 | 17 | 9 | 8 |
| **TOTAL** | **5,438** | **1,500** | **3,938** | **3,975** | **1,270** | **2,705** |

### France

In January 2010, the Group was issued France's fourth 3G mobile telecommunications license in return for consideration of €242.7 million. In accordance with IAS 23 the carrying amount of this asset in the balance sheet includes related borrowing costs.

In September 2011, the Group was allocated a license for 20 MHz (duplex) of spectrum in the new generation 4G (2,600 MHz) frequency band for a cost of €278.1 million. The carrying amount of this asset includes related borrowing costs in accordance with IAS 23. This spectrum has been used since December 2013.

In December 2014, the Group was granted a license to use 5 MHz (duplex) in the 1,800 MHz (4G) frequency band, which it has used since October 2015, and in September 2015 it was granted a license to use an additional 10 MHz in the 1,800 MHz (4G) frequency band, which has been used since May 2016.

Following a mobile frequency auction carried out in France, in November 2015 the Group was allocated 10 MHz (duplex) in the 700 MHz (4G) band for €933 million, payable in four installments. All of these installments had been paid by end-2018.

This frequency band will be gradually brought into service between 2016 and 2019 as it becomes available. An initial tranche was brought into service in 2016, representing 20.66% of the 700 MHz frequency band, and new tranches representing 34.03% of the band were brought into service throughout 2018.

In November 2016 the Group was allocated 3G and 4G spectrum in the following French overseas départements and collectivités: Guadeloupe, Martinique, French Guiana, Saint-Barthélemy and Saint-Martin.

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. As mentioned above, Free Mobile already has a license to use frequencies in the 1,800 MHz band.

ARCEP's decision on the reallocation of the frequencies was made on November 15, 2018, and as a result the Group will have 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.

The Group currently has 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. This portfolio will be increased to 68.5 MHz following the frequency reallocation procedure described above.

Since 2012 the Group has accelerated the rollout of its mobile operations, which has resulted in the signature of agreements granting it certain long-term rights, some of which were extended in 2018.

### Italy

In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups as part of the plan to merge their H3G and Wind subsidiaries. This agreement provided for Iliad to acquire assets enabling it to enter the market in Italy as the fourth mobile operator.

The assets transferred to the Group pursuant to this agreement include licenses to use a portfolio of 2x35 MHz frequencies (2x5 MHz in the 900 MHz band, 2x10 MHz in the 1,800 MHz band, 2x10 MHz in the 2,100 MHz band and 2x10 MHz in the 2,600 MHz band) at a cost of €450 million (excluding extensions and transfer taxes), to be paid between 2017 and 2019. The estimated amount of the payment installment for 2019 is €210 million for these frequencies. At December 31, 2018, the Group had already paid a total of €243 million.

In addition, in 2017, the Group paid €220 million to the Italian government under its process to refarm and extend the licenses for 1,800 MHz frequencies until 2029.

Lastly, the Group became the legal owner of the licenses for the above portfolio of 2x35 MHz frequencies in Italy following a decision issued by the Italian Ministry of Economic Development (MiSE) on November 4, 2016. The estimated duration of these licenses includes the extension periods provided for by Italian law until the end of 2029. The Group recognized under intangible assets the estimated amount it has to pay to the MiSE by 2021 for the extension and 4G refarming of the 900 and 2,100 MHz spectrum for the period from December 2021 through December 2029.

During a transition period that will expire at the end of 2019 at the latest, a portion of this frequency portfolio will be used by Wind/H3G.

In accordance with IAS 38, the Group recognized an €895.9 million intangible asset in 2018, corresponding to the present value of the expected cash outflows for the Italian spectrum licenses. The discount rate used to calculate this intangible asset was 2.11%, corresponding to the average interest rate on the Group's gross borrowings for the second half of 2016.

In its 2018 Finance Act published in late 2017, the Italian government issued its procedures for the assignment of 700 MHz frequencies as well as the 3,600 MHz-3,800 MHz and 26 GHz-27 GHz frequencies that will be used for 5G. The results of the spectrum auction were announced in October 2018, and the Group was allocated the following (for a total of €1,193 million):

- 2 x 10 MHz 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.

The Group made an initial payment of €143 million for these frequencies in 2018 and the balance will be paid by end-2022.

In accordance with IAS 38, the Group recognized a €1,128.8 million intangible asset in 2018, corresponding to the present value of the expected cash outflows for its Italian 5G license. The discount rate used to calculate this intangible asset was 1.56%, corresponding to the average interest rate on the Group's gross borrowings for 2018. The contra-entry to the recognition of this €1,128.8 million intangible asset was recorded in trade payables at December 31, 2018.

## Group:

Borrowing costs capitalized in previous years relating to the Group's licenses represented a gross amount of €80 million at December 31, 2018. The amount capitalized during the year was €14 million.

There are no restrictions on the legal title of the Group's intangible assets and none of these assets have been pledged as security for borrowings.

Movements in net intangible assets can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Net at January 1st | 2,705 | 3,243 |
| Additions: | | |
| • acquisitions | 1,513 | 214 |
| • asset remeasurement | 0 | (520) |
| • internally-generated intangible assets | 8 | 4 |
| • Reclassifications | 0 | 0 |
| Other | (1) | (2) |
| Amortization and impairment | (287) | (234) |
| **NET AT DECEMBER 31** | **3,938** | **2,705** |

In accordance with IAS 38, the licenses for the spectrum in the 1,800 MHz band allocated to the Group in 2014 and 2015 in France were capitalized based on the discounted amount of the expected related cash outflows estimated by the Group because the final amount of these licenses was not known.

During 2017, ARCEP issued a decision setting the total amount payable for these licenses, which was less than the Group's initial estimate. Consequently, the Group remeasured the related asset based on the amount set in ARCEP's decision.

## Intangible assets in progress

The carrying amount of intangible assets in progress is included in the carrying amounts of the various categories of intangible assets, as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| • Licenses | 2,470 | 1,644 |
| • Other | 1 | 2 |
| **TOTAL** | **2,471** | **1,646** |

## NOTE 18 IMPAIRMENT TESTS ON GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets not yet available for use 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.

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that they may be impaired.

The Group does not have any intangible assets with indefinite useful lives.

### Impairment tests

At December 31, 2018 the Group carried out its annual impairment test on its Italy Retail Telecom CGU, by measuring the CGU's recoverable amount – using the discounted cash flows method – and comparing that recoverable amount against the recoverable amount of the CGU.

Following this test, no impairment losses were recognized against any of the assets allocated to this CGU.

For the purpose of the impairment test performed on the France Retail Telecom CGU – which represents over 98% of the Group's business in France – the CGU's fair value less cost to sell was calculated based on the Group's market value. The Group believes that its market value represents at least the value of the France Retail Telecom CGU, and as that market value was higher than the aggregate carrying amount of the assets allocated to the CGU, no impairment losses were recognized against its goodwill or intangible assets in 2018.

There were no indications at December 31, 2018 that the values of the intangible assets in progress for either of these two CGUs were impaired.

## NOTE 19 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

| | At December 31, 2018 | | | At December 31, 2017 | | |
|---|---|---|---|---|---|---|
| *In € millions* | Gross | Depreciation | Net | Gross | Depreciation | Net |
| • Land and buildings[1] | 154 | 13 | 141 | 160 | 11 | 149 |
| • Network usage rights | 189 | 105 | 84 | 189 | 96 | 93 |
| • Service access fees | 763 | 396 | 367 | 721 | 344 | 377 |
| • Network equipment[2] | 7,277 | 3,129 | 4,148 | 5,936 | 2,682 | 3,254 |
| • Other | 753 | 135 | 618 | 649 | 105 | 544 |
| **TOTAL** | **9,136** | **3,778** | **5,358** | **7,655** | **3,238** | **4,417** |
| *(1) of which finance leases* | *85* | *9* | *76* | *85* | *8* | *77* |
| *(2) of which finance leases* | *224* | *150* | *74* | *185* | *131* | *54* |

There are no restrictions on the legal title of the Group's property, plant and equipment and none of these assets have been pledged as security for borrowings.

Movements in net property, plant and equipment can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Net at January 1 | 4,417 | 3,761 |
| Acquisitions* | 1,740 | 1,336 |
| Disposals | (32) | (7) |
| Reclassifications | 0 | (0) |
| Impact of changes in scope of consolidation | (1) | 0 |
| Other | (1) | (5) |
| Depreciation and impairment | (765) | (668) |
| **NET AT DECEMBER 31** | **5,358** | **4,417** |
| * *Acquisitions excluding assets acquired under finance leases* | *1,702* | *1,316* |

During 2018 the Group kept up its capital spending drive for growth projects. This included the following:

- a step-up in the pace of investments for the FTTH network rollout, with a particular acceleration in rollouts in "averagely populated areas", and an increase in the number of subscribers being connected up to fiber;
- mobile-related capital expenditure, reflecting the significant progress made in the mobile network rollout and technological upgrades, particularly for 4G/4G+;
- capital expenditure related to the launch of the new Freeboxes at end-2018;
- capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses);
- investment in the hosting business, which is growing rapidly;
- investments related to the Group's Italian mobile business (expenditure for structural work and initial capital outlay for the network).

## Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In 2018, no such events or circumstances were identified that had a material effect on the carrying amount of these assets.

## Assets under construction

The carrying amount of assets under construction is included in the carrying amounts of the various categories of property, plant and equipment, as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| • Land and buildings | 29 | 42 |
| • Network usage rights | 3 | 3 |
| • Network equipment | 772 | 566 |
| **TOTAL** | **803** | **611** |

## NOTE 20 EQUITY-ACCOUNTED INVESTEES

The Group has two main equity-accounted investees:

- Telecom Réunion-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 Boru – 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 21).

The analysis of the final fair values of eir's identifiable assets, liabilities and contingent liabilities was in the process of being completed at the reporting date.

The impact of this analysis has been taken into account in the profit and net asset value figures reported by the Group for 2018 in relation to equity-accounted investees.

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Share of profit/(loss) of equity-accounted investees before tax | (19) | 2 |
| Share of tax of equity-accounted investees | (4) | (1) |
| **SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED INVESTEES AFTER TAX** | **(23)** | **1** |

The Group's share of profit of equity-accounted investees for 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 2018 and 2017:

| *In € millions* | 2018 | 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 |
| Share of OCI of equity-accounted investees | 25 | 0 |
| Dividends paid | 0 | 0 |
| Translation adjustments | 0 | 0 |
| Capital reductions | 0 | 0 |
| Acquisitions and changes in scope of consolidation | 300 | 0 |
| Other | 0 | 0 |
| **INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT DECEMBER 31** | **318** | **16** |

* *Including the share of the loss of NJJ Boru in 2018: €25.*

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

The following table sets out the key financial information of the Telecom Réunion-Mayotte sub-group, based on its most recently published consolidated financial statements prepared in accordance with IFRS:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| **REVENUES** | **62** | **58** |
| Profit for the period | 5 | 2 |
| Other comprehensive income | 0 | 0 |
| **TOTAL COMPREHENSIVE INCOME** | **5** | **2** |
| Non-current assets | 94 | 95 |
| Current assets | 24 | 20 |
| Non-current liabilities | (51) | (60) |
| Current liabilities | (32) | (24) |
| **TOTAL NET ASSETS** | **35** | **31** |

The following table sets out the key financial information of the NJJ Boru sub-group, based on its most recently published consolidated financial statements prepared in accordance with IFRS:

| *In € millions* | 2018 |
|---|---|
| **REVENUES (9 MONTHS OF OPERATIONS)** | **935** |
| Profit/(loss) for the period | (73) |
| Other comprehensive income | 77 |
| **TOTAL COMPREHENSIVE INCOME/(EXPENSE)** | **4** |
| Non-current assets | 4,133 |
| Current assets | 483 |
| Non-current liabilities | (2,978) |
| Current liabilities | (639) |
| **TOTAL NET ASSETS** | **999** |

Iliad's consolidated financial statements include transactions carried out by the Group with equity-accounted investees as part of its routine business. These transactions are conducted on arm's length terms.

The Group has no off-balance-sheet commitments relating to equity-accounted investees.

## NOTE 21 OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

| *In € millions* | At December 31, 2018 Net | At December 31, 2017 Net |
|---|---|---|
| **Other long-term financial assets** | | |
| • Other investment securities | 25 | 19 |
| • Loans, receivables and other | 18 | 11 |
| • Guarantee deposits | 7 | 7 |
| TOTAL OTHER LONG-TERM FINANCIAL ASSETS | **50** | **37** |
| **Other short-term financial assets** | | |
| • Loans and receivables | 6 | 0 |
| TOTAL OTHER SHORT-TERM FINANCIAL ASSETS | **6** | **0** |
| **TOTAL OTHER FINANCIAL ASSETS** | **56** | **37** |

Other financial assets are classified as short-term when they are due within one year and as long-term when they are due beyond one year.

Other financial assets break down as follows by function:

| *In € millions* | At December 31, 2018 Net | At December 31, 2017 Net |
|---|---|---|
| • Financial assets carried at fair value through profit or loss | 22 | 11 |
| • Financial assets carried at fair value through OCI | 25 | 18 |
| • Financial assets carried at amortized cost | 9 | 8 |
| **TOTAL OTHER FINANCIAL ASSETS** | **56** | **37** |

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%.

This call option has been recognized as a non-current financial asset in an amount of €16 million in the Group's consolidated financial statements at December 31, 2018 (see Note 20).

Movements in net other financial assets can be analyzed as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Carrying amount at January 1 | 37 | 19 |
| Acquisitions | 13 | 18 |
| Fair value adjustments | 5 | 0 |
| Redemptions and repayments | 0 | 0 |
| Impact of changes in scope of consolidation | 16 | 0 |
| Disposals | (15) | (2) |
| Additions to provisions | 0 | 2 |
| **CARRYING AMOUNT AT DECEMBER 31** | **56** | **37** |

Acquisitions and redemptions and repayments in 2017 and 2018 primarily concerned movements in guarantee deposits paid and receivables due in more than one year.

## NOTE 22 INVENTORIES

Inventories break down as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Raw materials | 57 | 1 |
| Work-in-progress | 0 | 0 |
| Finished products | 35 | 33 |
| **INVENTORIES – GROSS** | **92** | **34** |
| Provisions: | | |
| • raw materials | 0 | (1) |
| • finished products | (2) | (2) |
| **TOTAL PROVISIONS** | **(2)** | **(3)** |
| **INVENTORIES – NET** | **90** | **31** |

The provisions for impairment recognized against inventories of mobile phones notably take into account (i) inventories that are damaged and therefore not available for sale, and (ii) inventories of old models that are no longer marketed by the Group.

The year-on-year increase in inventories is mainly due to the launch of the Group's new box, the Freebox Delta, a part of which (the player) is sold to the subscriber.

## NOTE 23 OTHER ASSETS

Trade and other receivables (recorded under non-current and current assets) break down as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| **Other receivables recorded under other non-current assets:** | | |
| • Other receivables | 32 | 23 |
| **TOTAL – GROSS** | **32** | **23** |
| Amortization and provisions for other receivables | (16) | (10) |
| **NET OTHER RECEIVABLES (OTHER NON-CURRENT ASSETS)** | **16** | **13** |

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| **Trade and other receivables recorded under current assets** | | |
| • Trade receivables | 769 | 567 |
| • Advances and prepayments | 7 | 12 |
| • Tax receivables (VAT) | 191 | 131 |
| • Sundry receivables | 54 | 17 |
| • Prepaid expenses | 70 | 73 |
| TOTAL – GROSS | 1,091 | 800 |
| Provisions for trade receivables | (117) | (75) |
| Provisions for other receivables | (2) | 0 |
| **NET TRADE AND OTHER RECEIVABLES (CURRENT ASSETS)** | **972** | **725** |
| Net trade receivables | 652 | 492 |
| Net other receivables | 320 | 233 |

Other receivables recorded under other non-current assets solely relate to contract assets (customer acquisition costs) recognized in accordance with IFRS 15.

## NOTE 24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

| | At December 31, 2018 | | At December 31, 2017 | |
|---|---|---|---|---|
| *In € millions* | Carrying amount | Fair value | Carrying amount | Fair value |
| **MUTUAL FUNDS (UCITS)** | | | | |
| Net value | 113 | 113 | 116 | 116 |
| Cash (excluding bank overdrafts) | 68 | 68 | 100 | 100 |
| **TOTAL – NET** | **181** | **181** | **216** | **216** |

The Group's policy is to invest its cash in instruments that qualify as cash equivalents within the meaning of IAS 7. As a result, these investments:

- have a short maturity;
- are highly liquid;
- are readily convertible into a known amount of cash; and
- are subject to an insignificant risk of changes in value.

Consequently, the Group invests its surplus cash in UCITS that fall into the "euro monetary" classification of the French securities regulator (*Autorité des Marchés Financiers* – AMF).

## NOTE 25 ASSETS HELD FOR SALE

Assets held for sale break down as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Buildings held for sale | 15 | 20 |
| **TOTAL** | **15** | **20** |

In line with its strategy of acquiring premises where required for rolling out its FTTH network, the Group has purchased certain buildings of which it intends to only keep part for its future operations. The remaining portion of these buildings will therefore be sold.

The portions of these buildings that the Group intends to subsequently sell have been classified under "Assets held for sale". A specialist subsidiary is responsible for managing the transactions.

Assets held for sale had no related material liabilities at either December 31, 2017 or 2018.

Gains and losses arising on sales of these buildings, including the impact of any related provisions, are presented in the consolidated income statement under "Other operating income and expense, net".

## NOTE 26 EQUITY

### Share capital

#### Capital increase following exercise of stock options

The stock options granted by the Group on November 5, 2008 have been exercisable since November 5, 2013. The first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014 and the second tranche since August 29, 2015. Lastly, the stock options granted on November 7, 2011 have been exercisable since November 6, 2016.

During 2018, 99,287 options were exercised for the same number of new shares. The Company's share capital therefore increased by €22 thousand.

#### Other corporate actions

In order to cover part of the dilution related to the exercise of stock options, in late 2016 the Company bought back 86,393 of its own shares at an average price of €178.48 per share.

These shares were canceled in early 2018, resulting in a €19 million reduction in the Company's capital from €13,082 million to €13,085 thousand at December 31, 2018.

At December 31, 2018 the Group held 237,602 Iliad shares.

At that date, Iliad's ownership structure was as follows:

| Shareholder | Number of shares | % |
|---|---|---|
| Executive Management | 33,516,724 | 56.76 |
| Public | 25,528,831 | 43.24 |
| **TOTAL** | **59,045,555** | **100.00** |

### Dividend paid and dividend recommended to shareholders at the Annual General Meeting

The dividend paid in 2018 for 2017 totaled €40,136 million. No interim dividend was paid in 2018.

At the next Annual General Meeting, shareholders will be asked to approve a dividend payment of €0.90 per share.

# NOTE 27 STOCK OPTION AND SHARE GRANT PLANS

## Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2018 and prior years, and outstanding at the year-end. No expense was recorded for these plans in either 2018 or 2017.

### At December 31, 2018

| Date of Shareholders' Meeting | Date of plan launch | Exercise price (in €) | Number of options outstanding at Jan. 1, 2018 | Number of options granted in 2018 | Number of options forfeited in 2018 | Number of options exercised in 2018 | Number of exercisable options outstanding at Dec. 31, 2018 | Number of non-exercisable options outstanding at Dec. 31, 2018 |
|---|---|---|---|---|---|---|---|---|
| **Iliad** | | | | | | | | |
| May 29, 2008 | Nov. 5, 2008 | 53.79 | 43,899 | 0 | 200 | 43,699 | 0 | 0 |
| May 29, 2008 | Aug. 30, 2010 | 67.67 | 130,615 | 0 | 0 | 18,487 | 112,128 | 0 |
| May 24, 2011 | Nov. 7, 2011 | 84.03 | 223,374 | 0 | 0 | 37,101 | 186,273 | 0 |

### At December 31, 2017

| Date of Shareholders' Meeting | Date of plan launch | Exercise price (in €) | Number of options outstanding at Jan. 1, 2017 | Number of options granted in 2017 | Number of options forfeited in 2017 | Number of options exercised in 2017 | Number of xercisable options outstanding at Dec. 31, 2017 | Number of non-exercisable options outstanding at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| **Iliad** | | | | | | | | |
| May 29, 2006 | June 14, 2007 | 74.62 | 125 | 0 | 0 | 125 | 0 | 0 |
| May 29, 2006 | Aug. 30, 2007 | 68.17 | 16,908 | 0 | 0 | 16,908 | 0 | 0 |
| May 29, 2008 | Nov. 5, 2008 | 53.79 | 59,541 | 0 | 0 | 15,642 | 43,899 | 0 |
| May 29, 2008 | Aug. 30, 2010 | 67.67 | 211,505 | 0 | 0 | 80,890 | 130,615 | 0 |
| May 24, 2011 | Nov. 7, 2011 | 84.03 | 305,132 | 0 | 0 | 81,758 | 223,374 | 0 |

### Exercise dates of options

The exercise dates for the outstanding stock options are as follows:

| Date of plan launch | Exercise dates |
|---|---|
| November 5, 2008 | Options exercisable since November 5, 2013 |
| August 30, 2010 | 30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015 |
| November 7, 2011 | Options exercisable since November 6, 2016 |

## Share grant plans

### Free Mobile

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. The option can be exercised from July 1, 2019.

The expense recorded in relation to these plans totaled €482 thousand in 2017 and €508 million in 2018.

### Online

Following an authorization given at the Shareholders' Meeting of December 3, 2012, Online set up a share grant plan involving shares representing up to 1% of its share capital.

The first allocation under this plan took place in 2012 when an employee was granted shares representing 0.2% of Online's share capital.

The shares vested after a period of two years and this vesting period was followed by a two-year lock-up period during which the beneficiary was not entitled to sell the vested shares.

The expense recognized for this plan amounted to €12 million in both 2017 and 2018.

### Iliad

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 representing 0.5% of its share capital to 61 employees and executive officers under this plan.

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- October 30, 2020: 40% of the shares will vest if the EBITDA margin in France (excluding Freebox V7 sales) for 2019 is higher than the EBITDA margin in France for 2017.
- October 30, 2021: 10% of the shares will vest if the EBITDA margin in France (excluding Freebox V7 sales) for 2020 is higher than 40%.
- October 30, 2022: 10% of the shares will vest if the total number of fiber subscribers is higher than 1.7 million at October 1, 2022.
- October 30, 2023: 40% of the shares will vest if the total number of fiber subscribers is higher than 2.5 million at October 1, 2023.

The expense recognized for this plan amounted to €3,625 million in 2017 and €10,877 million in 2018.

Following an authorization given at the Shareholders' Meeting of May 16, 2018, Iliad set up a share grant plan involving shares representing up to 1% of its share capital.

During 2018, the Company granted shares representing 0.5% of its share capital to 122 employees and executive officers.

The vesting of these shares – which will take place in four equal tranches between 2021 and 2024 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- September 30, 2021 - end of the vesting period for Tranche 1:
  - 50% of the shares will vest if EBITDA less CAPEX in France (excluding B2B operations) is higher than €1 billion at December 31, 2020, and
  - 50% of the shares will vest if the EBITDA margin for France (excluding equipment sales) is higher than 40% for the year ended December 31, 2020.
- September 30, 2022 - end of the vesting period for Tranche 2: all of the Tranche 2 shares will vest if the EBITDA margin for France (excluding equipment sales) is higher for the year ended December 31, 2021 than for the year ended December 31, 2020.
- September 30, 2023 - end of the vesting period for Tranche 3:
  - 50% of the shares will vest if the number of fiber subscribers in France is higher than 3 million at September 1, 2023, and
  - 50% of the shares will vest if the number of mobile subscribers in Italy is higher than 6 million at September 1, 2023.
- September 30, 2024 - end of the vesting period for Tranche 4:
  - 50% of the shares will vest if the number of fiber subscribers in France is higher than 3.5 million at September 1, 2024, and
  - 50% of the shares will vest if the Group's revenues in Italy are higher than €500 million at June 30, 2024.

The expense recognized in 2018 for this plan amounted to €368 thousand.

### Iliad Italia

Following an authorization given by its director on July 16, 2018, Iliad Holding S.p.A set up a share grant plan involving shares representing up to 2.7% of the share capital of its subsidiary, Iliad Italia, and drew up the list of beneficiaries.

Shares representing 2.5% of Iliad Italia's share capital were granted to 53 Italian and French employees (including one Italian executive).

The shares of each beneficiary will vest after a period of two years, provided that the beneficiary still forms part of the Group at the vesting date. The vested shares will then be subject to a five-year lock-up period, following which the beneficiaries will have the option to receive their entitlements in cash or Iliad shares, with the price of their Iliad Italia shares determined by an independent valuer.

The expense recognized in 2018 for this plan amounted to €683 thousand.

## NOTE 28 PROVISIONS

The provisions for contingencies and charges recognized at December 31, 2018 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks and employee-related risks.

These provisions break down as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| **Long-term provisions** | | |
| Provisions for charges | 2 | 0 |
| TOTAL LONG-TERM PROVISIONS | **2** | **0** |
| **Short-term provisions** | | |
| Provisions for contingencies | 3 | 43 |
| Provisions for charges | 1 | 1 |
| TOTAL SHORT-TERM PROVISIONS | **35** | **44** |
| **TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES** | **37** | **44** |

Provisions are considered to be long-term when the Group does not expect to use them within 12 months of the balance sheet date. In all other cases they are deemed to be short-term.

Movements in provisions for contingencies and charges were as follows in 2018:

| *In € millions* | At Dec. 31, 2017 | Increases in 2018 | Decreases in 2018 (utilizations) | Decreases in 2018 (surplus provisions) | Change in scope of consolidation | Other movements | At Dec. 31, 2018 |
|---|---|---|---|---|---|---|---|
| Provisions for claims and litigation and general contingencies | 43 | 11 | (3) | (17) | 0 | 0 | 34 |
| Provisions for charges | 1 | 0 | 0 | 0 | 0 | 2 | 3 |
| **TOTAL** | **44** | **11** | **(3)** | **(17)** | **0** | **2** | **37** |

Movements in provisions for contingencies and charges were as follows in 2017:

| *In € millions* | At Dec. 31, 2016 | Increases in 2017 | Decreases in 2017 (utilizations) | Decreases in 2017 (surplus provisions) | Change in scope of consolidation | Other movements | At Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|
| Provisions for claims and litigation and general contingencies | 48 | 9 | (2) | (12) | 0 | 0 | 43 |
| Provisions for charges | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **TOTAL** | **49** | **9** | **(2)** | **(12)** | **0** | **0** | **44** |

## NOTE 29 FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Bank borrowings | 934 | 854 |
| Bonds | 2,434 | 1,287 |
| Finance lease liabilities | 38 | 25 |
| Other | 1 | 2 |
| **TOTAL LONG-TERM FINANCIAL LIABILITIES** | **3,407** | **2,168** |
| Bank borrowings and short-term marketable securities | 715 | 463 |
| Finance lease liabilities | 23 | 26 |
| Bank overdrafts | 7 | 1 |
| Cash flow hedges | 0 | 0 |
| Other | 12 | 7 |
| **TOTAL SHORT-TERM FINANCIAL LIABILITIES** | **757** | **497** |
| **TOTAL** | **4,164** | **2,665** |

Financial liabilities are classified as short-term when they have a maturity of less than one year and as long-term when their maturity is beyond one year.

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2018 and 2017:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| Borrowings at January 1 | 2,665 | 1,881 |
| New borrowings* | 1,567 | 867 |
| Repayments of borrowings | (86) | (88) |
| Change in bank overdrafts | 6 | (1) |
| Impact of cash flow hedges | 0 | 0 |
| Other | 12 | 6 |
| **TOTAL BORROWINGS AT DECEMBER 31** | **4,164** | **2,665** |
| * *New borrowings excluding finance lease liabilities* | *1,528* | *847* |

## Bonds

On December 1, 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 10, 2017 the Group issued €650 million worth of bonds paying interest at 1.500% per year. These bonds will be redeemed at face value at maturity on October 14, 2024.

On April 23, 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.

## Guarantees given

The Group has not given any specific guarantees in return for its existing borrowing facilities with banks.

## Description of the Group's main bank borrowing facilities outstanding at December 31, 2018

### A €1,650 million syndicated revolving credit facility

The Group has a €1,650 million syndicated revolving credit facility set up with a pool of French and international banks, whose maturity can now be extended until 2025 following the facility's renegotiation on July 16, 2018. The related loan agreement was further amended on February 12, 2019.

Following this amendment the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.250% and 1.200% per year depending on the Group's Leverage ratio.

None of this facility had been drawn down at December 31, 2018.

The financial covenants applicable to this credit facility are described in Note 33.

### A €500 million term loan

The Group has a €500 million term loan set up with a pool of French and international banks, which following its renegotiation on July 16, 2018 now matures in 2023. The related loan agreement was further amended on February 12, 2019.

Following this amendment, the applicable interest rate on the loan is based on Euribor for the period plus a margin of between 0.700% and 1.500% per year depending on the Group's Leverage ratio.

This loan had been drawn down in full at December 31, 2018.

The financial covenants applicable to this term loan are described in Note 33.

### 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. This loan is repayable in installments with a final maturity in 2020.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of next-generation landline networks. This loan is repayable in installments with a final maturity in 2022.

Both loans had been fully drawn down at December 31, 2018 and the outstanding amount owed by the Group totaled €167 million at that date.

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 December 31, 2018.

On December 17, 2018, the EIB granted Iliad a further €300 million loan to help finance its rollout of optical fiber networks. None of this loan had been drawn down at December 31, 2018.

All of the related loan agreements were amended on February 22, 2019.

The financial covenants applicable to these loans are described in Note 33.

### 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 is repayable in installments and has an 11-year maturity. The related loan agreement was amended on February 15, 2019.

Following this amendment the applicable interest rate on the facility 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.

This facility had been drawn down in full at December 31, 2018.

The financial covenants applicable to this facility are described in Note 33.

### A €50 million bilateral credit facility with a bank

On November 29, 2018, the Group set up a €50 million bilateral credit facility with a bank for the purpose of its general financing needs. This facility took the form of a bullet loan with a five-year maturity. The related loan agreement was amended on March 4, 2019.

Following this amendment the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.70% and 1.50% per year depending on the Group's Leverage ratio. This facility had been fully drawn down at December 31, 2018.

The financial covenants applicable to this facility are described in Note 33.

### Short-and medium-term marketable securities program

*€1 billion short-term NEU CP 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, the Group 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. Since June 1, 2016, the securities issued under this program have been known as Negotiable European Commercial Paper (NEU CP).

At December 31, 2018, €655 million of this program (which corresponds to variable-rate financing) had been used.

*€300 million medium-term NEU MTN program*

During the second half of 2018, the Iliad group set up a Negotiable European Medium-Term Note (NEU MTN) program in order to diversify the sources and maturities of its financing.

None of this variable-rate financing had been used at December 31, 2018.

## Breakdown of borrowings by type of rate

Borrowings after hedging at the year-end can be analyzed as follows by type of rate:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Fixed-rate borrowings | 2,874 | 1,760 |
| Variable-rate borrowings | 1,290 | 905 |
| **TOTAL BORROWINGS** | **4,164** | **2,665** |

## Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2018.

| *In € millions* | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years | Total |
|---|---|---|---|---|
| Bank borrowings | 60 | 744 | 190 | 994 |
| Bonds | 0 | 1,137 | 1,297 | 2,434 |
| Short- and medium-term marketable securities | 655 | 0 | 0 | 655 |
| Finance lease liabilities | 23 | 38 | 0 | 61 |
| Bank overdrafts | 7 | 0 | 0 | 7 |
| Other | 12 | 0 | 1 | 13 |
| TOTAL BORROWINGS | **757** | **1,919** | **1,488** | **4,164** |
| Trade payables | 1,490 | 64 | 1,480 | 3,034 |
| **TOTAL COMMITTED FINANCING FACILITIES** | **2,247** | **1,983** | **2,968** | **7,198** |

## Description of the Group's main finance leases outstanding at December 31, 2018

At December 31, 2018, the Group's total finance lease liabilities amounted to €61 million versus €51 million one year earlier.

### Real estate finance leases

The Group purchases premises to house the technical equipment required for rolling out its FTTH network.

As part of this process, in January 2007 Iliad entered into a master agreement to finance the purchase of such premises through a real estate finance lease with a 12-year term, following which the related assets may be acquired for a token amount of €1.

The agreement does not contain any contingent lease payments or renewal options and does not impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

### Equipment finance leases

As part of its operations, the Group holds some equipment (mainly switching equipment and IT servers) under finance leases with terms of between three and seven years.

None of these finance leases contain any contingent lease payments or impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

All of the contracts include bargain purchase options at the end of the lease term.

## Present value of future minimum lease payments due under finance leases

The following table presents a reconciliation between total future minimum lease payments due under finance leases at December 31, 2018 and their present value.

| *In € millions* | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years | Total |
|---|---|---|---|---|
| Future minimum lease payments | 24 | 38 | 0 | 62 |
| Present value | 23 | 37 | 0 | 60 |

Present value is determined by applying a 1.56% discount rate, which corresponds to the average interest rate on the Group's gross borrowings for 2018.

# NOTE 30 TRADE AND OTHER PAYABLES

This item breaks down as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| **Trade and other payables recorded under other non-current liabilities:** | | |
| Trade payables | 1,544 | 694 |
| Accrued taxes and employee-related payables | 19 | 19 |
| Other | 0 | 1 |
| SUB-TOTAL | **1,563** | **714** |
| **Trade and other payables recorded under current liabilities:** | | |
| Trade payables | 1,474 | 1,302 |
| Advances and prepayments | 6 | 0 |
| Accrued taxes and employee-related payables | 290 | 262 |
| Other | 22 | 5 |
| Deferred income | 88 | 42 |
| SUB-TOTAL | **1,880** | **1,611** |
| **TOTAL** | **3,443** | **2,325** |

Total trade payables can be analyzed as follows:

| *In € millions* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Suppliers of goods and services | 712 | 490 |
| Suppliers of non-current assets | 2,306 | 1,505 |
| **TOTAL** | **3,018** | **1,995** |

## NOTE 31 RELATED-PARTY TRANSACTIONS

Related-party transactions solely correspond to transactions with key management personnel.

### Transactions with key management personnel

- Persons concerned:

  Under IAS 24, key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. For the Iliad Group, these persons correspond to members of the Board of Directors of Iliad S.A. and members of the Management Committee.

- Compensation paid to the 11 members of the Group's key management personnel in 2018 and 2017 breaks down as follows:

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Total compensation | 3 | 2 |
| • Share-based payments | 6 | 2 |
| **TOTAL** | **9** | **4** |

No liabilities have been recognized in the balance sheet in relation to compensation payable to key management personnel.

### 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.

On March 9, 2016, Iliad S.A.'s Board of Directors authorized a second 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 10% of the beneficiaries' Free Mobile shares initially granted and the per-share price was determined by an independent valuer.

On March 6, 2017, Iliad S.A.'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 S.A.'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 together represented up to 30% of the beneficiaries' Free Mobile shares initially granted and the per-share price was set by an independent valuer in both cases.

Following these transactions, Iliad held 97.30% 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 representing 0.5% of its share capital to 61 employees and executive officers under this plan.

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date, and (ii) performance conditions as described in Note 27.

Following an authorization given at the Shareholders' Meeting of May 16, 2018, Iliad set up a share grant plan involving shares representing up to 1% of its share capital.

During 2018, the Company granted shares representing 0.5% of its share capital to 122 employees and executive officers under this plan.

The vesting of these shares – which will take place in four equal tranches between 2021 and 2024 – is subject to (i) the beneficiary still forming part of the Group at the vesting date, and (ii) performance conditions as described in Note 27.

## Impact of Iliad Italia share grants

Following an authorization given by its director on July 16, 2018, Iliad Holding S.p.A set up a share grant plan involving shares representing up to 2.7% of the share capital of its subsidiary, Iliad Italia, and drew up the list of beneficiaries.

The beneficiaries were informed in September 2018 and shares representing 2.5% of Iliad Italia's share capital were granted to 53 Italian and French employees and executive officers of the Group.

The shares of each beneficiary will vest after a period of two years, provided that the beneficiary still forms part of the Group at the vesting date. The vested shares will then be subject to a five-year lock-up period, following which the beneficiaries will have the option to receive their entitlements in cash or Iliad shares, with the price of their Iliad Italia shares determined by an independent valuer.

## 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 €1,500 million in 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 2018, the Group recognized €3,233 thousand in revenues for these services.

# NOTE 32 FINANCIAL INSTRUMENTS

## Reconciliation by class of instrument and accounting category

| *In € millions* | Assets carried at fair value through profit or loss | Assets carried at fair value through OCI | Assets carried at amortized cost | Liabilities carried at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **At December 31, 2018** | | | | | | |
| Cash | 68 | | | | 68 | 68 |
| Marketable securities | 113 | | | | 113 | 113 |
| Trade receivables | | | 652 | | 652 | 652 |
| Other receivables | | | 320 | | 320 | 320 |
| Other short-term financial assets | | | 0 | | 0 | 0 |
| Other long-term financial assets | 22 | 25 | 9 | | 56 | 56 |
| Long-term financial liabilities | | | | (3,407) | (3,407) | (3,407) |
| Short-term financial liabilities | | | | (757) | (757) | (757) |
| Other non-current liabilities | | | | (1,563) | (1,563) | (1,563) |
| Other current liabilities | | | | (1,880) | (1,880) | (1,880) |
| **TOTAL** | **203** | **25** | **981** | **(7,607)** | **(6,398)** | **(6,398)** |

| *In € millions* | Assets carried at fair value through profit or loss | Assets carried at fair value through OCI | Assets carried at amortized cost | Liabilities carried at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **At December 31, 2017** | | | | | | |
| Cash | 100 | | | | 100 | 100 |
| Marketable securities | 116 | | | | 116 | 116 |
| Trade receivables | | | 492 | | 492 | 492 |
| Other receivables | | | 233 | | 233 | 233 |
| Other short-term financial assets | | | 0 | | 0 | 0 |
| Other long-term financial assets | 11 | 18 | 8 | | 37 | 37 |
| Long-term financial liabilities | | | | (2,168) | (2,168) | (2,168) |
| Short-term financial liabilities | | | | (497) | (497) | (497) |
| Other non-current liabilities | | | | (714) | (714) | (714) |
| Other current liabilities | | | | (1,610) | (1,610) | (1,610) |
| **TOTAL** | **227** | **18** | **733** | **(4,989)** | **(4,011)** | **(4,011)** |

Derivative instruments are measured at fair value, with the fair value measurements categorized in Level 2 of the fair value hierarchy defined in IFRS 13.

Cash and marketable securities are measured at fair value, with the fair value measurements categorized in Level 1 of the fair value hierarchy defined in IFRS 13.

The main components of each financial instrument category and the applicable measurement methods are as follows:

- assets carried at fair value through profit or loss primarily comprise cash and cash equivalents, which are measured by reference to a quoted market price in an active market where such a market exists;
- assets carried at fair value through OCI mainly comprise investment securities;
- receivables carried at amortized cost chiefly concern loans, deposits and guarantees, trade receivables and a number of other short-term receivables;
- liabilities carried at amortized cost – calculated using the effective interest method – essentially correspond to borrowings, trade payables and other short- and long-term payables;
- derivative instruments are carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is applied;

The fair value of financial assets and liabilities is primarily determined as follows:

- the fair value of (i) trade receivables and payables; and (ii) other short-term receivables and payables, corresponds to their carrying amount in view of their very short maturities;
- the fair value of bonds is estimated at each balance sheet date;
- the fair value of liabilities related to finance leases corresponds to their carrying amount in view of their differing forms and maturities.

# NOTE 33 FINANCIAL RISK MANAGEMENT

## Market risks

### Foreign exchange risk

The Group's functional currency is the euro. However, it purchases certain goods and services outside the eurozone and is therefore exposed to foreign exchange risk, mainly in relation to the US dollar.

Detailed forecasts of the Group's future purchases denominated in US dollars are drawn up as part of the budget process. These transactions are regularly hedged over a maximum period of one and a half years.

The Group has chosen to hedge its exposure to foreign exchange risk through purchases of currency futures and options in order to obtain a guaranteed floor rate.

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was not material in 2018.

At December 31, 2018 all of these currency hedges qualified as cash flow hedges under IFRS 9.

Currency hedges had a negative impact of €1,684 million on the Group's income statement in 2018 and a positive €3,999 million impact on equity.

### Interest rate risk

As a significant portion of the Group's borrowings is at fixed rates (bonds and EIB loans), it did not consider it necessary to set up any interest rate hedges at December 31, 2018.

The Group does not have any exposure to interest rate risk on its finance leases as the contracts concerned are primarily at fixed rates.

In view of the high proportion of fixed-rate borrowings, the Group now has very little exposure to fluctuations in interest rates on its medium- and long-term debt.

The Group has no significant financial assets (such as bonds, treasury bills, other money market securities, loans or advances) and no off-balance sheet commitments (such as repos or forward rate agreements) that expose it to interest rate risk.

The table below shows the Group's net interest rate exposure at December 31, 2018:

| *In € millions* | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years | Total |
|---|---|---|---|---|
| Financial liabilities | 757 | 1,919 | 1,488 | 4,164 |
| Financial assets | 6 | 22 | 28 | 56 |
| **Net position before hedging** | **751** | **1,897** | **1,460** | **4,108** |
| Off-balance sheet position | 0 | 0 | 0 | 0 |
| **Net position after hedging** | **751** | **1,897** | **1,460** | **4,108** |

A sensitivity analysis of the Group's overall Net debt after hedging shows that a 1% increase or decrease in euro interest rates at the reporting date would have resulted in a €7,822 million increase or decrease in profit for the period.

### Equity risk

The Group does not hold any equities in its investment portfolio apart from non-material stakes in two companies.

It does, however, hold a number of its own shares, but in view of the very low number concerned any change in the Iliad share price would have a negligible impact on the Group's profit and equity (see Note 26).

## Liquidity risk

The Group draws on its solid profitability, available cash, available credit facilities, bond issues, and access to various sources of financing (banks, bond markets and money markets) to ensure that it has the requisite funds to finance its business development.

At December 31, 2018 the Group's borrowings as described above were not subject to any liquidity risk and it had not breached any of the covenants applicable to its various bank credit facilities (including the EIB loans, the KFW IPEX-Bank credit facilities and the syndicated facilities).

At December 31, 2018 the applicable covenants (which take the form of financial ratios), as agreed on following the various amendments to the loan agreements described in Note 29 were as follows:

| | Applicable financial ratios | Consequence of breach | Actual ratios at December 31, 2018 |
|---|---|---|---|
| • €1,650 million credit facility (Borrower – Iliad)<br>• €500 million term-loan (Borrower – Iliad)<br>• €150 million EIB loan granted in 2010 (Borrower – Iliad)<br>• €200 million EIB loan granted in 2012 (Borrower – Iliad)<br>• €200 million EIB loan granted in 2016 (Borrower – Iliad)<br>• €300 million EIB loan granted in 2018 (Borrower – Iliad)<br>• €90 million KFW credit facility granted in 2017 (Borrower – Iliad)<br>• €50 million bilateral credit facility granted in 2018 (Borrower – Iliad) | Leverage ratio < 3.5 | Early repayment | Leverage ratio: 2.25 |

The Group's Leverage ratio corresponds to the ratio of consolidated Net debt to EBITDA (excluding provisions) for the period.

At December 31, 2018 the Group was not exposed to any liquidity risk in view of the profitability of its operations, the maturity schedule of its debt (see Note 29) and its low leverage.

## Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly short-term investments – as well as trade and other receivables (see Note 32, "Financial instruments").

The financial assets that could expose the Group to credit or counterparty risk chiefly correspond to the following:

- trade receivables: at December 31, 2018, trade receivables represented a gross amount of €769 million and a net amount of €652 million (see Note 23, "Trade and other receivables"). The Group's exposure to customer credit risk is monitored daily through cash collection and debt recovery processes. The Group uses the services of specific debt collection agencies to recover any receivables that remain unpaid after the reminder process;
- short-term investments: the Group's policy is to invest in (i) money-market securities (commercial paper with maturities of less than three months), or (ii) certificates of deposit with maturities of less than three months, or (iii) other monetary instruments with short-term maturities, generally not exceeding one month. It also takes care to ensure good diversification amongst high quality counterparties.

At December 31, 2018 the Group's short-term investments amounted to €113 million (see Note 24, "Cash and cash equivalents"). As a result of the policy described above, these investments do not expose the Group to a significant level of counterparty risk.

### Analysis of trade receivables

At December 31, 2018 trade receivables totaled €769 million and provisions for doubtful receivables amounted to €117 million.

At the same date, substantially all past-due receivables were classified as doubtful and provisions had been recorded based on statistical recovery rates. The amount of past-due trade receivables that had not been written down at the year-end was not material.

## Concentration risk

The Group is not exposed to any concentration risk in view of its high number of customers (subscribers).

# NOTE 34 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

## 34.1 Lease commitments

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

| *In € millions* | 2018 | 2017 |
|---|---|---|
| • Minimum lease payments | 236 | 173 |
| • Contingent lease payments | 0 | 0 |
| • Sub-leases | 0 | 0 |
| **TOTAL** | **236** | **173** |

The table below analyzes the Group's lease commitments at December 31, 2018 by type of leased asset and maturity.

| Type of leased asset *(In € millions)* | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years | Total |
|---|---|---|---|---|
| Real estate | 28 | 96 | 95 | 219 |
| Vehicles | 9 | 11 | 1 | 21 |
| Other | 180 | 633 | 342 | 1,155 |
| **TOTAL** | **217** | **740** | **438** | **1,395** |

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.

## 34.2 Network-related commitments

### Network investments

At December 31, 2018 the Group had €118.8 million worth of commitments related to future network investments.

### Capacity purchases

| Type of commitment *(In € millions)* | 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** |

## 34.3 Other commitments

### 34.3.1 Commitments related to telecom licenses

*France*

On January 14, 2018, the Group (through its subsidiary, Free Mobile), along with France's other mobile operators, signed an agreement with the French government aimed at improving the national coverage of ultra-fast mobile networks through increased use of active and passive RAN sharing. By way of this agreement, the Group has undertaken to (i) deploy 2,000 four-operator RAN sharing sites in "white spots" within five years, (ii) deploy 3,000 sites in "gray spots" (located in priority rollout areas) within five years, and (iii) increase its coverage level by end-2029 if it obtains frequencies in the 900 MHz band following the 900 MHz refarming procedure. In return for these commitments, the government has undertaken not to increase the annual license fees for the 900, 1,800 and 2,100 MHz licenses and to grant the sites deployed in white and gray spots an exemption from the "IFER" network tax until 2022.

**3G license – 900/2,100 MHz**

ARCEP decision 2010-0043 dated January 12, 2010 authorizing Free Mobile to set up and operate a 3G network included a certain number of obligations, notably concerning the network's commercial launch date, the rollout timeline and population coverage, as well as Free Mobile's future service offering. Under these obligations, the Free Mobile network was required to cover 27% of the French population by the beginning of 2013, 75% by the beginning of 2015 and 90% by the beginning of 2018 (this milestone has been met).

**4G license – 2,600 MHz**

By way of decision no. 2011-1169 dated October 11, 2011, ARCEP authorized Free Mobile to use a block of frequencies in the 2.6 GHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this authorization – which has been given for a renewable 20-year period – require the Free Mobile network to cover 25% of the French population by 2015, 60% by 2019, 75% by 2023, 98% by 2027 and 99.6% by 2030. The first three milestones have now been met.

**1,800 MHz license**

By way of decision no. 2014-1542 dated December 16, 2014, ARCEP authorized Free Mobile to use a block of frequencies in the 1800 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use between January 2015 and October 2031. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 25% of the French population by October 2015, 60% by October 2019 and 75% by October 2023. Free Mobile will, however, be able to meet these coverage obligations using other frequencies that it is authorized to utilize.

**700 MHz license**

By way of decision no. 2015-1567 dated December 8, 2015, ARCEP authorized Free Mobile to use 10 MHz in the 700 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 98% of the French population by January 2027 and 99.6% by the end of 2030.

**Licenses for French overseas *départements and collectivités***

By way of decision 2016-1520, ARCEP authorized Free Mobile to use the following frequencies:

- Guadeloupe and Martinique:
  - Frequencies in the 800 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands;
- French Guiana:
  - Frequencies in the 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands;
- Saint-Barthélemy and Saint-Martin:
  - Frequencies in the 800 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

This decision contained a number of obligations for the Group concerning (i) network rollouts and coverage, (ii) compliance with the terms of the cross-border coordination agreements entered into with France's neighboring countries, and (iii) regional economic development, employment and investment.

By way of decision 2017-1037 dated September 5, 2017, ARCEP revoked spectrum license number 2016-1520, for which Free Mobile had requested a transfer, and granted to Free Caraibe the license for the spectrum initially allocated to Free Mobile.

***Italy***

The decision issued on November 4, 2016 by the Italian Ministry of Economic Development (MiSE) approving the transfer of the licenses to use a portfolio of 35 MHz (duplex) frequencies (see Note 17, "Intangible Assets") to Iliad Italia (an Iliad Group subsidiary) contained a number of coverage obligations, whereby Iliad Italia must:

- be ready to market mobile services in the 1,800 MHz band by January 2020;
- provide 2,100 MHz (or 900 MHz) coverage to the main towns and cities of Italy's regions by July 1, 2022 and those of the provinces by January 1, 2025;
- provide 2,600 MHz coverage to 20% of the Italian population 24 months after the 2,600 MHz frequencies become available (i.e. by end-June 2019) and to 40% of the population 48 months after these frequencies become available (i.e. by end-June 2021);

By way of decision no. 231/18/CONS, the Italian telecoms regulator AGCOM set out the coverage obligations applicable to the country's 5G operators. Pursuant to the decision, Iliad Italy is required to:

- roll out its network and use the 3,600 MHz frequencies allocated to it within two years of it becoming available;
- provide 3,600 MHz coverage to 5% of the population in each of Italy's regions within 48 months of the frequencies being allocated;
- provide 700 MHz coverage to 80% of the Italian population 36 months after the frequencies become available (i.e. by June 2022) and to 99.4% of the population 54 months after the frequencies become available. The second milestone may be achieved through roaming or frequency sharing agreements, for example;
- provide 700 MHz coverage across the main transport hubs, including ports, within 42 months, and across the main tourist areas within 66 months of them being identified.

### 34.3.2 Other commitments

At December 31, 2018 the Group had access to:

- a €1,650 million credit facility, none of which had been drawn down;
- a €1 billion NEU CP program, of which €655 million had been used;
- a €300 million NEU MTN program, which had not been used;
- four EIB loans, of which €450 million had been drawn down at December 31, 2018 and €300 million was still available.

At the same date:

- other commitments given by the Group amounted to €1,073.5 million;
- other commitments received by the Group totaled €3 million.

***Collateralized debt***

None of the assets belonging to the Group have been used as collateral for any debt.

***Accrued discounted trade notes***

The Group does not use this type of financing.

## 34.4 Claims and litigation

The main legal proceedings currently affecting the Group are 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 the decision. In parallel, the Group has lodged an application with the enforcement judge requesting the enforcement of the sanctions imposed by the Paris Commercial Court while the appeal is pending. Proceedings are 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 estimated its alleged losses in relation to the case at €813 million. By way of a decision on February 27, 2019, the Paris Commercial Court dismissed all of Bouygues Telecom's claims and ordered it to pay Free Mobile €350,000 in costs pursuant to Article 700 of the French Civil Procedure Code.

  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 35 EVENTS AFTER THE REPORTING DATE

On January 18, 2019, the Group announced that it had entered into a strategic alliance with Jaguar Network by acquiring a 75% majority stake in the Company for just under €100 million. The long-standing shareholder and founder of Jaguar Network has retained the remaining 25% interest in the Company.

Jaguar Network is a sovereign service provider that supplies high availability services to private businesses and the public sector and is one of France's leading developers of cutting-edge technologies for the Cloud, Telecommunications and Smart Cities markets.

This acquisition marks a major step forward in the Iliad Group's development strategy for addressing the corporate market, by forging an alliance with a well-known entrepreneur and combining the strong, complementary skills of both groups.

## NOTE 36 LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2018

The following table includes the Group's main legal holdings.

| | Registration number | Head office | Percentage ownership at Dec. 31. 2018 | Percentage ownership at Dec. 31. 2017 | Consolidation method in 2018 |
|---|---|---|---|---|---|
| **Iliad**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 342 376 332 | Paris | 100.00% | 100.00% | Full |
| **Assunet**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 421 259 797 | Paris | 89.96% | 89.96% | Full |
| **Centrapel**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 434 130 860 | Paris | 100.00% | 100.00% | Full |
| **Certicall**<br>40 avenue Jules-Cantini<br>13006 Marseille | 538 329 913 | Paris | 100.00% | 100.00% | Full |
| **Equaline**<br>18 rue du Docteur G. Pery<br>33300 Bordeaux | 538 330 358 | Paris | 100.00% | 100.00% | Full |
| **Free**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 421 938 861 | Paris | 100.00% | 100.00% | Full |
| **Freebox**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 433 910 619 | Paris | 97.99% | 97.99% | Full |
| **Free Caraïbe**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 808 537 641 | Paris | 100.00% | 100.00% | Full |
| **F Distribution**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 528 815 376 | Paris | 100.00% | 100.00% | Full |
| **Fibez inc**<br>1209 Orange Street<br>Wilmington<br>New Castle County, 19801<br>Delaware – United States | / | Wilmington | 100.00% | 100.00% | Full |
| **Free Carrier**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 790 148 944 | Paris | 100.00% | 100.00% | Full |
| **Free Fréquences**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 529 917 833 | Paris | 99.87% | 99.81% | Full |
| **Free Infrastructure**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 488 095 803 | Paris | 100.00% | 100.00% | Full |
| **Free Mobile**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 499 247 138 | Paris | 97.30% | 96.15% | Full |
| **Free Réseau**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 419 392 931 | Paris | 99.99% | 99.99% | Full |
| **IFW**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 400 089 942 | Paris | 100.00% | 100.00% | Full |
| **IH**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 441 532 173 | Paris | 100.00% | 100.00% | Full |

| | Registration number | Head office | Percentage ownership at Dec. 31. 2018 | Percentage ownership at Dec. 31. 2017 | Consolidation method in 2018 |
|---|---|---|---|---|---|
| **Iliad 2**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 537 915 050 | Paris | 100.00% | 100.00% | Full |
| **Iliad 4**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 799 285 820 | Paris | 100.00% | 100.00% | Full |
| **Iliad 6**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 834 309 486 | Paris | 100.00% | 100.00% | Full |
| **Iliad 7**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 834 309 676 | Paris | 100.00% | 100.00% | Full |
| **Iliad 10**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 844 880 492 | Paris | 100.00% | / | Full |
| **Iliad 78**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 834 315 673 | Paris | 70.00% | 70.00% | Full |
| **Iliad Gaming**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 522 418 250 | Paris | 100.00% | 100.00% | Full |
| **Iliad Holding S.p.A**<br>Largo Angelo Fochetti 29<br>Rome - Italie | / | Rome | 100.00% | 100.00% | Full |
| **Iliad Italia S.p.A**<br>Largo Angelo Fochetti 29<br>Rome - Italie | / | Rome | 100.00% | 100.00% | Full |
| **Immobilière Iliad**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 501 194 419 | Paris | 100.00% | 100.00% | Full |
| **INITIX**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 828 684 639 | Paris | 95.05% | / | Full |
| **IRE**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 489 741 645 | Paris | 100.00% | 100.00% | Full |
| **MCRA**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 532 822 475 | Paris | 100.00% | 100.00% | Full |
| **Mobipel**<br>142-160 avenue de Stalingrad<br>92700 Colombes | 538 168 675 | Colombes | 0.00% | 100.00% | NC |
| **NJJ Boru**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 833 797 467 | Paris | 49.00% | / | ME |
| **Online**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 433 115 904 | Paris | 95.003% | 95.05% | Full |
| **Online Immobilier**<br>16 rue de la Ville l'Évêque<br>75008 Paris | 537 915 019 | Paris | 95.003% | 95.05% | Full |
| **Protelco**<br>8 rue de la Ville l'Évêque<br>75008 Paris | 509 760 948 | Paris | 100.00% | 100.00% | Full |
| **Qualipel**<br>61 rue Julien-Grimau<br>94400 Vitry-sur-Seine | 533 513 958 | Vitry-sur-Seine | 100.00% | 100.00% | Full |

| | Registration number | Head office | Percentage ownership at Dec. 31. 2018 | Percentage ownership at Dec. 31. 2017 | Consolidation method in 2018 |
|---|---|---|---|---|---|
| **Resolution Call**<br>7 Bld Mohamed V<br>20800 Mohammedia -<br>Morocco | / | Morocco | 100.00% | 100.00% | Full |
| **Scaleway US Corporation**<br>C/O IMS - 1 700 W Irving<br>Park. Suite 302<br>Chicago. IL 606013 | / | Chicago | 95.003% | / | Full |
| **SEPIA**<br>12 rue Henri-Cornu –<br>Technopole de la Réunion<br>97801 Saint-Denis Cedex 9 | RCS en cours | Saint-Denis | 50.00% | 50.00% | ME |
| **Total Call**<br>Technoparc – Route de<br>Nouceur<br>Sidi Maar Casablanca -<br>Morocco | / | Morocco | 100.00% | 100.00% | Full |
| **Telecom Academy « Privé »**<br>Lotissement Attaoufik<br>Lot n° 9 & 10<br>Immeuble Le Shadow<br>Sidi Maarouf Casablanca -<br>Morocco | / | Morocco | 100.00% | 100.00% | Full |
| **Telecom Réunion-Mayotte**<br>68 rue du Faubourg<br>Saint-Honoré<br>75008 Paris | 812 123 214 | Paris | 50% | 50% | ME |

## NOTE 37 AUDIT FEES

In accordance with the disclosure requirements of standards 2016-08, 2016-09, 2016-10 and 2016-11 issued by France's accounting standards authority (the "ANC"), the table below sets out the amount of fees paid to the Statutory Auditors of Iliad S.A. and its fully consolidated subsidiaries, not including fees invoiced by the Statutory Auditors' network firms.

| | PricewaterhouseCoopers | | Deloitte & Associés | | Total | |
|---|---|---|---|---|---|---|
| *In € millions* | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Statutory audit services | 362 | 302 | 327 | 256 | 689 | 558 |
| Non-audit services | 101 | 160 | 48 | 48 | 149 | 208 |
| **TOTAL FEES** | **463** | **462** | **375** | **304** | **838** | **766** |

Services other than audit work provided during the year mainly concern:

- verifying the consolidated non-financial information statement presented in the Group's management report;
- work relating to comfort letters for the April 2018 bond issue;
- providing various statements.

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended December 31, 2018**

**Iliad**

A French société anonyme

16, rue de la Ville l'Evêque

75008 Paris – France

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Iliad for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## Basis for opinion

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" Section of our report.

### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) no. 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

## Emphasis of matter

Without qualifying our opinion, we draw your attention to Notes 1.2.5 and 1.2.6 to the consolidated financial statements, which describe the impacts of the first-time application of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers.

## Justification of assessments – Key audit matters

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

## Recognition of revenues from subscribers

### *Description of risk*

Iliad operates in the telecommunications sector, offering various solutions to private individuals in France and Italy.

The landline business (France only) mainly comprises Internet access solutions, with a box provided, via broadband (mostly ADSL) or ultra-fast broadband (optical fiber, FTTH), through which customers have access to various different services, including telephone, Internet and television.

The mobile business (France and Italy) mostly comprises offerings/packages including telephone and Internet access. Iliad also sells or rents (France only) phone terminals to its customers separately from their subscription package.

For both its landline and mobile businesses, Iliad has developed:

- its own operational information systems within its telecommunications network to identify and measure the different types of services provided to subsidiaries (subscriptions, usage, etc.);
- its own systems for billing these different services.

Using data drawn from these different information systems, revenues are recognized based on the specific features of each type of business and service in line with the accounting methods described in Notes 1.5 and 4 to the consolidated financial statements.

We deemed the recognition of revenues from the landline and mobile businesses to be a key audit matter insofar as it relies on complex information systems, developed in-house, that handle a large volume of data.

### *How our audit addressed this risk*

We gained an understanding of the processes and internal control systems implemented by Iliad to identify and measure services provided to subscribers, as well as for billing and recognizing the related revenues.

With the guidance of our information systems specialists, we assessed the design and robustness of the main IT controls set up within the operational information and billing systems to ensure the completeness and accuracy of the billing and accounting processes relating to the services.

We used sampling techniques to reconcile the revenues recognized by Iliad with the data generated by the operational information and billing systems.

We also used sampling techniques to verify that any partially manual accounting entries that impact revenues, in particular with respect to mobile phone rentals, are substantiated in accordance with IFRS.

We also assessed the appropriateness of disclosures provided in Notes 1, 3 and 4 to the consolidated financial statements.

## Measurement of provisions for claims and litigation

### *Description of risk*

In the normal course of its business, Iliad is involved in a number of disputes, antitrust proceedings, legal proceedings and investigations involving third parties or legal or administrative authorities either before courts or regulators.

The most significant disputes liable to have a material impact on the consolidated financial statements are described in Note 34.4. They have been measured and recognized in liabilities for an amount of €36.6 million, as set out in Note 28 (provisions for claims and litigation at December 31, 2018), or in contingent liabilities.

We deemed this risk to be a key audit matter in view of the amounts at stake and the level of judgment required to determine provisions for claims and litigation in a constantly changing regulatory environment.

### *How our audit addressed this risk*

We assessed the bases used to determine the provisions.

Our work mainly consisted in:

- assessing the appropriateness of the risk analysis performed by Iliad, based in particular on interviews with the legal and financial departments, examining the related documentation, and carrying out a critical assessment of any written consultations provided by external advisors;
- requesting confirmations from Iliad's external legal counsel with a view to obtaining information on ongoing disputes;
- assessing the reasonableness of the assumptions used by Iliad to estimate the amounts of these provisions;
- assessing the appropriateness of disclosures provided in Notes 1.5, 28 and 34.4 to the consolidated financial statements.

## Valuation of telecom licenses

### *Description of risk*

In the course of its business as a telecom operator in France and in Italy, Iliad constructs and maintains telecom networks requiring the use of frequencies licensed to it by national governments. At December 31, 2018, these frequencies were recorded as licenses in the consolidated balance sheet for a net amount of approximately €3.3 billion, as disclosed in Note 17. Iliad has exclusive renewal rights for certain licenses in Italy (for the period 2021-2029), although the related financial conditions are not necessarily known in advance.

Similarly, certain licenses have been granted (and used) in France, even though the related financial commitments were not known at the outset.

Management is therefore required to estimate the initial cost of certain licenses in the consolidated balance sheet.

In view of the high level of judgment required to estimate the value of certain licenses, we deemed the measurement of the initial cost of licenses to be a key audit matter.

### *How our audit addressed this risk*

We assessed the reliability of the methods used by Iliad to measure the initial cost of licenses, which requires a significant degree of estimation.

Our work mainly consisted in:

- assessing the reasonableness of the estimated future disbursements for the December 2021 – December 2029 period for renewable rights to certain Italian licenses;
- comparing the amount recognized at December 31, 2018 for the valuation of certain French licenses with the terms of the agreement signed with the French government described in Note 34.3.1 to the consolidated financial statements, and ensuring that the correct accounting treatment was applied.

We also assessed the appropriateness of the disclosures provided in Notes 17 and 34.3.1 to the consolidated financial statements.

## Recognition and depreciation of telecom network equipment

### *Description of risk*

In the course of its business as a telecom operator in France and in Italy, Iliad constructs and maintains telecom networks that require substantial investments in the latest-generation equipment (including 4G, FTTH, and Freeboxes). These assets, which amounted to approximately €4.1 billion (net) at December 31, 2018 (Note 19), are depreciated as follows:

- from the date they are placed in service;
- on a straight-line basis over their estimated useful lives, as explained in Note 1 to the consolidated financial statements.

In view of the materiality of this item in the consolidated financial statements, the intense pace at which telecom networks are being deployed and the difficulty in tracking this deployment, we deemed the measurement of the initial cost, depreciation start dates and useful lives of these assets to be a key audit matter.

### *How our audit addressed this risk*

We assessed the reliability of the methods used by Iliad to determine the initial cost of equipment, the depreciation start date and the assets' useful lives, as well as the related management approval procedures.

Our work mainly consisted in:

- assessing the processes used by Iliad or by subcontractors to monitor the deployment of these networks;
- testing that the procedures implemented for determining service (and therefore depreciation) start dates for telecom equipment were correctly applied;
- comparing the estimated useful lives of the assets with telecom industry practices.

We also assessed the appropriateness of the disclosures provided in Notes 1 and 19 to the consolidated financial statements.

### Recognition of deferred tax assets for tax loss carryforwards

*Description of risk*

A total of €45.1 million was recognized at December 31, 2018 with respect to deferred tax assets for tax loss carryforwards.

As stated in Note 1 to the consolidated financial statements, deferred tax assets for tax loss carryforwards are recognized to the extent that it is probable that the Group will have sufficient future taxable profit to recover them. The recoverability of the assets is assessed based on the business plan used for impairment testing purposes.

We deemed the recognition of deferred tax assets for tax loss carryforwards to be a key audit matter due to the high level of judgment required to assess the ability of the Group entities to generate the profit forecast in the business plans.

*How our audit addressed this risk*

We assessed the recoverability of deferred tax assets.

Our work mainly consisted in:

- assessing the reasonableness of the methodology used by Iliad to identify the existing tax loss carryforwards to be used;
- assessing the process used to prepare and approve the business plans substantiating the ability of each entity to generate future taxable profit that may be used to absorb previous tax losses;
- comparing actual profit from prior periods with the amounts forecast in the business plans for those years;
- assessing the reasonableness of the assumptions used by Iliad in the business plans.

We also assessed the appropriateness of the disclosures provided in Notes 1 and 13 to the consolidated financial statements.

## Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group provided in the management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

## Report on other legal and regulatory requirements

### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Iliad by the Annual General Meetings held on October 19, 2000 for PricewaterhouseCoopers Audit and on May 20, 2015 for Deloitte & Associés.

At December 31, 2018, PricewaterhouseCoopers Audit and Deloitte & Associés were in the nineteenth and fourth consecutive year of their engagement, respectively, and the fifteenth and fourth year since the Company's securities were admitted to trading on a regulated market, respectively.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

### Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

## Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, March 26, 2019

The Statutory Auditors

**PricewaterhouseCoopers Audit**
Thierry LEROUX

**Deloitte & Associés**
François BUZY

# 7

# PARENT COMPANY FINANCIAL STATEMENTS


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## BALANCE SHEET – ASSETS

| *In € thousands* | Gross | Depr., amort. and provisions | Net at Dec. 31, 2018 | Net at Dec. 31, 2017 |
|---|---|---|---|---|
| **INTANGIBLE ASSETS** | | | | |
| Start-up costs | 0 | 0 | 0 | 0 |
| Research and development costs | 0 | 0 | 0 | 0 |
| Concessions, patents and trademarks | 0 | 0 | 0 | 0 |
| Business goodwill | 0 | 0 | 0 | 0 |
| Other intangible assets | 2,125 | 1,125 | 1,000 | 563 |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | |
| Land | 66 | 0 | 66 | 66 |
| Buildings | 200 | 200 | 0 | 0 |
| Fixtures and fittings | 10,950 | 4,642 | 6,308 | 3,338 |
| Technical equipment | 625 | 318 | 307 | 143 |
| Computer equipment | 875 | 527 | 348 | 255 |
| Furniture | 1,799 | 1,418 | 381 | 149 |
| Assets under construction | 0 | 0 | 0 | 0 |
| Advances and prepayments | 0 | 0 | 0 | 0 |
| **LONG-TERM INVESTMENTS** | | | | |
| Investments in subsidiaries and affiliates | 2,127,317 | 116,780 | 2,010,537 | 1,619,214 |
| Loans and advances to subsidiaries and affiliates | 5,366,581 | 5,748 | 5,360,833 | 3,931,061 |
| Other investment securities | 1,797 | 297 | 1,500 | 1,500 |
| Other loans | 0 | 0 | 0 | 0 |
| Other long-term investments | 3,531 | 0 | 3,531 | 4,023 |
| **TOTAL FIXED ASSETS** | **7,515,866** | **131,055** | **7,384,811** | **5,560,312** |
| Inventories | 0 | 0 | 0 | 0 |
| Advances and prepayments on orders | 0 | 0 | 0 | 0 |
| Trade receivables | 15,754 | 505 | 15,249 | 26,186 |
| Receivables from suppliers | 16 | 0 | 16 | 56 |
| Employee-related receivables | 628 | 0 | 628 | 463 |
| Recoverable corporate income tax | 0 | 0 | 0 | 0 |
| Recoverable sales taxes | 1,343 | 0 | 1,343 | 2,278 |
| Other receivables | 277,043 | 0 | 277,043 | 294,695 |
| Other advances and prepayments made | 0 | 0 | 0 | 0 |
| Marketable securities | 151,725 | 9,538 | 142,187 | 138,375 |
| Treasury instruments | 2,604 | 0 | 2,604 | 4,491 |
| Cash at bank and in hand | 39,994 | 0 | 39,994 | 61,113 |
| Prepaid expenses | 16,171 | 0 | 16,171 | 10,928 |
| **TOTAL CURRENT ASSETS** | **505,278** | **10,043** | **495,235** | **538,585** |
| **ACCRUALS** | | | | |
| Deferred charges | 20,322 | 0 | 20,322 | 17,249 |
| Conversion losses | 0 | 0 | 0 | 0 |
| **TOTAL ASSETS** | **8,041,466** | **141,098** | **7,900,368** | **6,116,146** |

## BALANCE SHEET – EQUITY AND LIABILITIES

| *In € thousands* | At December 31, 2018 | At December 31, 2017 |
|---|---|---|
| Share capital | 13,085 | 13,082 |
| Additional paid-in capital | 439,382 | 432,685 |
| Legal reserve | 1,317 | 1,317 |
| Regulated reserves | 0 | 0 |
| Other reserves | 96,385 | 111,788 |
| Retained earnings | 2,714,819 | 2,425,828 |
| Interim dividends | 0 | 0 |
| Profit for the year | 296,364 | 328,948 |
| **TOTAL EQUITY** | **3,561,352** | **3,313,648** |
| **QUASI-EQUITY** | **0** | **0** |
| Provisions for contingencies | 120 | 273 |
| Provisions for charges | 764 | 0 |
| **TOTAL PROVISIONS** | **884** | **273** |
| Convertible bonds | 0 | 0 |
| Ordinary bonds | 2,461,947 | 1,303,121 |
| Bank borrowings | 1,007,436 | 1,334,992 |
| Bank overdrafts | 0 | 0 |
| Other borrowings | 658,543 | 1 |
| Current accounts with subsidiaries | 157,159 | 95,670 |
| Advances and prepayments received | 0 | 0 |
| Trade payables | 16,274 | 24,946 |
| Employee-related payables | 861 | 720 |
| Accrued payroll and other employee-related taxes | 774 | 689 |
| Accrued corporate income tax | 0 | 4,845 |
| Accrued sales taxes | 1,385 | 4,395 |
| Other accrued taxes | 359 | 389 |
| Amounts due on fixed assets | 478 | 82 |
| Other payables | 32,916 | 32,375 |
| Deferred income | 0 | 0 |
| **TOTAL ACCRUALS AND OTHER LIABILITIES** | **4,338,132** | **2,802,225** |
| **TOTAL EQUITY AND LIABILITIES** | **7,900,368** | **6,116,146** |

## INCOME STATEMENT

| *In € thousands* | 2018 | 2017 |
|---|---|---|
| Rebillings | 111,311 | 153,161 |
| Sales of services in France | 30,175 | 26,043 |
| **TOTAL REVENUES** | **141,486** | **179,204** |
| Operating grants | 0 | 0 |
| Reversals of depreciation, amortization and provisions, expense transfers | 240 | 48 |
| Other income | 289 | 65 |
| **TOTAL OPERATING INCOME** | **142,015** | **179,317** |
| Rebilled purchases | 123,924 | 160,205 |
| Other purchases and external charges | 27,192 | 24,650 |
| Taxes other than on income | 747 | 617 |
| Wages and salaries | 6,892 | 5,932 |
| Payroll taxes | 3,759 | 2,662 |
| Depreciation and amortization of fixed assets | 5,516 | 4,027 |
| Additions to provisions for impairment of current assets | 22 | 78 |
| Additions to provisions for contingencies and charges | 39 | 0 |
| Other expenses | 619 | 480 |
| **TOTAL OPERATING EXPENSES** | **168,710** | **198,651** |
| **NET OPERATING EXPENSE** | **(26,695)** | **(19,334)** |
| Interest and other financial income | 380,417 | 411,232 |
| Reversals of provisions | 480 | 1,797 |
| Foreign exchange gains | 0 | 0 |
| Net gains on disposals of marketable securities | 264 | 1,606 |
| **TOTAL FINANCIAL INCOME** | **381,161** | **414,635** |
| Interest and other financial expenses | 55,425 | 31,615 |
| Additions to provisions | 10,764 | 2,743 |
| Foreign exchange losses | 0 | 213 |
| Net losses on disposals of marketable securities | 5,212 | 1,520 |
| **TOTAL FINANCIAL EXPENSES** | **71,401** | **36,091** |
| **NET FINANCIAL INCOME** | **309,760** | **378,544** |
| **OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX** | **283,065** | **359,210** |
| Exceptional income from operating transactions | 0 | 0 |
| Exceptional income from capital transactions | 0 | 0 |
| Reversals of provisions | 0 | 0 |
| **TOTAL EXCEPTIONAL INCOME** | **0** | **0** |
| Exceptional expense on operating transactions | 0 | 0 |
| Exceptional expense on capital transactions | 0 | 1,753 |
| Exceptional depreciation, amortization and provision expense | 0 | 0 |
| **TOTAL EXCEPTIONAL EXPENSES** | **0** | **1,753** |
| **NET EXCEPTIONAL INCOME/(EXPENSE)** | **0** | **(1,753)** |
| Employee profit-sharing | 0 | 4 |
| Corporate income tax | (13,299) | 28,505 |
| **TOTAL INCOME** | **523,176** | **593,952** |
| **TOTAL EXPENSES** | **226,812** | **265,004** |
| **PROFIT FOR THE YEAR** | **296,364** | **328,948** |

## STATEMENT OF CHANGES IN EQUITY

| *In € thousands* | Share capital | Additional paid-in capital | Retained earnings and reserves | Profit for the year | Total equity |
|---|---|---|---|---|---|
| **EQUITY AT DECEMBER 31, 2016** | **13,038** | **418,381** | **2,212,683** | **352,160** | **2,996,262** |
| **Movements in 2017** | | | | | |
| • Capital increase | 44 | 14,304 | | | 14,348 |
| • Appropriation of 2016 profit | | | 352,160 | (352,160) | 0 |
| • Dividends paid | | | (25,910) | | (25,910) |
| • Profit for the year | | | | 328,948 | 328,948 |
| • Other movements | | | | | |
| **EQUITY AT DECEMBER 31, 2017** | **13,082** | **432,685** | **2,538,933** | **328,948** | **3,313,648** |
| **Movements in 2018** | | | | | |
| • Capital increase | 3 | 6,697 | (15,404) | | (8,704) |
| • Appropriation of 2017 profit | | | 328,948 | (328,948) | 0 |
| • Dividends paid | | | (39,956) | | (39,956) |
| • Profit for the year | | | | 296,364 | 296,364 |
| • Other movements | | | | | |
| **EQUITY AT DECEMBER 31, 2018** | **13,085** | **439,382** | **2,812,521** | **296,364** | **3,561,352** |

## NOTES TO THE FINANCIAL STATEMENTS

The parent company financial statements and notes thereto have been prepared based on the following data, within the meaning of French Decree 2005-1757 dated December 30, 2005:

- Year-end: ***December 31, 2018***
- Accounting period: ***12 months***
- Previous accounting period: ***12 months***
- Total assets at December 31, 2018: ***€7,900,368 thousand***
- 2018 revenues: ***€141,486 thousand***
- Number of employees at December 31, 2018: ***147***

In application of Articles L. 123-16 and D. 123-200 of the French Commercial Code, the attached notes are presented in the standard format. Certain additional material disclosures have also been provided.

Note: Unless otherwise specified, all amounts in the following notes are stated in thousands of euros.

# 7.1 ACCOUNTING PRINCIPLES AND POLICIES

## 7.1.1 GENERAL ACCOUNTING PRINCIPLES

The financial statements have been prepared on a going concern basis, in accordance with French law (ANC 2016-07) and generally accepted accounting principles in France – including the principle of segregation of accounting periods – applied consistently from one accounting period to the next.

## 7.1.2 EXCEPTIONS

No exceptions to French generally accepted accounting principles were applied in the preparation of these financial statements.

## 7.1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied by the Company are described below.

### 7.1.3.1 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at acquisition cost (including incidental expenses) or production cost.

Depreciation and amortization are calculated by the straight-line method over the following estimated useful lives:

| | |
|---|---|
| • Software | 2 to 4 years |
| • Trademarks/Domain names | 2 to 10 years |
| • Buildings | 20 to 30 years |
| • Fixtures and fittings | 5 to 15 years |
| • Technical equipment | 5 years |
| • Computer equipment | 1 to 4 years |
| • Furniture | 5 to 6.5 years |

### 7.1.3.2 Investments in subsidiaries and affiliates, loans and advances to subsidiaries and affiliates, and other investment securities

Investments in subsidiaries and affiliates, loans and advances to subsidiaries and affiliates, and other investment securities are stated at cost (excluding incidental expenses). A provision for impairment is recorded when their value in use falls below their carrying amount on an other-than-temporary basis. Value in use is determined based on the net assets of the company concerned and its projected future earnings.

### 7.1.3.3 Receivables

Receivables are stated at nominal value.

A provision for impairment is recorded when it is uncertain that the receivable will be recovered, determined based on the risk of non-recovery.

### 7.1.3.4 Marketable securities

Marketable securities are stated at their transfer value or acquisition cost and are written down to their net realizable value where necessary.

### 7.1.3.5 Foreign currency transactions

Income and expenses denominated in foreign currencies are converted at the exchange rate prevailing on the transaction date.

Balance sheet items are converted at the year-end rate.

### 7.1.3.6 Provisions for contingencies and charges

When Iliad's obligations to third parties known at the balance sheet date are certain or likely to cause an outflow of economic resources, without at least equivalent consideration, a provision is recorded when the amount can be estimated reliably.

### 7.1.3.7 Difference between operating and exceptional items

Exceptional income and expenses include both exceptional items relating to ordinary activities and extraordinary items.

Exceptional items relating to ordinary activities correspond to items that are unusual in terms of their amount or impact or which arise from events that occur rarely.

### 7.1.3.8 Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in France involves the use of estimates and assumptions which may have an impact on the reported amounts in the financial statements and accompanying notes. Actual amounts may differ from these estimates.

# 7.2 NOTES TO THE BALANCE SHEET AT DECEMBER 31, 2018

## 7.2.1 INTANGIBLE ASSETS

### 7.2.1.1 Movements in 2018

Movements in intangible assets in 2018 can be analyzed as follows:

| Intangible assets | At January 1, 2018 | Acquisitions | Transfers | Disposals | At December 31, 2018 |
|---|---|---|---|---|---|
| Software | 1,000 | 465 | 596 | (55) | (55) |
| Trademarks | 107 | 8 | 0 | 0 | 115 |
| Assets in progress | 408 | 192 | (596) | 0 | 4 |
| **TOTAL** | **1,515** | **665** | **0** | **(55)** | **2,125** |

### 7.2.1.2 Trademarks

The Company has registered several trademarks related to its corporate name and businesses.

## 7.2.2 PROPERTY, PLANT AND EQUIPMENT

### 7.2.2.1 Movements in 2018

Movements in property, plant and equipment in 2018 can be analyzed as follows:

| Property, plant and equipment | At January 1, 2018 | Acquisitions | Disposals | At December 31, 2018 |
|---|---|---|---|---|
| Land | 66 | 0 | 0 | 66 |
| Buildings | 200 | 0 | 0 | 200 |
| Fixtures and fittings | 7,507 | 3,736 | (293) | 10,950 |
| Technical equipment | 388 | 237 | 0 | 625 |
| Computer equipment | 1,081 | 209 | (415) | 875 |
| Furniture | 1,476 | 325 | (2) | 1,799 |
| Assets under construction | 0 | 0 | 0 | 0 |
| **TOTAL** | **10,718** | **4,507** | **(710)** | **14,515** |

### 7.2.2.2 Analysis of property, plant and equipment

- **Land and buildings**

  The Company owns a building at Rue de Crimée in Paris, France.

- **Fixtures and fittings and technical equipment**

  These items primarily concern buildings located in central Paris that house the head office of the Company and several subsidiaries.

- **Computer equipment**

  This item corresponds to purchased computer equipment.

## 7.2.3 LONG-TERM INVESTMENTS

### 7.2.3.1 Movements in 2018

| Long-term investments | At January 1, 2018 | Acquisitions | Disposals | At December 31, 2018 |
|---|---|---|---|---|
| Investments in subsidiaries and affiliates | 1,735,626 | 391,988 | 0 | 2,127,614 |
| Loans and advances to subsidiaries and affiliates | 3,936,666 | 1,438,775 | 8,860 | 5,366,581 |
| Other investment securities | 1,500 | 0 | 0 | 1,500 |
| Guarantee deposits | 4,023 | 3,383 | 3,875 | 3,531 |
| **TOTAL** | **5,677,815** | **1,834,146** | **12,735** | **7,499,226** |

### 7.2.3.2 Investments in subsidiaries and affiliates

The main movements in this item during the year reflect the following:

- the purchase of Free Mobile shares from minority shareholders;
- the acquisition of a 49% interest in NJJ Boru on April 6, 2018;
- the formation of Iliad 10, a wholly-owned Iliad subsidiary.

On December 20, 2017 the Group announced its acquisition, for approximately €316 million, 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, LLC 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.

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

### 7.2.3.3 Loans and advances to subsidiaries and affiliates

Iliad S.A. is responsible for the Group's overall cash management and notably provides financing for (i) investments in optical fiber made by its subsidiaries Free Infrastructure, Immobilière Iliad and IRE, (ii) investments related to the Mobile business made by its subsidiary Free Mobile, and (iii) mobile telephony operations carried out in Italy by its subsidiaries Iliad Holding S.p.A. and Iliad Italia.

### 7.2.3.4 List of subsidiaries and affiliates

See table below.

| *In thousands of €/USD[1]/MAD[2]* | Share capital | Retained earnings and reserves | % ownership | 2018 profit/ (loss) | Gross value of shares held | Net value of shares held | Loans and advances granted by the Company | Commitments given | 2018 revenues | Dividends received during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| Assunet S.A.S. Registration no.: 421 259 797 | 38 | 26 | 89.96 | 1,160 | 34 | 34 | 0 | / | 2,312 | 900 |
| F Distribution S.A.S. Registration no.: 528 815 376 | 1,000 | 76 | 100 | (4,477) | 11,000 | 11,000 | 28,649 | / | 20,665 | 0 |
| Fibre Inc. (USA)[1] | USD 20,243 | USD 155 | 100 | USD (87) | 17,122 | 17,122 | 30 | / | 0 | 0 |
| Free S.A.S. Registration no.: 421 938 861 | 3,442 | 612,546 | 100 | 288,292 | 496,836 | 496,836 | 1,021,887 | / | 2,779,000 | 300,000 |
| Freebox S.A.S. Registration no.: 433 910 619 | 50 | 5,227 | 97.99 | (257) | 5,190 | 5,190 | 162,247 | 17,897 | 304,547 | 4,409 |
| Free Caraïbe S.A.S. Registration no.: 808 537 641 | 10 | 0 | 100 | (203) | 21 | 21 | 11,226 | / | 0 | 0 |
| Free Carrier S.A.S. Registration no.: 790 148 944 | 10 | (18) | 100 | (2) | 11 | 11 | 10 | / | 0 | 0 |
| Free Fréquences S.A.S. Registration no.: 529 917 833 | 5,000 | 292 | 99.81 | 0 | 4,750 | 4,750 | 0 | / | 0 | 0 |
| Free Infrastructure S.A.S. Registration no.: 488 095 803 | 1,000 | (40,396) | 100 | (51,896) | 289,124 | 289,124 | 1,323,714 | 3,000 | 118,076 | 0 |
| Free Mobile S.A.S. Registration no.: 499 247 138 | 365,139 | 58,069 | 97.30 | 296,951 | 467,679 | 467,679 | 1,872,186 | / | 2,388,407 | 0 |
| Free Réseau S.A.S. Registration no.: 419 392 931 | 2,511 | (10,467) | 99.99 | (10,057) | 0 | 0 | 45,411 | / | 112,367 | 0 |
| Free R&D S.A.S. Registration no.: 537 915 050 | 10 | (6) | 100 | (1) | 12 | 12 | 0 | / | 0 | 0 |
| IFW S.A.S. Registration no.: 400 089 942 | 2,000 | 208 | 100 | 127 | 71,950 | 0 | 0 | / | 2,055 | 2,100 |
| IH S.A.S. Registration no.: 441 532 173 | 39 | 4 | 100 | 120 | 39 | 39 | 0 | / | 1,113 | 129 |
| Iliad 4 S.A.S. Registration no.: 799 285 820 | 10 | (2) | 100 | (2) | 15 | 15 | 0 | / | 0 | 0 |
| Iliad 6 S.A.S. Registration no.: 834 309 486 | 10 | (2) | 100 | (2) | 10 | 10 | 0 | / | 0 | 0 |
| Iliad 7 S.A.S. Registration no.: 834 309 676 | 10 | (2) | 100 | (2) | 10 | 10 | 0 | / | 0 | 0 |

| *In thousands of €/USD[1]/MAD[2]* | Share capital | Retained earnings and reserves | % ownership | 2018 profit/ (loss) | Gross value of shares held | Net value of shares held | Loans and advances granted by the Company | Commitments given | 2018 revenues | Dividends received during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| Iliad 78 S.A.S. Registration no.: 834 315 673 | 125 | (10) | 70 | (269) | 94 | 94 | 422 | / | 36 | 0 |
| Iliad 10 | 1 | 0 | 100 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |
| Iliad Gaming S.A.S. Registration no.: 522 418 250 | 1,000 | (6,528) | 100 | (150) | 1,000 | 0 | 5,747 | / | 0 | 0 |
| Iliad Holding S.p.A. | 350,000 | (39) | 100 | (194) | 350,035 | 350,035 | 691,773 | / | 0 | 0 |
| Immobilière Iliad E.U.R.L. Registration no.: 501 194 419 | 1,000 | 1,974 | 100 | 351 | 47,456 | 3,636 | 8,653 | / | 3,040 | 0 |
| IRE S.A.S. Registration no.: 489 741 645 | 1,000 | (4,809) | 100 | (268) | 26,321 | 26,321 | 41,884 | / | 11,290 | 0 |
| MCRA S.A.S. Registration no.: 532 822 475 | 4,268 | 902 | 100 | (2,586) | 7,695 | 7,695 | 5,356 | / | 9,819 | 2,000 |
| NJJ Boru S.A.S. Registration no.: 833 797 467 | 419,250 | 225,694 | 49 | (5,595) | 316,050 | 316,050 | 0 | 0 | 5,280 | 0 |
| Online S.A.S. Registration no.: 433 115 904 | 214 | 8,954 | 95.05 | 1,696 | 340 | 340 | 91,410 | / | 71,795 | 0 |
| Protelco SAS Registration no.: 509 760 948 | 37 | 4,028 | 100 | 274 | 37 | 37 | 0 | / | 52,372 | 500 |
| Resolution Call[2] | MAD 100 | MAD (11,154) | 100 | MAD (1,366) | 10 | 10 | 4,303 | 559 | MAD 106,727 | 0 |
| Sepia S.A.S. Registration no.: 839 216 819 | 100 | 0 | 50 | (1) | 50 | 50 | 0 | / | 0 | 0 |
| SNDM E.U.R.L. Registration no.: 342 823 341 | 2 | 10 | 100 | 0 | 297 | 0 | 0 | / | 0 | 0 |
| Telecom Academy "Privé"[2] | MAD 100 | MAD 1,848 | 100 | MAD 2,303 | 10 | 10 | 418 | / | MAD 21,645 | 0 |
| Télécom Réunion-Mayotte | 28,010 | 2,079 | 50 | 2,199 | 14,000 | 14,000 | 0 | / | 630 | 0 |
| Total Call[2] | MAD 4,600 | MAD 12,203 | 100 | MAD 22,002 | 414 | 414 | 4,522 | / | MAD 264,143 | 0 |

*(1) USD: US dollars.*
*(2) MAD: Moroccan dirhams.*

### 7.2.3.5 Related-party transactions

| *In € thousands* | Debit balances | Credit balances |
|---|---|---|
| Loans and advances to subsidiaries and affiliates | 5,209,426 | |
| Trade receivables | 15,274 | 2,004 |
| Deposits received for business premises | 0 | |
| Miscellaneous borrowings | | 0 |
| Trade payables | | 166 |
| Other receivables/payables | | 30,912 |
| Financial expenses | 40 | |
| Financial income | | 380,393 |

## 7.2.4 DEPRECIATION AND AMORTIZATION

Movements in depreciation and amortization are broken down in the following table:

| *In € thousands* | Depreciation and amortization at January 1, 2018 | Increases (additions for the year) | Decreases (depreciation and amortization written off on divested assets) | Depreciation and amortization at December 31, 2018 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| **SUB-TOTAL I** | **952** | **228** | **55** | **1,125** |
| Buildings | 200 | 0 | 0 | 200 |
| Other property, plant and equipment: | | | | |
| • Technical equipment | 245 | 73 | 0 | 318 |
| • Fixtures and fittings | 4,169 | 766 | 293 | 4,642 |
| • Furniture, office and computer equipment | 2,153 | 209 | 417 | 1,945 |
| **Property, plant and equipment** | | | | |
| **SUB-TOTAL II** | **6,767** | **1,048** | **710** | **7,105** |
| **TOTAL I+II** | **7,719** | **1,276** | **765** | **8,230** |

## 7.2.5 OTHER ASSETS

### 7.2.5.1 Analysis of receivables by maturity

| At December 31, 2018 *In € thousands* | Gross amount | Due within 1 year | Due beyond 1 year |
|---|---|---|---|
| **Fixed assets** | | | |
| • Loans and advances to subsidiaries and affiliates | 5,366,581 | 5,366,581 | 0 |
| • Other loans | 0 | 0 | 0 |
| • Other long-term investments | 3,531 | 0 | 3,531 |
| **Current assets** | | | |
| • Advances and prepayments on orders | 0 | 0 | 0 |
| • Trade receivables | 15,274 | 15,274 | 0 |
| • Doubtful and disputed receivables | 480 | 480 | 0 |
| • Recoverable payroll and other employee-related taxes | 0 | 0 | 0 |
| • Employee-related receivables | 628 | 628 | 0 |
| • Recoverable corporate income tax | 0 | 0 | 0 |
| • Recoverable VAT | 1,343 | 1,343 | 0 |
| • Other receivables (including inter-company current accounts) | 277,059 | 277,059 | 0 |
| • Prepaid expenses | 16,171 | 747 | 15,424 |
| **TOTAL** | **5,681,067** | **5,662,112** | **18,955** |

### 7.2.5.2 Debt issuance costs

Expenses incurred in relation to issuing or setting up the Group's borrowings are amortized on a straight-line basis over the life of the borrowings concerned.

Movements in debt issuance costs were as follows in 2018:

| *In € thousands* | Amount |
|---|---|
| • Accumulated debt issuance costs at start of the year | 30,822 |
| • Prior-period amortization | (13,573) |
| • Debt issuance costs recognized during the year | 7,312 |
| • Amortization charge for the year | (4,239) |
| **NET AT DECEMBER 31, 2018** | **20,322** |

### 7.2.5.3 Marketable securities

Marketable securities break down as follows:

| | At December 31, 2018 | | At December 31, 2017 | |
|---|---|---|---|---|
| *In € thousands* | Carrying amount | Fair value | Carrying amount | Fair value |
| Certificates of deposit | | | | |
| **Net value** | **15,000** | **15,000** | **15,000** | **15,000** |
| Mutual funds (UCITs) | | | | |
| **Net value** | **88,639** | **88,639** | **101,020** | **101,020** |
| Own shares | | | | |
| **Net value** | **38,548** | **38,548** | **22,355** | **22,355** |
| Treasury instruments | | | | |
| **Net value** | **2,604** | **2,604** | **4,491** | **4,491** |
| **TOTAL, NET** | **144,791** | **144,791** | **142,866** | **142,866** |

Iliad's policy is to invest its cash in instruments that qualify as cash equivalents. As a result, these investments:

- have a short maturity;
- are highly liquid;
- are readily convertible into a known amount of cash; and
- are subject to an insignificant risk of changes in value.

Consequently, the Company invests its surplus cash in UCITs that fall into the "euro monetary" classification of the French securities regulator (AMF).

During 2018, Iliad purchased currency futures in order to hedge the exposure of its subsidiary Freebox to the volatility of the US dollar. The premiums paid on the signature of the hedging contracts have been recognized in the balance sheet, under "Treasury instruments" and will be recycled to the income statement as the related hedges expire.

## 7.2.6 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

### 7.2.6.1 Share capital

At December 31, 2018 the Company's share capital amounted to €13,085 thousand (compared with €13,032 thousand at December 31, 2017), divided into 59,045,555 fully paid-up shares.

### 7.2.6.2 Form of the shares

Iliad's shares may be held in either registered or bearer form.

The Company does not have any preference shares.

### 7.2.6.3 Changes in share capital

#### Capital increase following exercise of stock options

The stock options granted by Iliad on November 5, 2008 have been exercisable since November 5, 2013. The first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014 and the second tranche since August 29, 2015. Lastly, the stock options granted on November 7, 2011 have been exercisable since November 6, 2016.

During 2018, 99,287 options were exercised for the same number of new shares. The Company's share capital was therefore increased by €22 thousand as a result of the exercise of stock options.

### 7.2.6.4 Ownership structure

At December 31, 2018 Iliad's ownership structure was as follows:

| Shareholder | Number of shares | % |
|---|---|---|
| Executive managers | 33,516,724 | 56.76 |
| Free float | 25,528,831 | 43.24 |
| **TOTAL** | **59,045,555** | **100.00** |

### 7.2.6.5 Own shares

At December 31, 2018 Iliad held 237,602 of its own shares purchased under a buyback program. In order to cover part of the dilution related to the exercise of stock options, in late 2016 the Company bought back 86,393 of its own shares at an average price of €178.48 per share. These shares were canceled in early 2018, resulting in a €19 thousand reduction in the Company's capital. The increase in the Company's share capital from €13,082 thousand at December 31, 2017 to €13,085 thousand at December 31, 2018 therefore reflects the combined impact of the exercise of stock options and the cancellation of own shares during the year.

### 7.2.6.6 Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2018 and prior years, and outstanding at the year-end.

AT DECEMBER 31, 2018

| Date of Shareholders' Meeting | Date of plan launch | Exercise price *(in €)* | Number of options outstanding at Jan. 1, 2018 | Number of options granted in 2018 | Number of options forfeited in 2018 | Number of options exercised in 2018 | Number of exercisable options outstanding at Dec. 31, 2018 | Number of non-exercisable options outstanding at Dec. 31, 2018 |
|---|---|---|---|---|---|---|---|---|
| **Iliad** | | | | | | | | |
| May 29, 2008 | Nov. 5, 2008 | 53.79 | 43,899 | 0 | 200 | 43,699 | 0 | 0 |
| May 29, 2008 | Aug. 30, 2010 | 67.67 | 130,615 | 0 | 0 | 18,487 | 112,128 | 0 |
| May 24, 2011 | Nov. 7, 2011 | 84.03 | 223,374 | 0 | 0 | 37,101 | 186,273 | 0 |

AT DECEMBER 31, 2017

| Date of Shareholders' Meeting | Date of plan launch | Exercise price *(in €)* | Number of options outstanding at Jan. 1, 2017 | Number of options granted in 2017 | Number of options forfeited in 2017 | Number of options exercised in 2017 | Number of exercisable options outstanding at Dec. 31, 2017 | Number of non-exercisable options outstanding at Dec. 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| **Iliad** | | | | | | | | |
| May 29, 2006 | June 14, 2007 | 74.62 | 125 | 0 | 0 | 125 | 0 | 0 |
| May 29, 2006 | Aug. 30, 2007 | 68.17 | 16,908 | 0 | 0 | 16,908 | 0 | 0 |
| May 29, 2008 | Nov. 5, 2008 | 53.79 | 59,541 | 0 | 0 | 15,642 | 43,899 | 0 |
| May 29, 2008 | Aug. 30, 2010 | 67.67 | 211,505 | 0 | 0 | 80,890 | 130,615 | 0 |
| May 24, 2011 | Nov. 7, 2011 | 84.03 | 305,132 | 0 | 0 | 81,758 | 223,374 | 0 |

The exercise terms and conditions applicable to the outstanding stock options are as follows:

| Date of plan launch | Exercise terms and conditions |
|---|---|
| November 5, 2008 | Options exercisable since November 5, 2013 |
| August 30, 2010 | 30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015 |
| November 7, 2011 | Options exercisable since November 6, 2016 |

### Share grant plans

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 representing 0.5% of its share capital to 61 employees and executive officers under this plan.

The shares granted under the plan will vest in four unequal tranches between 2020 and 2023, subject to performance conditions specific to each tranche and provided that the beneficiary is still with the Group on the vesting date. The tranches, vesting dates and vesting conditions are as follows:

- 40% of the shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017;
- 10% of the shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%;
- 10% of the shares will vest on October 30, 2022 if the total number of fiber subscribers is higher than 1.7 million at October 1, 2022;
- 40% of the shares will vest on October 30, 2023 if the total number of fiber subscribers is higher than 2.5 million at October 1, 2023.

The expense recognized for this plan amounted to €3,625 thousand in 2017 and €10,877 thousand in 2018.

Following an authorization given at the Shareholders' Meeting of May 16, 2018, Iliad set up a share grant plan involving shares representing up to 1% of its share capital.

During 2018, the Company granted shares representing 0.5% of its share capital to 122 employees and executive officers under this plan.

The vesting of these shares – which will take place in four equal tranches between 2021 and 2024 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- September 30, 2021 - end of the vesting period for Tranche 1:
  - 50% of the shares will vest if EBITDA less CAPEX in France (excluding B2B operations) is higher than €1 billion at December 31, 2020, and
  - 50% of the shares will vest if the EBITDA margin for France (excluding equipment sales) is higher than 40% for the year ended December 31, 2020;
- September 30, 2022 - end of the vesting period for Tranche 2: all of the Tranche 2 shares will vest if the EBITDA margin for France (excluding equipment sales) is higher for the year ended December 31, 2021 than for the year ended December 31, 2020;
- September 30, 2023 - end of the vesting period for Tranche 3:
  - 50% of the shares will vest if the number of fiber subscribers in France is higher than 3 million at September 1, 2023, and
  - 50% of the shares will vest if the number of mobile subscribers in Italy is higher than 6 million at September 1, 2023;
- September 30, 2024 - end of the vesting period for Tranche 4:
  - 50% of the shares will vest if the number of fiber subscribers in France is higher than 3.5 million at September 1, 2024, and
  - 50% of the shares will vest if the Group's revenues in Italy are higher than €500 million at June 30, 2024.

The expense recognized in 2018 for this plan amounted to €368 thousand.

## 7.2.7 PROVISIONS FOR CONTINGENCIES AND CHARGES

### 7.2.7.1 Movements in 2018

Movements in provisions for contingencies and charges in 2018 can be analyzed as follows:

| *In € thousands* | At Jan. 1, 2018 | Additions | Reversals (utilizations) | Reversals (surplus provisions) | At Dec. 31, 2018 |
|---|---|---|---|---|---|
| Provisions for contingencies and charges | 273 | 803 | 27 | 165 | 884 |
| **TOTAL** | **273** | **803** | **27** | **165** | **884** |

### 7.2.7.2 Recognition of provisions for contingencies and charges

#### Provisions for contingencies and charges

The provisions for contingencies and charges recognized at December 31, 2018 are intended to cover all of the circumstances of which the Company was aware at that date that could have an adverse effect on its assets or liabilities.

## 7.2.8 OTHER LIABILITIES

None of the Company's payables are significantly aged or unusual.

An analysis of the Company's borrowings and payables by maturity is provided in the table below.

| At December 31, 2018 *(In € thousands)* | Gross amount | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years |
|---|---|---|---|---|
| • Bonds: | | | | |
| – due within one year at issue date | 0 | 0 | 0 | 0 |
| – due beyond one year at issue date | 2,461,948 | 11,948 | 1,150,000 | 1,300,000 |
| • Bank borrowings: | | | | |
| – due within one year at inception of loan | 655,000 | 655,000 | 0 | 0 |
| – due beyond one year at inception of loan | 1,010,971 | 67,087 | 754,384 | 189,500 |
| • Bank overdrafts | 0 | 0 | 0 | 0 |
| • Other borrowings | 8 | 8 | 0 | 0 |
| • Guarantees and deposits received | 0 | 0 | 0 | 0 |
| • Current accounts with subsidiaries | 157,159 | 157,159 | 0 | 0 |
| • Advances and prepayments received | 0 | 0 | 0 | 0 |
| • Trade payables | 16,273 | 16,273 | 0 | 0 |
| • Employee-related payables | 861 | 861 | 0 | 0 |
| • Accrued payroll and other employee-related taxes | 774 | 774 | 0 | 0 |
| • Other accrued taxes: | | | | |
| – corporate income tax | 0 | 0 | 0 | 0 |
| – VAT | 1,385 | 1,385 | 0 | 0 |
| – other | 359 | 359 | 0 | 0 |
| • Amounts due on fixed assets | 478 | 478 | 0 | 0 |
| • Other payables | 32,916 | 32,916 | 0 | 0 |
| **TOTAL** | **4,338,132** | **944,248** | **1,904,384** | **1,489,500** |

### Bonds

On December 1, 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 10, 2017 the Group issued €650 million worth of bonds paying interest at 1.500% per year. These bonds will be redeemed at face value at maturity on October 14, 2024.

On April 23, 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.

### Other borrowings

#### 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 10-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 10-year term and is repayable in installments.

Both loans had been fully drawn down at December 31, 2018 and the outstanding amount owed by the Group totaled €166 million at that date.

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 December 31, 2018.

On December 17, 2018, the EIB granted Iliad a further €300 million loan to help finance its rollout of optical fiber networks. None of this loan had been drawn down at December 31, 2018.

All of the related loan agreements were amended on February 22, 2019.

### A €1,650 million syndicated revolving credit facility

The Group has a €1,650 million syndicated revolving credit facility set up with a pool of French and international banks, whose maturity can now be extended until 2025 following the facility's renegotiation on July 16, 2018. The related loan agreement was further amended on February 12, 2019.

Following this amendment the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.250% and 1.200% per year depending on the Group's leverage ratio.

None of this facility had been drawn down at December 31, 2018.

### A €500 million term-loan

The Group has a €500 million term-loan set up with a pool of French and international banks, which following its renegotiation on July 16, 2018, now matures in 2023. The related loan agreement was further amended on February 12, 2019.

Following this amendment, the applicable interest rate on the loan is based on Euribor for the period plus a margin of between 0.700% and 1.500% per year depending on the Group's leverage ratio.

This loan had been drawn down in full at December 31, 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 is repayable in installments and has an 11-year maturity. The related loan agreement was further amended on February 15, 2019.

Following this amendment the applicable interest rate on the facility 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.

This facility had been drawn down in full at December 31, 2018.

### A €50 million bilateral credit facility with Banco de Sabadell

On November 29, 2018, the Group set up a €50 million bilateral credit facility with Banco de Sabadell for the purpose of its general financing needs. This facility took the form of a bullet loan with a five-year maturity. The related loan agreement was amended on March 4, 2019.

Following this amendment the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.70% and 1.50% per year depending on the Group's leverage ratio. This facility had been fully drawn down at December 31, 2018.

### 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, the Group 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 December 31, 2018, €655 million of this program (which corresponds to variable-rate financing) had been used.

## 7.3 2018 REVIEW OF OPERATIONS

### 7.3.1 REVENUES

2018 revenues can be analyzed as follows by segment:

| *In € thousands* | Amount |
|---|---|
| • Iliad Telecom services | 478 |
| • Inter-company rebillings | 138,659 |
| • Other revenues | 2,349 |
| **TOTAL** | **141,486** |

All of the Company's revenues are generated in France.

## 7.3.2 NUMBER OF EMPLOYEES

At December 31, 2018, Iliad S.A. had 147 employees, breaking down as follows by category:

| | Men | Women | Total |
|---|---|---|---|
| • Management | 34 | 28 | 62 |
| • Other | 27 | 58 | 85 |
| **TOTAL** | **61** | **86** | **147** |

## 7.3.3 NET FINANCIAL INCOME

Net financial income came to €309,760 thousand in 2018, breaking down as follows:

| *In € thousands* | Amount |
|---|---|
| Net interest on subsidiaries' current accounts | 64,313 |
| Interest income from loans and other receivables | 23 |
| Income from securities | 310,038 |
| Overdraft charges, interest on borrowings and other financial expenses | (49,382) |
| Net additions to financial provisions | (10,284) |
| Net losses on disposals of marketable securities | (1,572) |
| Net losses on disposals of own shares | (3,376) |
| **TOTAL** | **309,760** |

## 7.3.4 EXCEPTIONAL ITEMS

Iliad S.A. did not record any exceptional income or expenses in the year ended December 31, 2018.

## 7.3.5 DIRECTORS' AND OFFICERS' COMPENSATION

The tables below set out aggregate information concerning the compensation and benefits paid to members of Iliad's administrative and management bodies.

| Administrative bodies *In €* | 2018 | 2017 |
|---|---|---|
| • Salaries, commission and other compensation (including lump-sum expense allowances), and paid leave | 1,348,009 | 973,898 |
| • Directors' fees: | | |
| – Exempt from payroll taxes | 198,000 | 191,000 |

| Management bodies *In €* | 2018 | 2017 |
|---|---|---|
| • Salaries, commission and other compensation (including lump-sum expense allowances), and paid leave | 189,000 | 189,000 |
| • Benefits-in-kind | 0 | 0 |

# 7.4 FINANCIAL ITEMS

## 7.4.1 FINANCE LEASES

Iliad S.A. had no outstanding finance leases at December 31, 2018.

## 7.4.2 FINANCIAL INSTRUMENTS

The Group's functional currency is the euro. However, it purchases certain goods and services outside the eurozone and is therefore exposed to foreign exchange risk, mainly in relation to the US dollar.

Detailed forecasts of the Group's future purchases denominated in US dollars are drawn up and the transactions may be hedged over a period of up to one and a half years.

The Company has chosen to hedge a portion of the Group's exposure to foreign exchange risk through purchases of forwards and options in order to obtain a guaranteed floor rate.

The cost of the hedging instruments set up by the Company is rebilled in full to the subsidiaries whose commercial transactions in US dollars are hedged.

## 7.4.3 FINANCIAL COMMITMENTS

At December 31, 2018 Iliad S.A. had been granted financial commitments representing €3 million.

### 7.4.3.1 Commitments given by Iliad S.A. on behalf of Group companies

At December 31, 2018, Iliad S.A. had given the following commitments on behalf of Group companies:

| Subsidiary | Amount *(in € thousands)* |
|---|---|
| Free Infrastructure | 3,000 |
| Freebox | 17,897 |
| Resolution Call | 559 |
| Iliad Italia | 1,050,750 |

### 7.4.3.2 Collateralized debt

None of the property belonging to the Company has been used as collateral for any debt.

## 7.4.4 POST-EMPLOYMENT BENEFITS

Actuarial valuations of post-employment benefit obligations are made using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the applicable collective bargaining agreement and/or company-level agreement, using personal data projected to the standard age for payment of the benefit. The Company's total obligations toward each participant (total actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of departure from the Company or death before the age of payment of the benefit;
- the discounted value of the benefit at the measurement date.

These total obligations are then allocated over each of the past and future years for which rights are accrued under the plan. This allocation can be analyzed as follows:

- the portion of the Company's obligation allocated to years prior to the measurement date (projected benefit obligation) corresponds to obligations for services rendered. The projected benefit obligation represents the Company's obligation existing at the balance sheet date;
- the portion of the Company's obligations allocated to the year following the measurement date (service cost) corresponds to the probable increase in obligations due to the additional year's service that the participant will have provided to the Company at the end of that year.

The individual results of the measurement process are subsequently aggregated to obtain Company-level results.

The Company's obligation for post-employment benefits amounted to €1,112 thousand at December 31, 2018 (versus €1,174 thousand at December 31, 2017).

## 7.4.5 CICE TAX CREDIT

The CICE tax credit due to the Company for the year ended December 31, 2018 amounted to €165 thousand. This tax credit has been recognized as a deduction from payroll costs in accordance with French generally accepted accounting principles.

During 2018, the Company received a payment of €177 thousand as a refund of its 2017 CICE tax credit.

The Company is using the amounts it receives under the CICE tax credit system to help it pursue its strategy of recruiting new talent, developing its employees' skills through training, and building its R&D and innovation capabilities.

# 7.5 OTHER INFORMATION

## 7.5.1 CONSOLIDATION

Iliad S.A. – which is registered under number 342 376 332 and whose registered office is located at 16 rue de la Ville l'Evêque, 75008 Paris, France – prepares consolidated financial statements in its capacity as the parent company of the Iliad Group.

## 7.5.2 TAX-RELATED INFORMATION

### 7.5.2.1 Tax group

Iliad S.A. has a tax group in place, which at December 31, 2018 included all of its consolidated companies apart from companies (i) that are less than 95%-owned by Iliad, (ii) that were newly formed in 2018, or (iii) whose registered office is outside France.

The following rules apply within the tax group:

- each company in the tax group, including the parent company, records in its accounts the amount of tax that it would have paid on a stand-alone basis;
- until December 31, 2011 any tax savings relating to tax losses made by members of the tax group were held at the level of the parent company and therefore did not have any impact on profit. For as long as they remain members of the tax group, subsidiaries may offset their tax losses generated during their membership of the tax group against future taxable profit.

  Iliad S.A. recorded these tax savings on the liabilities side of its balance sheet under "Other payables". They totaled €30,873 thousand at December 31, 2018;
- effective January 1, 2012, Iliad S.A. and its subsidiaries decided to add to this mechanism by putting in place a system of reallocating tax savings generated through the use by Iliad S.A. of the tax losses of Group companies. Consequently the following now applies:
  - tax savings arising on the Group's use of tax losses generated by a Group company are allocated to that company, which subsequently receives an amount equal to the tax savings made,
  - the same approach is used for recoverable tax credits (research tax credits, training tax credits, etc.);
- any tax charges or savings relating to adjustments to total earnings, as well as any tax credits for loss-making companies, are recorded at the level of Iliad S.A.;
- no payments in relation to these matters may be due by Iliad S.A. when a company leaves the tax group.

### 7.5.2.2 Deferred taxes

Items subject to adjustments for the purposes of calculating taxable profit will have the following expected impact on taxes in future years:

| Type of temporary difference | Amount *(In € thousands)* |
|---|---|
| **Deferred tax liabilities** | **/** |
| **TOTAL** | **/** |
| **Total deferred tax liabilities** | **/** |
| **Deferred tax assets** | |
| Government housing levy | 10 |
| "*Contribution sociale*" surtax | 65 |
| Temporary differences related to marketable securities | 0 |
| **TOTAL** | **75** |
| **Total deferred tax assets** | **75** |
| Tax loss carryforwards for the Company | None |
| **Tax group** | |
| Long-term capital losses | None |

### 7.5.2.3 Corporate income tax relating to exceptional items

The Group recorded a corporate income tax benefit of €13,025 thousand for 2018, breaking down as follows:

- Portion relating to ordinary activities: €13,025 thousand.
- Portion relating to exceptional items: €0 thousand.

## 7.5.3 INFORMATION ON THE SEGREGATION OF ACCOUNTING PERIODS

### 7.5.3.1 Accrued expenses

Accrued expenses included in balance sheet items can be broken down as follows:

| Balance sheet item *(In € thousands)* | Amount |
|---|---|
| Convertible bonds | 0 |
| Ordinary bonds | 11,947 |
| Bank borrowings | 4,204 |
| Other borrowings | 0 |
| Trade payables | 4,198 |
| Accrued taxes and employee-related payables | 1,450 |
| Other payables | 0 |
| **TOTAL** | **21,799** |

### 7.5.3.2 Deferred income and prepaid expenses

Deferred income and prepaid expenses break down as follows:

| *In € thousands* | Prepaid expenses | Deferred income |
|---|---|---|
| Operating expenses/income | 4,272 | 0 |
| Financial expenses/income | 11,899 | 0 |
| Exceptional expenses/income | 0 | 0 |
| **TOTAL** | **16,171** | **0** |

### 7.5.3.3 Breakdown of accrued income

| Balance sheet item *(In € thousands)* | Total |
|---|---|
| Accrued revenues | 3,558 |
| Other receivables | 0 |
| **CASH AT BANK AND IN HAND** | **3,558** |

## 7.5.4 EVENTS AFTER THE BALANCE SHEET DATE

On January 18, 2019, the Group announced that it had entered into a strategic alliance with Jaguar Network by acquiring a 75% majority stake in the company for just under €100 million. The long-standing shareholder and founder of Jaguar Network has retained the remaining 25% interest in the company.

Jaguar Network is a sovereign service provider that supplies very high availability services to private businesses and the public sector and is one of France's leading developers of cutting-edge technologies for the cloud, telecommunications and smart cities markets.

This acquisition marks a major step forward in the Iliad Group's development strategy for addressing the corporate market, by forging an alliance with a well-known entrepreneur and combining the strong, complementary skills of both groups.

## 7.6 DIVIDENDS PAID IN THE PAST FIVE FISCAL YEARS

The Board of Directors determines the dividend policy based on a review of the Company's earnings and financial position and other factors. At the Annual General Meeting to be held on May 21, 2019, the Board will recommend the payment of a €0.90 dividend per share for all the shares making up the Company's share capital at that date, and carrying rights to the 2018 dividend.

By default, the gross amount of this €0.90 per-share dividend will be subject to the 12.8% flat-rate dividend tax (PFU) applicable in France and will not be eligible for the 40% tax relief provided for in Article 158-3-2 of the French Tax Code. However, individual shareholders who are tax resident in France may expressly and irrevocably opt for all of their investment income to be taxed using the standard progressive income tax scale, in which case the above-mentioned 40% tax relief would apply. In all circumstances, the dividend will be subject to social security contributions at a rate of 17.2%.

The Company expects its dividend policy to be consistent with its expansion strategy in 2019. This does not, however, represent any commitment on the part of the Company, which may decide to reduce its dividend payment, or not make any dividend payment at all, depending on its financial results, capital expenditure requirements, and level of debt.

The Company paid the following dividends in the past five fiscal years:

| Year | Per-share dividend | Total dividend payout |
|---|---|---|
| 2012 | €0.37 | €21,404,748 |
| 2013 | €0.37 | €21,591,098 |
| 2014 | €0.39 | €22,821,951 |
| 2015 | €0.41 | €24,062,093 |
| 2016 | €0.44 | €25,909,763 |
| 2017 | €0.68 | €39,956,186 |

For individuals domiciled in France for tax purposes, cash dividends were taken into account when calculating personal income tax subject to the progressive tax scale. They are eligible for the tax relief provided for under Article 158.3.2° of the French Tax Code (40% for 2013 to 2017), subject to the applicable conditions and ceilings set down by law and any other specific conditions that may apply to each individual shareholder.

Since 2013, for this category of shareholders, the Company has withheld at the source from the dividend payment the amount required under French law unless the shareholder concerned applied for an exemption from this withholding tax in compliance with Article 242 *quater* of the French Tax Code.

## 7.7 THE COMPANY'S FIVE-YEAR FINANCIAL SUMMARY

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| FINANCIAL POSITION AT YEAR END | | | | | |
| **Share capital** | **13,084,512** | **13,081,665** | **13,038,371** | **12,999,215** | **12,953,409** |
| Number of existing ordinary shares | 59,045,555 | 59,032,661 | 58,837,338 | 58,660,640 | 58,453,935 |
| Maximum number of future shares to be created | | | | | |
| • On exercise of convertible bonds | 0 | 0 | 0 | 0 | 0 |
| OPERATIONS AND PROFIT FOR THE YEAR | | | | | |
| **Revenue before tax** | **141,486,610** | **179,204,444** | **157,433,802** | **143,070,255** | **120,505,669** |
| Profit before tax, employee profit-sharing, and depreciation, amortization and provisions | 298,732,673 | 362,470,723 | 350,465,217 | 338,220,218 | 328,137,401 |
| Corporate income tax | (13,299,249) | 28,505,178 | (6,338,687) | (5,259,601) | (15,455,804) |
| Employee profit-sharing for the year | 0 | 0 | 0 | 0 | 0 |
| Profit after tax, employee profit-sharing, and depreciation, amortization and provisions | 296,364,311 | 328,947,865 | 352,159,666 | 334,957,317 | 307,980,469 |
| Dividend paid | 53,229,560 | 40,354,026 | 26,149,442 | 24,050,862 | 22,906,189 |
| EARNINGS PER SHARE | | | | | |
| Profit after tax and employee profit-sharing but before depreciation, amortization and provisions | 5.28 | 5.66 | 6.06 | 5.86 | 5.88 |
| Profit after tax, employee profit-sharing, and depreciation, amortization and provisions | 5.02 | 5.57 | 5.99 | 5.71 | 5.27 |
| Per-share dividend | 0.90 | 0.68 | 0.44 | 0.41 | 0.39 |
| EMPLOYEES | | | | | |
| Headcount at year-end | 149 | 133 | 125 | 112 | 103 |
| Payroll costs for the year | 6,892,032 | 5,931,613 | 5,654,500 | 4,923,221 | 4,817,078 |
| Employee benefit expense for the year | 3,759,195 | 2,662,592 | 1,719,234 | 1,423,236 | 1,414,153 |

## 7.8 OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS

### SUPPLIER PAYMENT TERMS

| | Article D. 441 I.-1: Past due invoices received at the year-end | | | | | | Article D. 441 I.-2: Past due invoices issued at the year-end | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In € thousands* | 0 days | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or over | TOTAL | 0 days | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or over | TOTAL |
| (A) LATE PAYMENT BY PERIOD | | | | | | | | | | | | |
| Number of invoices concerned | | - | - | - | - | 674 | | - | - | - | - | 135 |
| Total amount of invoices concerned incl. VAT | (7,724) | (4,280) | (167) | (137) | (225) | **(12,533)** | 0 | (2,220) | 1,011 | 533 | 10,869 | **10,192** |
| Percentage of total amount of purchases incl. VAT | -4 % | -2 % | 0 % | 0 % | 0 % | -7 % | - | - | - | - | - | - |
| Percentage of revenues incl. VAT during the period | - | - | - | - | - | - | 0 % | -1 % | 0 % | 0 % | 5 % | 5 % |
| (B) INVOICES EXCLUDED FROM (A) RELATED TO CONTESTED OR UNRECOGNIZED RECEIVABLES AND PAYABLES | | | | | | | | | | | | |
| Number of invoices concerned | | | | | | | | | | | | |
| **Total amount of invoices concerned incl. VAT** | | | **(4,198)** | | | | | | **3,558** | | | |

# 7.9 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**For the year ended December 31, 2018**

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**Iliad**

16, rue de la Ville l'Evêque

75008 Paris – France

To the Shareholders,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Iliad for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## Basis for opinion

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and, in particular, we did not provide any nonaudit services prohibited by Article 5(1) of Regulation (EU) no. 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

## Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

### Measurement of investments in subsidiaries and affiliates and related loans and advances

*Description of risk*

At December 31, 2018, the balance of investments in subsidiaries and affiliates and loans and advances to these entities amounted to €2,010 million and €5,360 million, respectively, making them the largest balance sheet items. They are initially stated at their acquisition cost and subsequently impaired based on their fair value.

As indicated in Note 1.3.2 to the financial statements, value in use is estimated by management based on the net assets of the entities concerned at the balance sheet date, adjusted for projected future earnings. Estimating fair value thus requires management to exercise its judgment based on forward-looking information used to project future earnings.

Moreover, as indicated in Note 1.3.3 to the financial statements, loans and advances are stated at nominal value and a provision for impairment is recorded when it becomes uncertain whether they will be recovered. Forward-looking information is again used to estimate these risks and this also requires management to exercise its judgment.

Consequently, in view of the uncertainty inherent in certain items, especially the probability that estimates will reflect reality, we deemed the correct measurement of investments in subsidiaries and affiliates and related loans and advances to be a key audit matter.

*How our audit addressed this risk*

To assess the reasonableness of the estimates of the values in use of investments in subsidiaries and affiliates and of the recoverability of loans and advances, based on the information provided to us, our work mainly consisted in verifying that the estimates determined by management were based on an appropriate justification of the measurement method and amounts used.

For measurements based on historical data, we verified that the net assets used corresponded to the amounts that appear in the audited financial statements of the entities concerned. For measurements based on forward-looking information, we obtained budget data and analyses from management relating to the strategic nature of these entities. We also assessed the consistency of the assumptions used concerning the economic outlook at year-end and the date of preparation of the financial statements.

Where the values in use of investments in subsidiaries and affiliates were lower than their carrying amount, we verified that a provision for impairment had been recorded for these investments and for any related loans and advances in the event that they cannot be recovered.

## Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

## Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to payment terms referred to in Article D. 441-4 of the French Commercial Code.

## Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

## Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

## Report on other legal and regulatory requirements

### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Iliad by the Annual General Meetings held on October 19, 2000 for PricewaterhouseCoopers Audit and on May 20, 2015 for Deloitte & Associés.

At December 31, 2018, PricewaterhouseCoopers Audit and Deloitte & Associés were in the nineteenth and fourth consecutive year of their engagement, respectively, and the fifteenth and fourth year since the Company's securities were admitted to trading on a regulated market, respectively.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## Responsibilities of the Statutory Auditors relating to the audit of the financial statements

### Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris La Défense, March 26, 2019

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Thierry Leroux

**Deloitte & Associés**

François Buzy

# 8

# INFORMATION ABOUT THE COMPANY AND ITS CAPITAL


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# 8.1 INFORMATION ABOUT THE COMPANY

## 8.1.1 COMPANY NAME

The Company's name is Iliad.

## 8.1.2 REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LAW

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

Telephone: +33 (0)1 73 50 20 00

The Company is a French société anonyme with a Board of Directors. It is governed by French company law, notably the French Commercial Code (*Code de commerce*).

## 8.1.3 REGISTRATION DETAILS

The Company is registered at the Paris Trade and Companies Registry under number 342 376 332.

## 8.1.4 DATE OF INCORPORATION AND TERM

The Company's business sector A.P.E. Code is 5814Z.

The Company was incorporated on August 31, 1987 for a fixed period of 99 years from its registration date at the Trade and Companies Registry, expiring on October 15, 2086 unless said period is extended or the Company is wound up in advance.

## 8.1.5 FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31 of each calendar year.

## 8.1.6 CORPORATE PURPOSE

As stated in Article 2 of the Company's bylaws, the purpose of the Company is to directly or indirectly conduct the following activities in France or any other country:

- study, implement, maintain, operate, manage and/or market all systems, equipment, networks or services in the fields of telecommunications, the Internet, data processing, telematics and communications, including the installation and operation of electronic communications networks;
- publish and broadcast all services, programs and information, in particular, publish and provide telephone and telematics services to the public and broadcast audiovisual communications services by any technical means, including through the press, radio, audiovisual media, video or remote transmission, on magnetic or other media;
- acquire by any means and manage investments in the capital of any French or foreign company, regardless of its form or purpose, by purchase, subscription of shares or otherwise;
- acquire, by any means, bonds, founders' shares or other securities issued by such companies;
- provide any services relating to commercial, financial, accounting and administrative activities;
- directly or indirectly invest, through contributions from partnerships or otherwise, in any businesses or companies having one or more activities directly or indirectly related to the Company's corporate purpose;
- invest in any business or company with one or more activities which may be directly or indirectly related to the Company's corporate purpose or to any similar or associated purpose, in particular by creating new companies, or through contributions, mergers, alliances, joint ventures, partnerships or consortia;
- and more generally, conduct any industrial, commercial or financial transactions, or any transactions involving either real estate or securities, directly or indirectly related to the Company's corporate purpose or any similar or associated purpose.

## 8.1.7 RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Any changes in the rights attached to the shares making up the Company's capital are subject to the general provisions of French company law as the Company's bylaws do not contain any specific provisions on this matter.

### Dividend rights - Appropriation of profit

The Company's income statement shows the profit or loss for the year calculated by deducting from income for the year all expenses, including depreciation, amortization and provisions.

At least 5% of profit for the year, less any losses carried forward from prior years, is allocated to the legal reserve until such time as that reserve represents one-tenth of the Company's share capital. Further transfers are made on the same basis if the legal reserve falls to below one-tenth of the Company's share capital for any reason.

Distributable profit represents profit for the year, less any losses carried forward from prior years and any amount to be appropriated to reserves pursuant to the applicable law or the Company's bylaws, plus any retained earnings. The Annual General Meeting may appropriate all or part of this amount to any discretionary reserves or to retained earnings.

The Annual General Meeting may also decide to distribute funds drawn from available reserves, expressly indicating the reserve account from which the distributed amounts are to be taken. However, dividends are deducted in priority from distributable profit.

Except in the case of a capital reduction, no distribution may be made to shareholders if the Company's equity represents – or would represent after the planned distribution – less than the sum of its share capital plus any reserves which, under applicable laws or the Company's bylaws, are not available for distribution.

The revaluation reserve may not be distributed, but all or part of it may be incorporated into the Company's share capital.

Any losses are carried forward to be offset against profit in future years.

## Voting rights

### Proportionate voting rights

In accordance with the law, at Ordinary and Extraordinary General Meetings, each shareholder has a number of votes equal to the number of shares held, without limitation.

Unless otherwise agreed and notified to the Company, voting rights attached to shares are exercised by the beneficial owners of the shares at Ordinary General Meetings and by the legal owner of the shares at Extraordinary General Meetings.

### Double voting rights

At the Extraordinary General Meeting held on December 12, 2003, the shareholders decided to attribute double voting rights to all fully paid-up shares registered in the name of the same shareholder for at least three years as from the listing of the Company's shares on a regulated market (i.e., January 30, 2004).

In the event of a capital increase paid up by capitalizing reserves, retained earnings or additional paid-in capital, or when shares are exchanged as part of a stock split or reverse stock split, the new shares allocated to a shareholder in proportion to existing registered shares carrying double voting rights will also have double voting rights from the date of issue, provided that said new shares are also held in registered form.

Any shares converted into bearer form or whose ownership is transferred are stripped of double voting rights, in accordance with Article 28-1 of the Company's bylaws. However, registered shares are not stripped of voting rights, and the qualifying period continues to run, following the transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate or an inter vivos gift to a spouse or relative in the direct line of succession. Any merger or demerger of the Company would have no impact on double voting rights which can be exercised within the new company if the latter's bylaws include such a provision. Double voting rights may only be abolished at an Extraordinary General Meeting after prior approval by a special meeting of the shareholders holding those rights.

### Articles of the bylaws that could have an impact on a change in control

None.

## 8.1.8 AUDITORS

### 8.1.8.1 Statutory Auditors

| | |
|---|---|
| PricewaterhouseCoopers Audit<br>Represented by Xavier Cauchois<br>63, rue de Villiers<br>92208 Neuilly-sur-Seine Cedex, France | Deloitte & Associés<br>Represented by Jean-Paul Seguret and François Buzy<br>Tour Majunga<br>6, place de la Pyramide<br>92908 Paris La Défense Cedex, France |
| First appointed at the Annual General Meeting of October 19, 2000.<br>Re-appointed at the Annual General Meeting of May 16, 2018 for a term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2024. | First appointed at the Annual General Meeting of May 20, 2015. Current term expires at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2020. |
| **Member of a professional organization:**<br>PricewaterhouseCoopers Audit is a member of the *Versailles Compagnie Régionale des Commissaires aux Comptes*. | **Member of a professional organization:**<br>Deloitte & Associés is a member of the Versailles *Compagnie Régionale des Commissaires aux Comptes*. |

### 8.1.8.2 Alternate Auditors

| | |
|---|---|
| Étienne Boris<br>63, rue de Villiers<br>92208 Neuilly-sur-Seine Cedex, France | BEAS<br>6, place de la Pyramide<br>92908 Paris La Défense Cedex, France |
| First appointed at the Annual General Meeting of May 29, 2006. Current term expires at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2024. | First appointed at the Annual General Meeting of May 20, 2015. Current term expires at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2020. |

# 8.2 INFORMATION ABOUT THE COMPANY'S CAPITAL

The terms and conditions set out in the Company's bylaws concerning changes in the Company's capital and rights attached to shares fully comply with the applicable laws and regulations. The bylaws do not provide for any exemptions and do not contain any specific conditions related to these matters.

## 8.2.1 AMOUNT OF AND MOVEMENTS IN THE COMPANY'S CAPITAL

### 8.2.1.1 Amount of capital

At the date this Registration Document was filed, the Company's capital amounted to €13,040,192.20, divided into 58,845,555 shares, all issued, fully paid up and of the same class. The par value of the shares is not set in the Company's bylaws.

### 8.2.1.2 Changes in the Company's capital over the past five years

| Date of Shareholders' Meeting or Board Meeting | Transaction | Number of shares issued | Nominal amount of capital increase *(in €)* | Issue premium *(in €)* | Aggregate issue premiums *(in €)* | Total nominal amount of share capital *(in €)* | Total shares outstanding | Per-share par value *(in €)* |
|---|---|---|---|---|---|---|---|---|
| Jan. 26, 2015 | Capital increase following exercise of stock options | 377,138 | 83,573.77 | 21,889,683.80 | 392,563,946.94 | 12,953,409.21 | 58,453,935 | 0.22 |
| Jan. 25, 2016 | Capital increase following exercise of stock options | 206,705 | 45,805.83 | 13,284,108.37 | 405,848,055.31 | 12,999,215.04 | 58,660,640 | 0.22 |
| Jan. 30, 2017 | Capital increase following exercise of stock options | 176,698 | 39,156.27 | 12,533,082.88 | 418,381,138.21 | 13,038,371.32 | 58,837,338 | 0.22 |
| Jan. 29, 2018 | Capital increase following exercise of stock options | 195,323 | 43,283.57 | 14,303,996.50 | 432,685,134.70 | 13,081,654.89 | 59,032,661 | 0.22 |
| Jan. 29, 2018 | Cancellation of shares purchased under the buyback program | 86,393 | 19,144.69 | 15,403,079.35 | 417,282,055.35 | 13,062,510.20 | 58,946,268 | 0.22 |
| Jan. 28, 2019 | Capital increase following exercise of stock options | 99,287 | 22,001.99 | 6,697,179.53 | 423,979,234.88 | 13,084,512.20 | 59,045,555 | 0.22 |
| Jan. 28, 2019 | Cancellation of shares purchased under the buyback program | 200,000 | 44,320 | 34,769,302.65 | 389,209,932.73 | 13,040,192.20 | 58,845,555 | 0.22 |

### 8.2.1.3 Shares not representing capital

At the date this Registration Document was filed, the Company had not issued any shares not representing capital.

### 8.2.1.4 Potential capital

The Company has not issued any securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares and/or voting rights. However, the following items could have a dilutive impact on the Company's capital: (i) the exercise of Iliad stock options, (ii) Iliad free share plans, and (iii) the settlement option in the Free Mobile free share plans providing for payment in Iliad shares (see Chapter 3, Section 3.4.4, page 95).

Information about the potential dilution of the Company's capital is provided in Note 14 to the consolidated financial statements.

## 8.2.2 AUTHORIZATIONS TO INCREASE THE COMPANY'S CAPITAL

### Authorized unissued share capital

In the extraordinary sessions of the Annual General Meetings of May 17, 2017 and May 16, 2018, the shareholders authorized the Board of Directors to increase the Company's capital as follows:

| Authorization given to the Board of Directors at the AGM | Date of the AGM (resolution no.) | Duration (expiration date) | Maximum nominal amount authorized *(in €)* | Utilization | Amendments to ceilings and/or expiration dates of authorizations as submitted for shareholder approval at the May 21, 2019 AGM |
|---|---|---|---|---|---|
| **To increase the Company's capital, with pre-emptive subscription rights** | | | | | **Ceiling** *(in €)* |
| To increase the Company's capital through the issue of shares and/or securities carrying rights to shares or debt securities, with pre-emptive subscription rights for existing shareholders | May 17, 2017 (16th resolution) | 26 months (July 17, 2019) | 5,000,000[1] 2,000,000,000[2] | N/A | 5,000,000[3] 2,000,000,000[4] (19th resolution) |
| To increase the Company's capital by capitalizing reserves, profit or additional paid-in capital | May 17, 2017 (24th resolution) | 26 months (July 17, 2019) | 500,000,000 | N/A | 500,000,000 (27th resolution) |
| **To increase the Company's capital, without pre-emptive subscription rights** | | | | | **Ceiling** *(in €)* |
| To increase the Company's capital by way of a public offering of shares and/or securities carrying rights to shares or debt securities, without pre-emptive subscription rights for existing shareholders | May 17, 2017 (17th resolution) | 26 months (July 17, 2019) | 20% of the Company's capital on the date of the meeting, i.e. approx. 2.6 million[1] 2,000,000,000[2] | N/A | 20% of the Company's capital on the date of the meeting, i.e. approx. 2.6 million[3] 2,000,000,000[4] (20th resolution) |
| To increase the Company's capital by way of a private placement of shares and/or securities carrying rights to shares or debt securities, without pre-emptive subscription rights for existing shareholders | May 17, 2017 (18th resolution) | 26 months (July 17, 2019) | 20% of the Company's capital on the date of the meeting, i.e. approx. 2.6 million[1] 2,000,000,000[2] | N/A | 20% of the Company's capital on the date of the meeting, i.e. approx. 2.6 million[3] 2,000,000,000[4] (21st resolution) |
| Authorization for the Board of Directors to set the issue price for issues of securities carried out without pre-emptive subscription rights and through a public offering or a private placement, subject to a ceiling of 10% of the Company's capital per twelve-month period | May 17, 2017 (19th resolution) | 26 months (July 17, 2019) | 10% of the Company's capital at the issue date[1][2] | N/A | 10% of the Company's capital at the issue date[3][4] (22nd resolution) |
| To increase the Company's capital in payment for contributions in kind made to the Company and consisting of shares and/or securities carrying rights to shares of another company | May 17, 2017 (21st resolution) | 26 months (July 17, 2019) | 1,304,019[1] | N/A | 10% of the Company's capital at the issue date (24th resolution) |
| To increase the Company's capital in payment for contributions in kind made to the Company by shareholders of Free Mobile | May 17, 2017 (22nd resolution) | 26 months (July 17, 2019) | 130,402[1] | N/A | 3% of the Company's capital at the issue date (25th resolution) |
| To increase the Company's capital through the issue of shares and/or securities carrying rights to shares in the event of a public offering with a stock component initiated by the Company | May 17, 2017 (23rd resolution) | 26 months (July 17, 2019) | 2,000,000[1] | N/A | 2,000,000[3] (26th resolution) |
| **To increase the Company's capital, with or without pre-emptive subscription rights** | | | | | |
| To increase the number of securities included in an issue carried out with or without pre-emptive subscription rights if the issue is oversubscribed | May 17, 2017 (20th resolution) | 26 months (July 17, 2019) | 15% of the original issue[1] | N/A | 15% of the original issue[3] (23rd resolution) |

| Authorization given to the Board of Directors at the AGM | Date of the AGM (resolution no.) | Duration (expiration date) | Maximum nominal amount authorized *(in €)* | Utilization | Amendments to ceilings and/or expiration dates of authorizations as submitted for shareholder approval at the May 21, 2019 AGM |
|---|---|---|---|---|---|
| **To carry out employee share issues** | | | | | |
| To issue shares to Group employees | May 17, 2017 (26th resolution – rejected) | N/A | N/A | N/A | 1% of the Company's capital at the date of the meeting (28th resolution) |
| **To set up stock option and share grant plans** | | | | | |
| To issue shares for allocation on exercise of stock options | May 17, 2017 (25th resolution) | 38 months (July 17, 2020) | 1% of the Company's capital at the grant date, taking into account options already granted (for information purposes, 588,456 shares at January 31, 2019) | N/A | N/A |
| To grant shares free of consideration | May 16, 2018 (22nd resolution) | 38 months (July 16, 2021) | 1% of the Company's capital at the grant date | Shares granted representing 0.52% of the Company's capital | N/A |

*(1) This amount is included in the overall €5,000,000 ceiling applicable to issues of shares and/or securities carrying rights to shares as set in the sixteenth resolution of the May 17, 2017 AGM.*
*(2) This amount is included in the overall €2,000,000,000 ceiling applicable to issues of debt securities as set in the sixteenth resolution of the May 17, 2017 AGM.*
*(3) This amount will be included in the overall €5,000,000 ceiling applicable to issues of shares and/or securities carrying rights to shares as set in the nineteenth resolution of the May 21, 2019 AGM.*
*(4) This amount will be included in the overall €2,000,000,000 ceiling applicable to issues of debt securities as set in the nineteenth resolution of the May 21, 2019 AGM.*

## 8.2.3 OWN SHARES AND SHARE BUYBACKS

### 8.2.3.1 Share buyback programs

#### Presentation of the authorization given to the Board of Directors to carry out a share buyback program

In the twenty-first resolution of the May 16, 2018 Annual General Meeting, the Board of Directors was granted an authorization – which may be delegated under the terms provided for by law – to acquire shares representing up to 10% of the Company's capital. This authorization was given for a period of 18 months until November 16, 2019.

The maximum purchase price under the program was €300 per share.

The objectives of the share buyback program were as follows:

- to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider acting in the name and on behalf of the Company under a liquidity contract that complies with a Code of Conduct approved by the *Autorité des Marchés Financiers* (AMF), as the use of liquidity contracts has been recognized by the AMF as an accepted market practice;
- to allocate shares to employees and executive officers of the Company and Group subsidiaries, in accordance with the terms and conditions set down by law, including by carrying out share grants as permitted under Articles L. 225-197-1 *et seq.* of the French Commercial Code, or by granting stock options as permitted under Articles L. 225-177 *et seq.* of said Code, or as part of a profit-sharing plan or an employee savings plan in accordance with the applicable law, in particular Article L. 3332-14 of the French Labor Code;
- to remit shares as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders following a share grant plan put in place within that company, on the date(s) decided by the Board of Directors and subject to a ceiling representing 1% of Iliad S.A.'s capital as at the date of the buyback(s);
- to hold shares in treasury – subject to a ceiling of 5% of the Company's capital as at the date of the buyback(s) – for subsequent remittance in exchange or payment in connection with external growth transactions;
- to allocate shares on exercise of stock options granted to employees and executive officers of the Company and Group subsidiaries, in accordance with the applicable law, on the dates decided by the Board of Directors or any representative duly authorized by the Board;
- to cancel all or some of the shares bought back, in accordance with the terms and conditions set out in the twenty-third resolution of the May 16, 2018 Annual General Meeting;
- to allocate shares on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company, in accordance with the applicable regulations, and to carry out any hedging transactions relating to such operations, on the date(s) determined by the Board of Directors or any representative duly authorized by the Board.

### Summary of transactions carried out by the Company under the share buyback program in 2018

The Company carried out the following transactions under the share buyback program during 2018:

| | Purchases | Sales |
|---|---|---|
| Number of shares | 226,511 | 226,761 |
| Average unweighted transaction price *(in €)* | 146.51 | 147.94 |
| Total *(in €)* | 36,098,626.13 | 36,147,917.55 |

### Description of the new share buyback program submitted for shareholder approval at the Annual General Meeting of May 21, 2019

The authorization given at the May 16, 2018 Annual General Meeting for the Company to buy back shares representing up to 10% of its capital is due to expire on November 17, 2018. Consequently, at its March 18, 2019 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 21, 2019 that they grant the Board a new authorization to carry out a share buyback program (see the eighteenth resolution in the presentation of the resolutions set out in Chapter 9 of this Registration Document). If this resolution is adopted, the authorization would be given for a period of 18 months as from the May 21, 2019 Annual General Meeting.

The objectives of the share buyback program are described in the eighteenth resolution that will be submitted to shareholders for approval (see Chapter 9 of this Registration Document).

The number of shares bought back under this authorization would not be able to exceed the equivalent of 10% of the Company's capital. In accordance with French company law, the Company may not hold more than 10% of its own shares in treasury. For information purposes, based on the Company's capital at January 31, 2019, the total amount invested in the share buyback program would not exceed €1.765 million, corresponding to a maximum of 5,884,556 shares purchased at a maximum per-share price of €300.

## 8.2.3.2 Liquidity contract

On June 12, 2007, Iliad entered into a liquidity contract with Exane – BNP Paribas that complies with the applicable law and regulations. This contract also complies with the French Association of Investment Firms' Code of Ethics approved by the AMF in a decision issued on March 22, 2005 and published in the French legal announcements journal (*Bulletin des Annonces Légales Obligatoires*) on April 1, 2005.

The following transactions were carried out in connection with the liquidity contract in 2018:

| | Purchases | | | Sales | | |
|---|---|---|---|---|---|---|
| | Number of shares | Unweighted average price *(in €)* | Amount *(in €)* | Number of shares | Unweighted average price *(in €)* | Amount *(in €)* |
| January | 21,439 | 207.58 | 4,443,299 | 30,851 | 207.47 | 6,370,155 |
| February | 19,898 | 198.79 | 3,958,547 | 16,968 | 198.77 | 3,364,318 |
| March | 53,144 | 180.44 | 9,639,859 | 42,128 | 180.44 | 7,607,252 |
| April | 25,201 | 166.63 | 4,219,293 | 28,649 | 167.76 | 4,823,382 |
| May | 23,831 | 151.90 | 3,703,716 | 22,388 | 152.43 | 3,473,292 |
| June | 12,336 | 141.22 | 1,741,109 | 13,261 | 141.86 | 1,877,517 |
| July | 9,513 | 141.32 | 1,346,211 | 10,972 | 142.45 | 1,558,491 |
| August | 17,121 | 125.60 | 2,135,288 | 14,651 | 126.22 | 1,845,823 |
| September | 9,330 | 113.39 | 1,049,065 | 12,457 | 114.30 | 1,411,666 |
| October | 13,416 | 103.79 | 1,396,024 | 13,354 | 104.85 | 1,391,110 |
| November | 11,582 | 107.53 | 1,267,902 | 11,732 | 109.26 | 1,265,685 |
| December | 9,700 | 123.19 | 1,198,314 | 9,350 | 123.97 | 1,159,226 |
| **TOTAL** | **226,511** | **146.51** | **36,098,626** | **226,761** | **147.94** | **36,147,918** |

## 8.2.4 OWNERSHIP STRUCTURE

### 8.2.4.1 Shareholding structure

#### Movements in ownership interests and voting rights

Movements in the Company's capital and voting rights were as follows in the past three years:

| | December 31, 2018 | | | | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Shareholder | Number of shares | Theoretical voting rights[4] | % capital | % voting rights | Number of shares | % capital | % voting rights | Number of shares | % capital | % voting rights |
| Xavier Niel[1] | 31,534,450* | 32,156,404 | 53.41% | 52.10% | 30,820,250 | 52.21% | 66.86% | 31,888,965 | 54.20% | 68.49% |
| Rani Assaf[2] | 760,000 | 1,520,000 | 1.29% | 2.46% | 760,000 | 1.29% | 1.66% | 760,000 | 1.29% | 1.65% |
| Cyril Poidatz[3] | 670,614 | 1,341,228 | 1.14% | 2.17% | 670,614 | 1.14% | 1.47% | 670,614 | 1.14% | 1.46% |
| Antoine Levavasseur[1] | 506,658 | 1,013,316 | 0.86% | 1.64% | 506,658 | 0.86% | 1.11% | 506,658 | 0.86% | 1.10% |
| Maxime Lombardini[1] | 21,925 | 29,135 | 0.05% | 0.04% | 10,729 | 0.02% | 0.02% | 8,994 | 0.02% | 0.01% |
| Thomas Reynaud[1] | 14,830 | 20,080 | 0.03% | 0.03% | 7,030 | 0.01% | 0.01% | 7,030 | 0.01% | 0.01% |
| Olivier Rosenfeld[3] [a] | 5,210 | 5,210 | 0.01% | 0.01% | 5,210 | 0.01% | NM | 5,210 | 0.01% | NM |
| Pierre Pringuet[3] | 2,037 | 4,074 | NM | 0.01% | 2,037 | NM | NM | 2,037 | NM | NM |
| Marie-Christine Levet[3] | 350 | 350 | NM | NM | 350 | NM | NM | 350 | NM | NM |
| Orla Noonan[3] | 300 | 300 | NM | NM | 300 | NM | NM | 300 | NM | NM |
| Virginie Calmels[3] | 150 | 150 | NM | NM | 150 | NM | NM | 150 | NM | NM |
| Corinne Vigreux[3] | 100 | 100 | NM | NM | 100 | NM | NM | 100 | NM | NM |
| Bertille Burel[3] | 100 | 100 | NM | NM | 100 | NM | NM | - | - | - |
| **SUB TOTAL – DIRECTORS AND OFFICERS** | **33,516,724** | **36,090,447** | **56.76%** | **58.48%** | **32,783,528** | **55.53%** | **71.14%** | **33,850,408** | **57.53%** | **72.74%** |
| **FREE FLOAT** | **25,528,831** | **25,627,808** | **43.24%** | **41.52%** | **26,249,133** | **44.47%** | **28.86%** | **24,986,930** | **42.47%** | **27.26%** |
| Iliad (own shares) | 237,602 | 237,602 | 0.4% | 0.4% | 124,245 | 0.21% | 0.14% | 108,860 | 0.19% | 0.12% |
| **TOTAL** | **59,045,555** | **61,718,255[5]** | **100%** | **100%** | **59,032,661** | **100.00%** | **100.00%** | **58,837,338** | **100.00%** | **100.00%** |

* *Including (i) 621,954 shares held directly by Xavier Niel, (ii) 29,605,872 shares held by Holdco – Xavier Niel's personal holding Company, and (iii) 1,306,624 shares held by Rock Investment.*

*(1) A Senior Vice-President and a director of the Company.*

*(2) A shareholder and a Senior Vice-President of the Company (not a director).*

*(3) A shareholder and non-executive director of the Company.*

*(4) The theoretical number of voting rights is calculated based on all shares carrying voting rights, including shares for which voting rights are not exercisable.*

*(5) The total number of voting rights exercisable at Shareholders' Meetings amounted to 61,480,653 at December 31, 2018.*

*(a) Olivier Rosenfeld stepped down as a director of Iliad on January 28, 2019.*

*NM: not material.*

To the best of the Company's knowledge, there are no shareholders other than those mentioned above who directly or indirectly hold more than 5% of the Company's capital or voting rights.

#### Disclosure thresholds

Any individual or legal entity, acting alone and/or in concert, that comes to hold in any way whatsoever within the meaning of Articles L. 233-7 *et seq.* of the French Commercial Code, a number of shares representing 1% or more of the Company's capital or voting rights must disclose to the Company, within five trading days of the date the threshold was crossed, the total number of shares and voting rights held, either directly or indirectly, alone and/or in concert. The disclosure must be made by registered mail with recorded delivery, or by any equivalent method outside France in the case of shareholders non-resident in France, and must state the date the threshold was crossed. The shares and voting rights referred to in Article L. 233-9 I of the French Commercial Code must also be taken into consideration for the purpose of disclosing such ownership interests and voting rights.

The disclosure must also state the number of securities owned by the person or entity making the disclosure that carry rights to new shares in the Company and the corresponding voting rights, as well as the number of existing shares or voting rights that such person or entity may acquire or is entitled to acquire under the terms of an agreement or financial instrument referred to in Article L. 211-1 of the French Monetary and Financial Code. If the holder of such a financial instrument or a beneficiary of such an agreement comes to own the shares or voting rights provided for in the instrument or agreement and as a result their interest in the Company – either alone or acting in concert – is increased

to more than the above-mentioned 1% threshold, a new disclosure must be made to the Company.

The same disclosure formalities must be carried out whenever the proportion of the capital or voting rights held is increased to more than any multiple of 1% or decreased below any multiple of 1%, even when such notification is not required under the disclosure obligations provided for in the applicable laws and regulations. If the only thresholds crossed are those referred to in Article L. 233-7-I of the French Commercial Code, the disclosure must be made within the timeframe specified in the applicable laws and regulations.

In the event of failure to comply with these disclosure requirements, the shares in excess of the relevant threshold will be stripped of voting rights. If the omission is remedied, the voting rights concerned will only be exercisable after the expiration of the period specified in the applicable laws and regulations, at the request of one or more shareholders holding at least 1% of the Company's capital or voting rights, as placed on record in the minutes of the Shareholders' Meeting at which the request is made.

### Double voting rights

The Company's major shareholders held the following shares carrying double voting rights at December 31, 2018:

| Major shareholders with double voting rights | Number of shares carrying double voting rights |
|---|---|
| Xavier Niel | 621,954 |
| Rani Assaf | 760,000 |
| Cyril Poidatz | 670,614 |
| Antoine Levavasseur | 506,658 |
| Maxime Lombardini | 7,210 |
| Thomas Reynaud | 5,250 |

## 8.2.4.2 Transactions in the Company's shares carried out by executive officers

### Summary table of transactions in Iliad shares carried out by directors and officers in 2018

*(Disclosed in compliance with Article 223–26 of the AMF's General Regulations)*

| Name | Type of transaction | Number of shares | Average price |
|---|---|---|---|
| Xavier Niel (associated persons) | Sale | 24,570 | €163.89 |
| Xavier Niel | Donation | 24,570 | N/A |
| Xavier Niel | Purchase | 738,770 | €107.06 |
| Thomas Reynaud | Purchase | 7,800 | €148.61 |
| Maxime Lombardini | Purchase | 8,196 | €105.57 |

## 8.2.5 STOCK MARKET DATA

Iliad's shares have been traded on Eurolist by Euronext™ (compartment A) since January 30, 2004.

## 8.2.5.1 General information

| | |
|---|---|
| Number of shares listed at December 31, 2018 | 59,045,555 |
| Closing price at December 31, 2018 | €122.65 |
| 52-week high | €214.40 |
| 52-week low | €95.18 |
| Market capitalization at December 31, 2018 | €7.25 billion |
| Average 6-month daily trading volume | 207,862 |
| ISIN | FR0004035913 |
| Stock exchange indices | CAC Next 20, SBF 120, SBF 80 and SBF 250<br>EURO STOXX Index, STOXX Europe 600 Index and STOXX Europe Mid 200 |

### 8.2.5.2 Changes in the Iliad share price since January 1, 2018

| | Share price *(in €)** | |
|---|---|---|
| | High | Low |
| **2018** | | |
| January | 213.50 | 199.70 |
| February | 209.60 | 192.90 |
| March | 201.80 | 168.00 |
| April | 177.25 | 160.35 |
| May | 169.65 | 130.65 |
| June | 149.00 | 132.90 |
| July | 146.80 | 134.45 |
| August | 134.50 | 111.30 |
| September | 121.60 | 104.85 |
| October | 111.30 | 97.10 |
| November | 124.60 | 95.82 |
| December | 129 | 117.35 |
| **2019** | | |
| January | 121.85 | 98.86 |
| February | 100.10 | 86.92 |

* *Corresponding to the highest and lowest closing price on a trading day.*

### 8.2.5.3 Transfer agent

Securities services (management of the Company's share register) and financial services (dividend payments) are provided for Iliad by Société Générale (SGSS/GIS/ISE/SHM, 32, rue du Champ de Tir, CS 30812, 44308 Nantes Cedex 3, France).

The Company held the following Iliad shares at December 31, 2018:

| | |
|---|---|
| Percentage of capital held directly or indirectly by the Company | 0.06% |
| For the purpose of: | |
| • maintaining a liquid market | 0.06% |
| Number of shares canceled in the past 24 months | 86,393 |
| Number of shares held in the portfolio | 237,602 |
| Carrying amount of the portfolio *(in €)* | |
| Market value of the portfolio *(in €)** | 29,141,885 |

* *Based on the Iliad closing share price on December 31, 2018, i.e., €122.65.*

## 8.2.6 PROVISIONAL TIMETABLE FOR FINANCIAL COMMUNICATIONS

| | |
|---|---|
| By May 7, 2019: | First-quarter 2019 revenues release |
| By May 21, 2019: | Annual General Meeting |
| By September 3, 2019: | First-half 2019 revenues and earnings release |
| By November 15, 2019: | Revenues release for the first nine months of 2019 |

## 8.2.7 ADDITIONAL INFORMATION

### 8.2.7.1 Shareholders' agreements and undertakings

#### Shareholders' agreements

None.

#### Lock-up undertakings

None.

#### Shareholders acting in concert

To the best of the Company's knowledge, there are no shareholders acting in concert other than the shareholders who are executive managers of the Company who act in concert in their capacity as executive managers.

#### Measures taken to ensure that control is not exercised in an abusive manner

As described above, the Company is controlled by its majority shareholder and its executive managers. However, the Company considers that there is no risk that control will be exercised in an abusive manner thanks to the measures taken within its corporate governance structures, notably the separation of the positions of Chairman of the Board and Chief Executive Officer, and due to the fact that there are independent directors on the Board of Directors and the Board committees.

### 8.2.7.2 Arrangements that could result in a change in control of the Company

None.

### 8.2.7.3 Shareholders' Meeting and instructions for participating

The collective decisions of the Company's shareholders are made in General Shareholders' Meetings ("Shareholders' Meetings"), which are classified as ordinary or extraordinary according to the types of decisions they are called to make.

Shareholders' Meetings duly convened and constituted represent all of the Company's shareholders. Their decisions are binding on all shareholders, including those absent, dissenting or disqualified.

#### Notice and conduct of meetings

Shareholders' Meetings are called by the Board of Directors or, if necessary, by the Statutory Auditors or any person authorized by law.

The meetings take place at the Company's registered office or any other location indicated in the notice of meeting. They may be held by videoconference or any other means of telecommunications technology – including the Internet – which permits identification of the shareholders under the terms and conditions prescribed by the applicable laws and regulations.

#### Agenda

The agenda for Shareholders' Meetings is determined by the party calling the meeting.

However, one or more shareholders or the works council may request that proposed resolutions be included in the agenda under the terms and conditions prescribed by the applicable laws and regulations.

Shareholders' Meetings may not consider matters that are not included in the agenda. However, shareholders are always entitled to remove from office and replace directors, irrespective of whether a related resolution is included in the agenda.

The agenda for a Shareholders' Meeting may not be amended on second call.

#### Participation in and representation at Shareholders' Meetings

a) Any shareholder may participate in Shareholders' Meetings in person or by proxy, regardless of the number of shares owned, subject to evidence of their share ownership.

Where it deems fit, the Board of Directors may provide shareholders with individual named admission cards and require them to produce such cards in order to gain entry to a meeting. Shareholders who wish to attend a meeting in person and have not received their admission card by 00:00 (CET) on the second working day preceding the meeting in question will be provided with a certificate evidencing their share ownership.

b) The right to attend Shareholders' Meetings is subject to the following conditions:

- holders of registered shares must ensure that their shares are recorded in the share register held by the Company or its authorized intermediary;
- holders of bearer shares must ensure that their shares are recorded in the bearer share account held by their authorized intermediary, as evidenced by a certificate provided by said intermediary (in physical or electronic form);
- these formalities must be completed within the timeframes specified in the applicable regulations.

c) Any shareholder who cannot attend a meeting in person may choose one of the following three options:

- to be represented by another shareholder or his or her spouse;
- to vote remotely using a form which may be obtained by following the instructions provided in the notice of meeting; or
- to send a proxy to the Company without indicating a representative. In this case, the Chairman of the meeting will vote in favor of resolutions presented or approved by the Board of Directors and against all other proposed resolutions; in order to vote otherwise, the shareholder must appoint a representative who agrees to vote as instructed by the shareholder.

#### Quorum and voting in Shareholders' Meetings

Subject to the double voting rights described in Chapter 8, Section 8.1.7 of this Registration Document, in Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a number of votes equal to the number of shares owned or represented.

The quorum is calculated based on the total number of shares making up the Company's share capital, less any shares stripped of voting rights pursuant to the applicable laws or the Company's bylaws.

An Ordinary General Meeting cannot validly deliberate on first call unless the shareholders present, represented or casting votes remotely hold at least one-fifth of the voting rights. No quorum is required on second call. Ordinary General Meetings adopt decisions by a majority of the votes cast by shareholders present, represented or casting votes remotely.

An Extraordinary Shareholders' Meeting shall not be validly constituted unless the shareholders present, represented or casting postal votes hold at least one-quarter of the Company's total voting rights on first call and one-fifth on second call. If a quorum is not reached on second call, the second Extraordinary General Meeting may be postponed to a later date which must not be more than two months after the initially scheduled date of the Meeting. Extraordinary General Meetings adopt decisions by a two-thirds majority of the votes cast by the shareholders present, represented or casting votes remotely. In the event of a capital increase paid up by capitalizing reserves, profit or additional paid-in capital, the quorum and majority voting rules for Ordinary General Meetings apply.

Shareholders who participate in a meeting by videoconference or other means of telecommunications technology that allows them to be identified and complies with the terms and conditions prescribed by the applicable regulations are deemed present for the purpose of calculating the quorum and voting majority.

# 9

# ANNUAL GENERAL MEETING


PROPOSED RESOLUTIONS PRESENTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 21, 2019 252

BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 21, 2019 270

# PROPOSED RESOLUTIONS PRESENTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 21, 2019

## ORDINARY RESOLUTIONS

1 Approval of the parent company financial statements for the year ended December 31, 2018.

2 Approval of the consolidated financial statements for the year ended December 31, 2018.

3 Appropriation of profit for the year ended December 31, 2018 (as presented in the parent company financial statements) and approval of a dividend payment.

4 Approval of related-party agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code *(Code de commerce)*.

5 Setting directors' fees.

6 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as Chairman of the Board of Directors as from May 21, 2018.

7 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as Chief Executive Officer until May 21, 2018.

8 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as Chief Executive Officer as from May 21, 2018.

9 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as Senior Vice-President until May 21, 2018.

10 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Cyril Poidatz in his capacity as Chairman of the Board of Directors until May 21, 2018.

11 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Xavier Niel in his capacity as Senior Vice-President.

12 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Rani Assaf in his capacity as Senior Vice-President.

13 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Alexis Bidinot in his capacity as Senior Vice-President.

14 Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Antoine Levavasseur in his capacity as Senior Vice-President.

15 Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors.

16 Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer.

17 Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents.

18 Authorization for the Board of Directors to carry out a share buyback program.

## EXTRAORDINARY RESOLUTIONS

19 Authorization for the Board of Directors, to issue, with pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity.

20 Authorization for the Board of Directors, to issue, by way of a public offering and without pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity.

21 Authorization for the Board of Directors, to issue, by way of a private placement and without pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity.

22 Authorization for the Board of Directors to set the issue price for issues – carried out without pre-emptive subscription rights through a public offering or a private placement – of shares, and/or equity securities carrying rights to other equity securities or to the allocation of debt securities, and/or securities carrying rights to new equity securities of the Company, subject to the terms and conditions set by the shareholders and a ceiling of 10% of the Company's capital.

23 Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights.

24 Authorization for the Board of Directors to issue shares and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company and consisting of equity securities or securities carrying rights to shares in another entity.

25 Authorization for the Board of Directors to issue shares and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company by employees and executive officers of Free Mobile and consisting of equity securities or securities carrying rights to shares.

26 Authorization for the Board of Directors to issue shares, equity securities carrying rights to other equity securities or to the allocation of debt securities, and/or securities carrying rights to new equity securities of the Company, in the event of a public offering with a stock component initiated by the Company.

27 Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, profit, additional paid-in capital or other eligible items.

28 Authorization for the Board of Directors to issue shares of the Company to members of an employee stock ownership plan, without pre-emptive subscription rights.

29 Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares.

30 Amendment to Article 12 of the Company's bylaws, "Disclosure thresholds".

31 Powers to carry out formalities.

## ORDINARY RESOLUTIONS

*In accordance with paragraph 3 of Article L. 225-98 of the French Commercial Code, in order to be validly adopted, the following eighteen ordinary resolutions must be approved by the majority of shareholders present or represented.*

### First resolution

#### Approval of the parent company financial statements for the year ended December 31, 2018

Having considered:

- the Board of Directors' management report for the year ended December 31, 2018; and
- the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2018;

the shareholders approve the parent company financial statements for the year ended December 31, 2018, as presented, together with the transactions reflected in those financial statements and summarized in those reports.

In accordance with Article 223 *quater* of the French Tax Code, the shareholders note that the Company did not recognize any expenses in 2018 that fall within the scope of Article 39-4 of the French Tax Code.

### Second resolution

#### Approval of the consolidated financial statements for the year ended December 31, 2018

Having considered:

- the Board of Directors' management report for the year ended December 31, 2018; and
- the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2018;

the shareholders approve the consolidated financial statements for the year ended December 31, 2018, as presented, together with the transactions reflected in those financial statements and summarized in those reports.

### Third resolution

#### Appropriation of profit for the year ended December 31, 2018 (as presented in the parent company financial statements) and approval of a dividend payment

Having noted that the parent company financial statements for the year ended December 31, 2018 show a profit of €296,364,311, the shareholders resolve to appropriate distributable profit for the year as follows:

| *In €* | |
|---|---|
| **Profit for the year** | **296,364,311** |
| Less prior-year losses | 0 |
| Plus retained earnings | 2,714,819,004 |
| **Total distributable profit** | **3,011,183,315** |
| **Appropriation** | |
| To the legal reserve | 0 |
| To a dividend payment representing a maximum of:<br>i.e., €0.90 per share | 53,229,560 |
| **BALANCE** | |
| Appropriated to retained earnings | 2,957,953,755 |

The shareholders note that a maximum of 59,143,956 shares are eligible for the 2018 dividend, corresponding to the aggregate of the 58,845,555 shares making up the Company's capital at January 31, 2019 and the 298,401 shares that are potentially issuable between January 1, 2019 and the ex-dividend date on the exercise of stock options granted by the Board of Directors.

The shareholders approve the payment of a per-share dividend of €0.90. The ex-dividend date will be June 24, 2019 and the dividend will be paid as from June 26, 2019 based on positions closed as of the close of business on June 25, 2019.

The total amount of the dividends paid must take into account all shares outstanding at the ex-dividend date. If on that date (i) the Company holds any of its own shares, or (ii) all of the shares that are potentially issuable on the exercise of stock options granted by the Board of Directors have not actually been issued, then the aggregate amount of the unpaid dividends related to the shares referred to in (i) and (ii) will be credited to the "Other reserves" account.

The above €0.90 per-share dividend does not include any deductions of taxes and/or social security contributions that may be withheld at source depending on each shareholder's specific situation. By default, the gross amount of the dividend paid to individuals who are tax resident in France will be subject to the 12.8% flat-rate dividend tax (PFU) and will not be eligible for the 40% tax relief provided for in Article 158-3-2° of the French Tax Code. However, individual shareholders who are tax resident in France may expressly and irrevocably opt for all of their investment income to be taxed using the standard progressive income tax scale, in which case the above-mentioned 40% tax relief would apply. In all circumstances, the dividend will be subject to social security contributions at a rate of 17.2%.

In accordance with the disclosure requirements in Article 243 *bis* of the French Tax Code, dividends for the last three years were as follows:

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Total number of shares making up the Company's Capital[1] | 58,688,031 | 58,885,825 | 58,759,097 |
| Aggregate net dividends[2] *(in €)* | 24,062,093 | 25,909,763 | 39,956,186 |
| Net dividend per share[2] *(in €)* | 0.41 | 0.44 | 0.68 |

*(1) Number of shares outstanding at the ex-dividend date.*
*(2) Fully eligible for the 40% tax relief available for individual shareholders who are tax resident in France, as provided for in Article 158-3-2° of the French Tax Code. No other forms of revenue distribution as referred to in Article 243 bis of the Tax Code were carried out in 2015, 2016 or 2017.*

## Fourth resolution

### Approval of related-party agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code

Having considered the Statutory Auditors' special report on related-party agreements governed by Article L. 225-38 of the French Commercial Code, the shareholders place on record the findings of said report and approve the new agreements and commitments described therein that were authorized by the Board of Directors and entered into during 2018.

## Fifth resolution

### Setting directors' fees

Based on the Board of Directors' recommendation, the shareholders resolve to set the aggregate annual amount of directors' fees at €230,000, to be allocated among the Company's independent directors and non-salaried directors.

## Sixth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as Chairman of the Board of Directors as from May 21, 2018

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as Chairman of the Company's Board of Directors as from May 21, 2018, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Seventh resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as Chief Executive Officer until May 21, 2018

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Maxime Lombardini in his capacity as the Company's Chief Executive Officer until May 21, 2018, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Eighth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as Chief Executive Officer as from May 21, 2018

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as the Company's Chief Executive Officer as from May 21, 2018, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Ninth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as Senior Vice-President until May 21, 2018

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Thomas Reynaud in his capacity as Senior Vice-President of the Company until May 21, 2018, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Tenth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Cyril Poidatz in his capacity as Chairman of the Board of Directors until May 21, 2018

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Cyril Poidatz in his capacity as Chairman of the Company's Board of Directors until May 21, 2018, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Eleventh resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Xavier Niel in his capacity as Senior Vice-President

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Xavier Niel in his capacity as Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Twelfth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Rani Assaf in his capacity as Senior Vice-President

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Rani Assaf in his capacity as Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Thirteenth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Alexis Bidinot in his capacity as Senior Vice-President

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Alexis Bidinot in his capacity as Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Fourteenth resolution

### Approval of the components of compensation paid or awarded for the year ended December 31, 2018 to Antoine Levavasseur in his capacity as Senior Vice-President

In accordance with Article L. 225-100, II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to Antoine Levavasseur in his capacity as Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Fifteenth resolution

### Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Sixteenth resolution

### Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Seventeenth resolution

### Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

## Eighteenth resolution

### Authorization for the Board of Directors to carry out a share buyback program

Having considered the report of the Board of Directors, the shareholders authorize the Board of Directors to carry out a share buyback program in accordance with Articles L. 225-209 *et seq*. of the French Commercial Code, and Regulation (EU) no. 596/2014 of the European Parliament and of the Council dated April 16, 2014. Under this authorization – which may be delegated as provided for by law – the Board of Directors may purchase Iliad S.A. shares on behalf of the Company, directly or indirectly, in one or several transactions at the Board's discretion, provided that the total number of shares purchased does not represent more than 10% of the Company's capital at the time of the buyback(s) (as adjusted for any corporate actions carried out subsequent to this Annual General Meeting). When shares are bought back to maintain a liquid market in the Company's shares as set out below, the number of shares taken into account for the calculation of this 10% ceiling will correspond to the number of shares purchased, less the number of shares sold during the period covered by this authorization.

The shareholders resolve that this authorization may be used for the following purposes:

1. to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider acting in the name and on behalf of the Company under a liquidity contract that complies with a Code of Conduct approved by the French securities regulator (*Autorité des Marchés Financiers* - AMF), as the use of liquidity contracts has been recognized by the AMF as an accepted market practice;
2. to allocate shares to employees and executive officers of the Company and Group subsidiaries, in accordance with the terms and conditions set down by law, including by carrying out share grants as permitted under Articles L. 225-197-1 *et seq.* of the French Commercial Code, or by granting stock options as permitted under Articles L. 225-177 *et seq.* of said Code, or as part of a profit-sharing plan or an employee savings plan in accordance with the applicable law, in particular Article L. 3332-14 of the French Labor Code *(Code du travail)*;
3. to remit shares as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders following a share grant plan put in place within that company, on the date(s) decided by the Board of Directors and subject to a ceiling representing 3% of Iliad S.A.'s capital as at the date of the buyback(s);
4. to hold shares in treasury – subject to a ceiling of 5% of the Company's capital as at the date of the buyback(s) – for subsequent remittance in exchange or payment in connection with external growth transactions;
5. to allocate shares on exercise of stock options granted to employees and executive officers of the Company and Group subsidiaries, in accordance with the applicable law, on the dates decided by the Board of Directors or any representative duly authorized by the Board;
6. to cancel all or some of the shares bought back, subject to the adoption of the twenty-ninth resolution of this Meeting or any other extraordinary resolution with the same purpose;

7. to allocate shares on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company, in accordance with the applicable regulations, and to carry out any hedging transactions relating to such operations, on the date(s) determined by the Board of Directors or any representative duly authorized by the Board.

This share buyback program may also be used for any other purpose currently authorized or that may be authorized in the future under the applicable laws or regulations and for carrying out any market practices that may be authorized in the future by the AMF, provided that the Company notifies its shareholders of any such use by means of a press release.

The shares may be purchased, sold, exchanged or transferred in one or several transactions, at any time – apart from when a public tender offer for the Company's shares is in progress and during the blackout periods provided by the applicable laws and regulations – via regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, by any method permitted under the applicable laws and regulations, directly or by any third party in accordance with the conditions set out in Article L. 225-206 of the French Commercial Code, including through block trades and the use of derivatives, on the dates decided by the Board of Directors or any representative duly authorized by the Board.

The maximum purchase price is set at €300 per share (excluding transaction fees). However, the shareholders grant the Board of Directors full powers – which may be delegated as provided for by law – to adjust this maximum price to take into account the impact on the share price of any corporate actions, including a change in the par value of the Company's shares, a capital increase paid up by capitalizing reserves, retained earnings or additional paid-in capital, a bonus share issue, a reverse stock split, a distribution of reserves or any other assets, or a capital redemption.

For information purposes, based on the Company's capital at January 31, 2019, the total amount invested in the share buyback program would not exceed €1,765 million, corresponding to a maximum of 5,884,556 shares purchased at the above-mentioned maximum price of €300 per share.

The use of this authorization may not in any circumstances result in the Company directly or indirectly holding more than 10% of its capital as at the time of the buyback(s).

The shareholders grant full powers to the Board of Directors – which may be delegated as provided for by law – to use this authorization to carry out a share buyback program and if necessary, to set the terms and conditions thereof, as well as to place any and all buy and sell orders, enter into any and all agreements, carry out any and all formalities, disclosures and filings with the AMF and any other authority and generally take all necessary measures.

The Board of Directors will report to the Annual General Meeting on all transactions carried out using this authorization.

This authorization is granted for a period of eighteen months from the date of this Meeting and supersedes the authorization given for the same purpose in the twenty-first resolution of the May 16, 2018 Annual General Meeting.

## EXTRAORDINARY RESOLUTIONS

*In accordance with paragraph 3 of Article L. 225-96 of the French Commercial Code, in order to be validly adopted, the following extraordinary resolutions must be approved by a two-thirds majority of shareholders present or represented.*

### Nineteenth resolution

**Authorization for the Board of Directors, to issue, with pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity**

Having considered the report of the Board of Directors and the Statutory Auditors' special report and having noted that the Company's capital is fully paid up, in accordance with the applicable laws and regulations, and notably Articles L. 225-129 *et seq*. of the French Commercial Code, particularly Articles L. 225-129-2, L. 225-132 and L. 225-134, as well as Articles L. 228-91, L. 228-92, L. 228-93 and L. 228-94, the shareholders:

1. authorize the Board of Directors to issue, on one or more occasions, with pre-emptive subscription rights for existing shareholders, the shares and/or other securities set out in paragraphs (a) to (e) below. The Board of Directors will have full powers – which may be delegated as provided for by law – to determine the amount and timing of said issue(s), which may be carried out in France and/or abroad and may be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies:
   (a) ordinary shares of the Company (excluding preference shares, and/or
   (b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration, and/or
   (c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, and/or

(d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, and/or

(e) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

The issue(s) may be paid up in cash or by capitalizing debt, or by capitalizing reserves, profit or additional paid-in capital.

Securities carrying rights to equity securities of the Company, a Subsidiary or an entity that directly or indirectly holds over half of the Company's capital may consist of debt securities or may be issued jointly with debt securities or carry rights to the issue or allocation of debt securities. Debt securities issued under this authorization may notably take the form of dated or undated subordinated or unsubordinated notes (with a maximum term of 20 years for dated instruments). They may pay either a fixed or floating rate of interest or the interest thereon may be capitalized subject to the limits set down by law. They may be pledged as collateral or any other form of guarantee, be redeemed (with or without a premium) or amortized, and the Company may buy back the securities directly in the market or through tender offers;

2. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed €5,000,000 (or the equivalent of this amount at the issue date for issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling (i) will not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of securities carrying rights to the Company's shares, and (ii) corresponds to a blanket ceiling applicable to all capital increases carried out pursuant to this authorization, as well as the authorizations given in the nineteenth to twenty-sixth resolutions and the twenty-eighth resolution;

3. resolve that the aggregate nominal amount of debt securities issued pursuant to this authorization – immediately and/or on exercise of rights to debt securities – may not exceed €2,000,000,000 (or the equivalent of this amount at the issue date for issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling (i) does not include any above-par redemption premiums, (ii) corresponds to a blanket ceiling applicable to all issues of debt, securities that may be carried out pursuant to this authorization as well as the authorizations given in the nineteenth to twenty-first resolutions and the twenty-third and twenty-sixth resolutions, provided said resolutions are adopted by the shareholders;

4. resolve that if the Board of Directors uses this authorization:
   - existing shareholders will be granted pre-emptive rights to subscribe for the ordinary shares and/or other securities issued, in proportion to their existing interest in the Company's capital. The Board of Directors may grant shareholders additional pre-emptive rights to subscribe for any ordinary shares and/or other securities not taken up by other shareholders, in which case such additional pre-emptive rights will also be exercisable in proportion to the existing interest in the Company's capital of the shareholders concerned,
   - if an issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or more of the following courses of action, subject to the conditions set down by law and in the order of its choice:
     - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
     - freely allocate all or some of the unsubscribed securities, or
     - carry out a public offer for all or some of the unsubscribed securities, either in France or abroad;

5. resolve that if warrants to subscribe for the Company's shares are issued they may be offered for subscription or allocated among holders of existing shares without consideration. The Board of Directors will have full discretionary powers to decide that rights to fractions of warrants will be non-transferable and non-tradable and that the corresponding warrants will be sold;

6. note that in the event of any decision to issue securities carrying rights to shares of the Company under this resolution, existing shareholders will not have pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;

7. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - set the terms and conditions of any issue(s) carried out, including the form and characteristics of the securities, the basis for allocating the equity securities allocated on exercise of rights attached to the securities issued under this authorization, and the dates on which said rights may be exercised,
   - determine – based on the information provided in the Board of Directors' report – (i) the issue price of the securities (either with or without a premium), (ii) the method by which the securities will be paid up, (iii) the cum-rights date (which may be retroactive), (iv) the terms and conditions for exercising the rights attached to securities carrying rights to equity securities of the Company or an entity referred to in paragraph 1(c) of this resolution, (v) in the case of an issue of debt securities, the ranking of any subordinated debt, and (vi) the conditions under which the exercise of rights attached to securities carrying rights to shares of the Company will be suspended (for a maximum period of three months,
   - at its sole discretion, charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level,
   - make any and all adjustments to take into account the impact of any corporate actions and determine the method to be used to ensure that the rights of existing holders of securities carrying rights to shares are protected,
   - enter into any and all agreements and take all measures necessary for the successful completion of the issue(s),
   - place on record the capital increase(s), amend the Company's bylaws to reflect the new capital, carry out all required formalities and generally take all necessary measures;
8. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the sixteenth resolution of the May 17, 2017 Annual General Meeting.

## Twentieth resolution

### Authorization for the Board of Directors, to issue, by way of a public offering and without pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity

Having considered the report of the Board of Directors and the Statutory Auditors' special report and having noted that the Company's capital is fully paid up, in accordance with the applicable law and regulations, and notably Articles L. 225-129 *et seq.* of the French Commercial Code, particularly Articles L. 225-129-2, L. 225-129-6, L. 225-135 and L. 225-136, as well as Articles L. 228-91, L. 228-92, L. 228-93, and L. 228-94 *et seq.,* the shareholders:

1. authorize the Board of Directors to issue, on one or more occasions, through a public offering and without pre-emptive subscription rights for existing shareholders, the shares and/or other securities set out in paragraphs (a) to (e) below. The Board of Directors will have full powers – which may be delegated as provided for by law – to determine the amount and timing of said issue(s), which may be carried out in France and/or abroad and may be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies:
   (a) ordinary shares of the Company (excluding preference shares, and/or
   (b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration, and/or
   (c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, and/or
   (d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, and/or
   (e) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

   The issue(s) may be paid up in cash or by capitalizing debt, or by capitalizing reserves, profit or additional paid-in capital.

Securities carrying rights to equity securities of the Company, a Subsidiary or an entity that directly or indirectly holds over half of the Company's capital may consist of debt securities or may be issued jointly with debt securities or carry rights to the issue or allocation of debt securities. Debt securities issued under this authorization may notably take the form of dated or undated subordinated or unsubordinated notes (with a maximum term of 20 years for dated instruments). They may pay either a fixed or floating rate of interest or the interest thereon may be capitalized subject to the limits set down by law. They may be pledged as collateral or any other form of guarantee, be redeemed (with or without a premium) or amortized, and the Company may buy back the securities directly in the market or through tender offers;

2. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed 20% of the Company's share capital as at the date of this Meeting, i.e., approximately €2.6 million. This ceiling (i) will not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of securities carrying rights to the Company's shares, and (ii) is included in the blanket ceiling set in the nineteenth resolution;
3. resolve that the aggregate nominal amount of debt securities issued pursuant to this authorization may not exceed €2,000,000,000 (or the equivalent of this amount at the issue date for issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling (i) does not include any above-par redemption premiums and (ii) is included in the blanket ceiling set in the nineteenth resolution;
4. resolve to waive shareholders' pre-emptive rights to subscribe for the shares or other securities to be issued under this authorization. However, in accordance with paragraph 5 of Article L. 225-135 of the French Commercial Code, the Board of Directors may grant shareholders a priority right to subscribe for all or part of any issue, for a duration and subject to terms and conditions set by the Board in accordance with the applicable regulations. The securities offered for subscription under this priority right will be allocated in proportion to shareholders' existing interests in the Company's capital. If certain shareholders elect not to exercise this right, the Board of Directors may offer the unsubscribed securities to the other shareholders, again in proportion to their existing interests. Any such priority rights given to shareholders will be non-transferable and non-tradable;
5. resolve that the issues provided for in this resolution – which must take place through a public offering – may be carried out in conjunction with one or more private placements falling within the definition set out in paragraph 2 of Article L. 441-2 II of the French Monetary and Financial Code (*Code monétaire et financier*), as decided pursuant to the twenty-first resolution;
6. resolve that if an issue is not taken up in full (including by shareholders exercising their above-mentioned priority rights), the Board of Directors may take one and/or the other of the following courses of action in the order of its choice;
   - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
   - freely allocate all or some of the unsubscribed securities;
7. note that in the event of any decision to issue securities carrying rights to shares of the Company under this resolution, existing shareholders will not have pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
8. resolve, in accordance with paragraph 1 of Article L. 225-136 of the French Commercial Code:
   - that the issue price of shares issued directly under this authorization will be at least equal to the minimum price provided for in the regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the pricing date, less a discount of no more than 5%, as adjusted for any differences in cum-rights dates), and
   - that the issue price of other securities issued under this authorization will be set in such a way that the amount received by the Company at the time of issue plus any amount to be received on conversion, exchange, redemption or exercise of the rights attached to the securities is, for each share issued, at least equal to the minimum issue price defined above;
9. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - set the terms and conditions of any issue(s) carried out, including the form and characteristics of the securities, the basis for allocating the equity securities allocated on exercise of rights attached to the securities issued under this authorization, and the dates on which said rights may be exercised,
   - in the event that existing shareholders are granted priority subscription rights, set the terms and conditions of how such priority rights will be applied and exercised,
   - determine – based on the information provided in the Board of Directors' report – (i) the issue price of the securities (either with or without a premium), (ii) the method by which the securities will be paid up, (iii) the cum-rights date (which may be retroactive), (iv) the terms and conditions for exercising the rights attached to securities carrying rights to equity securities of the Company or an entity referred to in paragraph 1(c) of this resolution, (v) in the case of an issue of debt securities, the ranking of any subordinated debt, and (vi) the conditions under which the exercise of rights attached to securities carrying rights to shares of the Company will be suspended (for a maximum period of three months),

- at its sole discretion, charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level,
- make any and all adjustments to take into account the impact of any corporate actions and determine the method to be used to ensure that the rights of existing holders of securities carrying rights to shares are protected,
- enter into any and all agreements and take all measures necessary for the successful completion of the issue(s),
- place on record the capital increase(s), amend the Company's bylaws to reflect the new capital, carry out all required formalities and generally take all necessary measures;

**10.** resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the seventeenth resolution of the May 17, 2017 Annual General Meeting.

## Twenty-first resolution

### Authorization for the Board of Directors, to issue, by way of a private placement and without pre-emptive subscription rights, ordinary shares and/or securities carrying rights to shares or to the allocation of debt securities of the Company, any subsidiary of the Company and/or any other entity

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable laws and regulations, and notably Articles L. 225-129 *et seq*. of the French Commercial Code, particularly Articles L. 225-129-2, L. 225-135 and L. 225-136, as well as Articles L. 228-91, L. 228-92, L. 228-93 and L. 228-94 *et seq*., the shareholders:

**1.** authorize the Board of Directors to issue, on one or more occasions, through a private placement governed by Article L. 411-2 II of the French Monetary and Financial Code and without pre-emptive subscription rights for existing shareholders, the shares and/or other securities set out in paragraphs (a) to (e) below. The Board of Directors will have full powers, which may be delegated as provided for by law, to determine the amount and timing of said issue(s) – subject to the provisions of Article L. 233-32 II of the French Commercial Code – which may be carried out in France and/or abroad and may be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies:

(a) ordinary shares of the Company (excluding preference shares), and/or

(b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration, and/or

(c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, and/or

(d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, and/or

(e) equity securities carrying rights to other existing equity securities or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

The issue(s) may be paid up in cash or by capitalizing liquid and callable debt. The private placement(s) governed by Article L. 411-2 II of the Monetary and Financial Code undertaken in accordance with this authorization may be carried out jointly or simultaneously with one or more public offerings initiated pursuant to the twentieth resolution.

Securities carrying rights to equity securities of the Company, Subsidiary or an entity that directly or indirectly holds over half of the Company's capital may consist of debt securities or may be issued jointly with debt securities or carry rights to the issue or allocation of debt securities. Debt securities issued under this authorization may notably take the form of dated or undated subordinated or unsubordinated notes (with a maximum term of 20 years for dated instruments). They may pay either a fixed or floating rate of interest or the interest thereon may be capitalized subject to the limits set down by law. They may be pledged as collateral or any other form of guarantee, be redeemed (with or without a premium) or amortized, and the Company may buy back the securities directly in the market or through tender offers;

2. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed 20% of the Company's share capital as at the date of this Meeting, i.e., approximately €2.6 million. This ceiling (i) will not include the par value of any additional shares to be issued pursuant to the applicable law and regulations to protect the rights of existing holders of securities carrying rights to the Company's shares, and (ii) is included in the blanket ceiling set in the nineteenth resolution. In any event, the aggregate nominal amount of any capital increases carried out as a result of a private placement governed by Article L. 411-2 II of the French Monetary and Financial Code may not exceed a ceiling of 20% of the Company's capital (as at the issue date) in any given year, as provided for in paragraph 3 of Article L. 225-136 of the French Commercial Code, or any other ceiling that may be set by law in the future;
3. resolve that the aggregate nominal amount of debt securities issued pursuant to this authorization may not exceed €2,000,000,000 (or the equivalent of this amount at the issue date for issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling (i) does not include any above-par redemption premiums and (ii) is included in the blanket ceiling set in the nineteenth resolution;
4. resolve to waive shareholders' pre-emptive rights to subscribe for the shares or other securities to be issued under this authorization;
5. resolve that if an issue is not taken up in full, the Board of Directors may take one and/or the other of the following courses of action in the order of its choice:
   - limit the amount of the issue to the subscriptions received provided that at least three-quarters of the issue is taken up,
   - freely allocate all or some of the unsubscribed securities;
6. note that in the event of any decision to issue securities carrying rights to shares of the Company under this resolution, existing shareholders will not have pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
7. resolve that:
   - the issue price of shares issued directly under this authorization will be at least equal to the minimum price provided for in the regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the pricing date, less a discount of no more than 5%, as adjusted for any differences in cum-rights dates), and
   - the issue price of other securities issued under this authorization and the number of shares allocated on the conversion, redemption or exercise of said securities will be set in such a way that the amount received by the Company at the time of issue plus any amount to be received on conversion, exchange, redemption or exercise of the rights attached to the securities, for each share issued, is at least equal to the minimum issue price defined above;
8. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - set the terms and conditions of any issue(s) carried out, including the form and characteristics of the securities, the basis for allocating the equity securities allocated on exercise of rights attached to the securities issued under this authorization, and the dates on which said rights may be exercised,
   - determine – based on the information provided in the Board of Directors' report – (i) the issue price of the securities (either with or without a premium), (ii) the method by which the securities will be paid up, (iii) the cum-rights date (which may be retroactive), (iv) the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company or an entity referred to in paragraph 1(c) of this resolution, (v) in the case of an issue of debt securities, the ranking of any subordinated debt, and (vi) the conditions under which the exercise of rights attached to securities carrying rights to shares of the Company will be suspended (for a maximum period of three months),
   - at its sole discretion, charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level,
   - make any and all adjustments to take into account the impact of any corporate actions and determine the method to be used to ensure that the rights of existing holders of securities carrying rights to shares are protected,
   - enter into any and all agreements and take all measures necessary for successful completion of the issue(s),
   - place on record the capital increase(s), amend the Company's bylaws to reflect the new capital, carry out all required formalities and generally take all necessary measures;
9. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the eighteenth resolution of the May 17, 2017 Annual General Meeting.

## Twenty-second resolution

### Authorization for the Board of Directors to set the issue price for issues, carried out without pre-emptive subscription rights through a public offering or a private placement, of shares, and/or equity securities carrying rights to other equity securities or to the allocation of debt securities, and/or securities carrying rights to new equity securities of the Company, subject to the terms and conditions set by the shareholders and a ceiling of 10% of the Company's capital

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable laws and regulations, and notably Articles L. 225-192-2 and L. 225-136 of the French Commercial Code, the shareholders:

1. resolve that for issues carried out without pre-emptive subscription rights under the twentieth and twenty-first resolutions, the Board of Directors will have full powers – which may be delegated as provided for by law – to decide not to apply the pricing conditions provided for in said resolutions and instead to set the issue price in accordance with the conditions described below. The issues for which the Board of Directors may set the issue price in this way will be subject to a ceiling representing 10% of the Company's capital (as at the issue date) in any given year, as adjusted for any corporate actions carried out subsequent to this Meeting. The applicable conditions will be as follows:
   - the issue price of new ordinary shares issued by the Company must be at least equal to one of the following, as selected by the Board: either (i) the volume-weighted average price of the Company's shares on Euronext Paris in the trading session immediately prior to the pricing date, or (ii) the volume-weighted average of the prices quoted for the Company's shares on Euronext Paris between the start of trading on the pricing date and the time when the price is set. In both cases, a maximum 20% discount may be applied. However, in all circumstances the amount received for each share must be at least equal to the par value,
   - the issue price of other securities will be set in such a way that the amount received by the Company at the time of issue plus any amount to be received on conversion, exchange, redemption or exercise of the rights attached to the securities is, for each share issued, at least equal to the minimum issue price defined above;
2. resolve that the aggregate par value of any shares issued pursuant to this resolution, directly or on exercise of rights attached to securities carrying rights to shares, shall be included in the ceilings set in the twentieth and twenty-first resolutions;
3. grant the Board of Directors full powers – which may be delegated – to use this authorization;
4. note that if the Board of Directors uses this authorization, it will draw up an additional report – certified by the Statutory Auditors – describing the final terms of the issue concerned, including its estimated impact on the situation of existing shareholders;
5. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the nineteenth resolution of the May 17, 2017 Annual General Meeting.

## Twenty-third resolution

### Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable laws and regulations, and notably Article L. 225-135-1 of the French Commercial Code, the shareholders:

1. grant the Board of Directors a twenty-six month authorization from the date of this Meeting – which may be delegated as provided for by law – to increase the number of securities included in any issue of shares and/or securities carrying immediate or deferred rights to shares decided by the Board (with or without pre-emptive subscription rights), notably in order to grant a greenshoe option in accordance with standard market practices. Said additional securities will be issued at the same price as for the original issue in accordance with the timeframes and ceilings specified in the regulations applicable on the original issue date (currently the additional securities must be issued within thirty days of the close of the original subscription period and may not represent more than 15% of the original issue amount);
2. resolve that the nominal amount of any capital increases resulting from the use of this authorization will be included in both the ceiling provided for in the resolution under which the original issue was carried out and the blanket ceiling set in the nineteenth resolution;
3. note that this authorization supersedes the unused portion of the authorization given for the same purpose in the twentieth resolution of the May 17, 2017 Annual General Meeting.

## Twenty-fourth resolution

### Authorization for the Board of Directors to issue shares, and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company and consisting of equity securities or securities carrying rights to shares in another entity

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable law and regulations, and notably Articles L. 225-129 *et seq.,* L. 225-147 and L. 228-91 *et seq.* of the French Commercial Code, the shareholders:

1. grant the Board of Directors full powers – which may be delegated as provided for by law – to issue, on one or more occasions, shares of the Company (excluding preference shares) and/or equity securities carrying immediate or deferred rights to other equity securities of the Company, as payment for contributions in kind made to the Company and consisting of equity securities or securities carrying rights to shares, in transactions not governed by Article L. 225-148 of the French Commercial Code. The amount of the issue(s) will be determined based on the values specified in the report issued by the appraisal auditor(s) appointed pursuant to the first and second paragraphs of Article L. 225-147 of said Code. The Board of Directors will determine the amount and timing of said issue(s), which may be carried out in France and/or abroad;
2. resolve to waive shareholders' pre-emptive rights to subscribe for any shares or other securities to be issued under this authorization;
3. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed 10% of the Company's capital as at the issue date. This ceiling is included in the blanket ceiling set in the nineteenth resolution but does not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of equity securities carrying rights to the Company's shares;
4. note that, in accordance with Article L. 225-132 of the French Commercial Code, in the event of an issue of securities carrying rights to shares of the Company under this resolution, existing shareholders will not have pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
5. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - draw up the list of securities contributed to the Company, set the terms and conditions of the issue(s) and approve the value of the contributed securities and any specific benefits to be granted, based on the report of the appraisal auditor(s) appointed pursuant to the first and second paragraphs of Article L. 225-147 of the French Commercial Code,
   - set the terms and conditions of any issue(s) of equity securities carried out as payment for the contribution(s) and the amount of any cash balance payable, determine the type and characteristics of the equity securities to be issued, and amend any of the aforementioned terms and conditions during the life of the securities, in accordance with the applicable regulations,
   - at its sole discretion, charge against the relevant contribution premium(s) the costs and expenses resulting from any capital increase(s) carried out in accordance with this resolution,
   - place on record the completion of the capital increase(s) carried out pursuant to this authorization, amend the bylaws to reflect the new capital, carry out any and all filing and other formalities, obtain any authorizations required for completing the contribution(s) and generally take all necessary measures;
6. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-first resolution of the May 17, 2017 Annual General Meeting.

## Twenty-fifth resolution

### Authorization for the Board of Directors to issue shares and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company by employees and executive officers of Free Mobile and consisting of equity securities or securities carrying rights to shares

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable laws and regulations, and notably Articles L. 225-129 *et seq*., L. 225-147 and L. 228-91 *et seq*. of the French Commercial Code, the shareholders:

1. grant the Board of Directors full powers – which may be delegated as provided for by law – to issue, on one or more occasions, shares of the Company (excluding preference shares) and/or equity securities carrying immediate or deferred rights to other equity securities of the Company as payment for contributions in kind made to the Company and consisting of equity securities or securities carrying rights to shares, in transactions not governed by Article L. 225-148 of the French Commercial Code. The amount of the issue(s) will be determined based on the values specified in the report issued by the appraisal auditor(s) appointed pursuant to the first and second paragraphs of Article L. 225-147 of said Code. The Board of Directors will determine the amount and timing of said issue(s), which may be carried out in France and/or abroad;
2. resolve to waive shareholders' pre-emptive rights to subscribe for any shares or other securities to be issued under this authorization;

3. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed 3% of the Company's capital as at the issue date. This ceiling is included in the ceilings set in the twenty-fourth resolution but does not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of equity securities carrying rights to the Company's shares;
4. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - draw up the list of equity securities or securities carrying rights to shares contributed to the Company, set the terms and conditions of the issue(s) and approve the value of the contributed securities and any specific benefits to be granted, based on the report of the appraisal auditor(s) appointed pursuant to the first and second paragraphs of Article L. 225-147 of the French Commercial Code,
   - set the terms and conditions of any issue(s) of equity securities carried out as payment for the contribution(s) and the amount of any cash balance payable; determine the type and characteristics of the equity securities to be issued and amend any of the aforementioned terms and conditions during the life of the securities, in accordance with the applicable regulations,
   - place on record the completion of the capital increase(s) carried out pursuant to this authorization and, at its sole discretion, charge against the relevant contribution premium(s) the costs and expenses resulting from any capital increase(s) carried out in accordance with this resolution,
   - amend the bylaws to reflect the new capital after any capital increase(s), carry out any and all filing and other formalities, obtain any authorizations required for completing the contribution(s) and generally take all necessary measures;
5. resolve that this authorization may be used by the Board of Directors as from the date of this Meeting for the purpose of payment for Free Mobile shares transferred to the Company by Free Mobile's shareholders, it being specified that said shareholders have abstained from voting on this resolution if they are also shareholders of the Company, and that their shares have not been taken into consideration for the purpose of calculating the quorum and majority for this resolution;
6. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-second resolution of the May 17, 2017 Annual General Meeting.

## Twenty-sixth resolution

### Authorization for the Board of Directors to issue shares, equity securities carrying rights to other equity securities or to the allocation of debt securities, and/or securities carrying rights to new equity securities of the Company, in the event of a public offering with a stock component initiated by the Company

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with the applicable law and regulations, and notably Articles L. 225-129 *et seq*. of the French Commercial Code, particularly Articles L. 225-129-2, L. 225-148 and L. 228-91, the shareholders:

1. authorize the Board of Directors – or a duly authorized representative – to issue, pursuant to the conditions set out in the twentieth resolution, (i) shares and/or equity securities carrying rights to other equity securities or to the allocation of debt securities, and/or (ii) securities carrying rights to new equity securities of the Company, as payment for securities of another entity that are tendered to a public offering with a stock component initiated by the Company. The rights attached to the securities issued pursuant to this authorization may be immediate or deferred and may be exercised by any means. The Board of Directors may cancel the pre-emptive rights of existing shareholders to subscribe for the shares and/or other securities issued under this authorization;
2. resolve that this authorization may be used in connection with a public tender offer initiated by the Company in France or abroad (in accordance with local rules) for securities that meet the conditions set out in Article L. 225-148 of the French Commercial Code, or any other form of public offer that complies with the applicable law and regulations, including but not limited to, a stock-for-stock offer, with or without a cash alternative, a stock-for-cash offer, with or without a stock alternative, or a reverse merger in the United States;
3. note that, in accordance with Article L. 225-132 of the French Commercial Code, in the event of an issue of securities carrying immediate or deferred rights to shares under this resolution, existing shareholders will not have pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
4. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization – immediately and/or on exercise of rights attached to the securities issued – may not exceed €2,000,000 (or the equivalent of this amount at the issue date in the case of issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling is included in the ceiling set in the nineteenth resolution but does not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of securities carrying rights to the Company's shares;

5. resolve that the aggregate nominal amount of any debt securities issued pursuant to this authorization will be included in and may not exceed the ceiling set in the nineteenth resolution;
6. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - set the exchange ratio and determine any balance to be paid in cash,
   - place on record the number of securities tendered to the offer,
   - determine the dates and conditions of issue, including the issue price and cum-rights date (which may be retroactive) of new shares or securities carrying immediate or deferred rights to shares of the Company,
   - set the conditions under which the exercise of rights attached to securities carrying rights to the Company's shares may be suspended, make all necessary adjustments to take into account the impact of corporate actions, and determine the method to be used to ensure that the rights of existing holders of securities carrying rights to the Company's shares are protected,
   - credit the difference between the issue price of new shares and their par value to a "contribution premium" account to which all shareholders will have equivalent rights,
   - charge any issuance costs against the contribution premium,
   - deduct from the contribution premium the amounts necessary to raise the legal reserve to the required level,
   - generally, take all appropriate measures and enter into any and all agreements necessary for the successful completion of the authorized transaction, place on record the capital increase(s), and amend the Company's bylaws to reflect the new capital;
7. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-third resolution of the May 17, 2017 Annual General Meeting.

## Twenty-seventh resolution

### Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, profit, additional paid-in capital or other eligible items

Having considered the report of the Board of Directors, in accordance with the applicable law and regulations, and notably Articles L. 225-129, L. 225-129-2, L. 225-129-4 and L. 225-130 of the French Commercial Code, the shareholders:

1. grant the Board of Directors full powers – which may be delegated as provided for by law – to increase the Company's capital on one or more occasions, in the amounts and on the dates it deems appropriate, by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalizing reserves, profit, additional paid-in capital or other items that are eligible for capitalization in accordance with the applicable law and the Company's bylaws;
2. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization may not exceed €500 million (or the equivalent of this amount at the issue date in the case of issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling (i) is separate from and not included in the blanket ceiling set in the nineteenth resolution and (ii) does not include the par value of any additional shares to be issued pursuant to the applicable law, regulations and any contractual provisions to protect the rights of existing holders of securities carrying rights to the Company's shares;
3. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization and notably to:
   - determine the amount and types of items to be capitalized, the number of new shares to be issued and/or the amount by which the par value of existing shares will be increased, and to set the date – which may be retroactive – from which the new shares will carry dividend and voting rights or the date on which the increase in par value will be effective,
   - decide, in the event of a bonus share issue:
     - that rights to fractions of shares will be non-transferable and non-tradable and that the corresponding shares will be sold in accordance with Article L. 225-130 of the French Commercial Code, with the proceeds of such a sale allocated to holders of rights in accordance with the applicable law and regulations,
     - to make any and all adjustments to take into account the impact of any corporate actions, including in the case of a change in the par value of the shares, a capital increase paid up by capitalizing reserves, a bonus share issue, a stock-split or reverse stock-split, a distribution of reserves or any other assets, or a redemption of share capital, and to determine the method to be used to ensure that the rights of existing holders of securities carrying rights to the Company's shares are protected,
     - to place on record the capital increase(s) and amend the Company's bylaws to reflect the new capital,
     - generally, to enter into any and all agreements, take all appropriate measures and carry out all formalities necessary for the issue, listing and service of the securities issued in accordance with this authorization and for the exercise of any related rights;

4. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-fourth resolution of the May 17, 2017 Annual General Meeting.

## Twenty-eighth resolution

### Authorization for the Board of Directors to issue shares of the Company to members of an employee stock ownership plan, without pre-emptive subscription rights

Having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with Articles L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-1 *et seq.* of the French Labor Code, the shareholders:

1. grant the Board of Directors full powers – which may be delegated as provided for by law and the Company's bylaws – to issue, on one or more occasions, in amounts and on dates decided by the Board, new shares of the Company to employees under one or more employee stock ownership plans (or any similar plan for whose members employee share issues are authorized under Articles L. 3332-1 *et seq.* of the French Labor Code or any equivalent law or regulation). The plans covered by this resolution may be set up within the Company or any French or non-French entity that is (i) related to the Company within the meaning of Article L. 225-180 of the French Commercial Code and (ii) included in the scope of the Company's consolidated or combined financial statements in accordance with Article L. 3344-1 of the French Labor Code, and may correspond to leveraged plans;
2. resolve that the aggregate nominal amount of any capital increases carried out pursuant to this authorization may not represent more than 1% of the Company's share capital at the date of this Meeting. This amount is included in the blanket ceiling for capital increases set in the nineteenth resolution or, where applicable, any similar blanket ceiling provided for in a subsequent resolution adopted for the same purpose that may supersede said resolution during the period of validity of this authorization;
3. resolve that the shares issued under this authorization may be offered at a discount not exceeding the maximum discount against the Reference Price provided for in the regulations in force when the authorization is used. However, the shareholders expressly authorize the Board of Directors to reduce or not to apply the maximum discount provided for in the applicable regulations, if it thinks fit, and notably in order to take into account any local legal, accounting, tax and/or labor provisions in certain countries. For the purpose of this paragraph, the Reference Price means the average of the prices quoted for the Company's shares on Euronext Paris over the twenty trading days preceding the date on which the Board of Directors sets the start date for the subscription period of an issue carried out for members of an employee stock ownership plan;
4. resolve that, in addition to the shares subscribed by members of the above-mentioned plan(s), the Board of Directors may grant them new or existing shares, free of consideration, in replacement of all or part of the discount against the Reference Price and/or as an employer top-up payment, provided that the monetary value of said free shares does not exceed the ceilings set in the applicable law and regulations, as referred to in Article L. 3332-21 of the French Labor Code;
5. resolve to waive (i) the pre-emptive rights of existing shareholders to subscribe for any shares issued pursuant to this authorization, and (ii) any rights of existing shareholders to any shares granted to employees free of consideration as described above, including their rights to the portion of reserves, profit or additional paid-in capital capitalized for the purpose of granting such free shares;
6. authorize the Board of Directors, in accordance with the terms and conditions of this resolution, to transfer shares to the members of an employee stock ownership plan as provided for in Article L. 3332-24 of the French Labor Code, it being specified that the par value of any shares transferred with a discount to members of an employee stock ownership plan as referred to in this resolution will be included in the ceilings set out in paragraph 1 above;
7. give full powers to the Board of Directors – which may be delegated as provided for by law and the Company's bylaws – to use this authorization, subject to the conditions set out above, and notably to:
   - draw up, in accordance with the conditions set down by law, the list of companies whose employees referred to above may subscribe for the issued shares and be granted, where applicable, shares free of consideration,
   - decide that the shares to be issued in accordance with this authorization may be acquired by plan members either directly or through a corporate mutual fund or another structure or entity permitted under the applicable law and regulations,
   - set the opening and closing dates of the subscription period(s),
   - set, in accordance with the applicable law and regulations, (i) the amount of the issue(s), (ii) the price, dates and timing of each issue, (iii) the terms and conditions under which the shares issued pursuant to this authorization will be subscribed, paid up and delivered, (iv) the cum-rights date of the shares (which may be retroactive), (v) the rules applicable in the event of over-subscription, and (vi) any other terms and conditions of the issue(s),
   - in the event that shares are granted free of consideration pursuant to this resolution, (i) determine the type, characteristics and number of shares to be issued, as well as the number of shares to be granted to each beneficiary, (ii) set the dates, timing, and terms and conditions of the share grants, within the limits provided for in the applicable law and regulations, and (iii) decide whether to (a) use these free shares in full or in part, as a replacement of the discount against the Reference Price as provided for above or (b) deduct the monetary value of any free shares granted from the amount of any employer top-up payment, or (c) combine both of the possibilities provided for in (a) and (b),

- in the event that new shares are issued for the purpose of granting free shares as provided for above, charge against reserves, profit or additional paid-in capital, the amounts required to pay up said shares,
- place on record the capital increase(s) resulting from the subscription of shares,
- charge any share issuance costs against the related premiums, and deduct from the premium the amount required to raise the legal reserve to 10% of the new share capital after each issue,
- enter into any agreements, and carry out – either directly or indirectly through an agent – any necessary transactions and formalities, including the formalities required for capital increases and amending the Company's bylaws accordingly,
- generally, take any and all necessary measures and decisions and carry out any and all formalities required (i) for the issue, listing and service of the shares issued using this authorization, (ii) for the exercise of any rights attached to such shares, and (iii) following the capital increase(s) carried out;

8. resolve that this authorization is valid for a period of twenty-six months from the date of this Meeting.

## Twenty-ninth resolution

### Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

Having considered the report of the Board of Directors and the Statutory Auditors' special report and having noted the adoption of the eighteenth resolution, in accordance with the applicable laws and regulations, and notably Article L. 225-209 of the French Commercial Code, the shareholders:

1. grant the Board of Directors full discretionary powers to reduce the Company's capital, on one or more occasions, in the amounts and on the dates it deems appropriate, by canceling all or some of the shares bought back by the Company under the buyback program authorized in the eighteenth resolution of this Meeting or a previous resolution approved for the same purpose, and to charge the difference between the purchase price of the canceled shares and their par value against additional paid-in capital or available reserves;
2. resolve that the number of shares canceled in accordance with this resolution during any twenty-four month period may not exceed 10% of the Company's issued capital, as adjusted to take into account any corporate actions carried out subsequent to this Meeting;
3. note that this authorization supersedes the unused portion of the authorization given for the same purpose in the twenty-third resolution of the May 16, 2018 Annual General Meeting;
4. resolve that this authorization is given for a period of eighteen months from the date of this Meeting;
5. grant full powers to the Board of Directors – which may be delegated as provided for by law – to determine the final amounts and terms of any capital reductions carried out pursuant to this authorization and place on record their completion, amend the Company's bylaws to reflect the new capital, and carry out all necessary formalities.

## Thirtieth resolution

### Amendment to Article 12 of the Company's bylaws, "Disclosure thresholds"

Having considered the report of the Board of Directors, the shareholders resolve to amend Article 12 of the Company's bylaws, which shall now read as follows: *"Any individual or legal entity, acting alone and/or in concert, that comes to hold or ceases to hold, in any way whatsoever within the meaning of Articles L. 233-7* et seq. *of the French Commercial Code, a proportion of the Company's capital or voting rights representing 1% or more and up to 50% of the total capital or voting rights must disclose to the Company, within five trading days of the date the threshold was crossed, the total number of shares and voting rights held, either directly or indirectly, alone and/or in concert. The disclosure must be made by registered mail with recorded delivery, addressed to the Company's registered office, or by any equivalent method outside France in the case of shareholders non-resident in France, and must state the date the threshold was crossed. The shares and voting rights referred to in Article L. 233-9 I of the French Commercial Code must also be taken into consideration for the purpose of disclosing such ownership interests and voting rights. When a disclosure threshold is crossed as a result of a share purchase or sale, the five trading-day timeframe for the disclosure begins on either (i) the date the shares are traded, or (ii) the date of the agreement resulting in the crossing of the disclosure threshold, and not on the date that the shares concerned are registered in a share account.*

*The disclosure must also state the number of securities owned by the person or entity making the disclosure that carry rights to new shares in the Company and the corresponding voting rights, as well as the number of existing shares or voting rights that such person or entity may acquire or is entitled to acquire under the terms of an agreement or financial instrument referred to in Article L. 211-1 of the French Monetary and Financial Code. If the holder of such a financial instrument or a beneficiary of such an agreement comes to own the shares or voting rights provided for in the instrument or agreement and as a result their interest in the Company – either alone or acting in concert – is increased to more than the above-mentioned threshold, a new disclosure must be made to the Company.*

*The same disclosure formalities must be carried out whenever the proportion of the capital or voting rights held is increased to more than any multiple of 1% – up to 50% – or decreased to below any multiple of 1%, even when such notification is not required under the disclosure obligations provided for in the applicable laws and regulations.*

*If the only thresholds crossed are those referred to in Article L. 233-7 I of the French Commercial Code, the disclosure must be made within the timeframe and in accordance with the conditions specified in the applicable laws and regulations.*

*The above disclosure requirements also apply, in accordance with the applicable laws and regulations, to financial intermediaries that hold shares on behalf of shareholders.*

*In the event of failure to comply with the above disclosure requirements, the shares in excess of the relevant threshold will be stripped of voting rights. If the omission is remedied, the voting rights concerned will only be exercisable after the expiration of the period specified in the applicable laws and regulations. This sanction may, however, only be applied at the request of one or more shareholders holding at least 5% of the Company's capital or voting rights, except where the breached disclosure requirement falls within the scope of the thresholds provided for in Article L. 233-7 I of the French Commercial Code."*

## Thirty-first resolution

### Powers to carry out formalities

The shareholders give full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all necessary publication, filing and other formalities.

# BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 21, 2019

To the Shareholders,

We have invited you to this Ordinary and Extraordinary Shareholders' Meeting, in accordance with French law and the Company's bylaws, in order to submit for your approval the resolutions described below.

## 9.1 ORDINARY RESOLUTIONS

### APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018, APPROPRIATION OF PROFIT AND APPROVAL OF A DIVIDEND PAYMENT

#### (First to third resolutions)

The purpose of the **first resolution** is for the shareholders to approve the parent company financial statements for 2018, which show profit for the year of €296.3 million.

In the **second resolution**, the shareholders are invited to approve the consolidated financial statements for 2018, showing €330 million in profit for the year.

In the **third resolution**, the shareholders are asked to appropriate the Company's distributable profit as follows:

| *In €* | |
|---|---|
| **Profit for the year** | **296,364,311** |
| Less prior-year losses | 0 |
| Plus retained earnings | 2,714,819,004 |
| **Total distributable profit** | **3,011,183,315** |
| **Appropriation:** | |
| To the legal reserve | 0 |
| To a dividend payment representing a maximum of:<br>i.e., €0.90 per share | 53,229,560 |
| **BALANCE** | |
| Appropriated to retained earnings | 2,957,953,755 |

The maximum number of shares eligible for the 2018 dividend is 59,143,956, corresponding to the aggregate of (i) the 58,845,555 shares making up the Company's capital at January 31, 2019 and (ii) the 298,401 shares that are potentially issuable between January 1, 2019 and the ex-dividend date on the exercise of stock options granted by the Board of Directors. The ex-dividend date will be June 24, 2019 and the dividend will be paid as from June 26, 2019 on positions closed as of the close of business on June 25, 2019.

### APPROVAL OF RELATED-PARTY AGREEMENTS GOVERNED BY ARTICLES L. 225-38 *ET SEQ.* OF THE FRENCH COMMERCIAL CODE

#### (Fourth resolution)

In the **fourth resolution**, the Board is seeking shareholder approval of the related-party agreements and commitments entered into in 2018, as described in the Statutory Auditors' special report.

### SETTING THE ANNUAL AMOUNT OF DIRECTORS' FEES

#### (Fifth resolution)

The purpose of the **fifth resolution** is for the shareholders to set the aggregate amount of directors' fees payable for 2019 at €230,000. The Board of Directors will decide on how these fees will be allocated among its members, in accordance with the applicable law and based on the recommendation of the Nominations and Compensation Committee. The amounts allocated will reflect each director's actual attendance at meetings of the Board and of any Board committees of which they are a member.

## APPROVAL OF THE COMPONENTS OF COMPENSATION PAID OR AWARDED TO THE COMPANY'S EXECUTIVE OFFICERS FOR THE YEAR ENDED DECEMBER 31, 2018

### (Sixth to fourteenth resolutions)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders are invited to approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2018 to each of the Company's executive officers, as presented in the corporate governance report (see Chapter 3, Section 3.4.2 of the Registration Document).

Consequently, in the **sixth to fourteenth resolutions**, the shareholders are asked to approve the components of the compensation and benefits paid or awarded to:

- Maxime Lombardini, in his capacity as Chairman of the Board of Directors as from May 21, 2018 (**sixth resolution**);
- Maxime Lombardini, in his capacity as Chief Executive Officer until May 21, 2018 (**seventh resolution**);
- Thomas Reynaud, in his capacity as Chief Executive Officer as from May 21, 2018 (**eighth resolution**);
- Thomas Reynaud, in his capacity as Senior Vice-President until May 21, 2018 (**ninth resolution**);
- Cyril Poidatz, in his capacity as Chairman of the Board of Directors until May 21, 2018 (**tenth resolution**);
- Xavier Niel, in his capacity as Senior Vice-President (**eleventh resolution**);
- Rani Assaf, in his capacity as Senior Vice-President (**twelfth resolution**);
- Alexis Bidinot, in his capacity as Senior Vice-President (**thirteenth resolution**);
- Antoine Levavasseur in his capacity as Senior Vice-President (**fourteenth resolution**).

## APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, ALLOCATING AND AWARDING THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS MAKING UP THE TOTAL COMPENSATION AND BENEFITS OF THE COMPANY'S EXECUTIVE OFFICERS

### (Fifteenth to seventeenth resolutions)

In accordance with the new Article L. 225 37-2 of the French Commercial Code, in its corporate governance report the Board of Directors has set out the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors, the Chief Executive Officer and the Senior Vice-Presidents for 2018, which constitute the compensation policy applicable to these executive officers. These principles and criteria have been set by the Board of Directors based on the recommendations of the Nominations and Compensation Committee.

Consequently, in the **fifteenth to seventeenth resolutions**, the shareholders are invited to approve the compensation policies, as set out in the corporate governance report, applicable to:

- the Chairman of the Board of Directors (**fifteenth resolution**);
- the Chief Executive Officer (**sixteenth resolution**);
- the Senior Vice-Presidents **(seventeenth resolution**).

## AUTHORIZATION FOR THE BOARD OF DIRECTORS TO CARRY OUT A SHARE BUYBACK PROGRAM

### (Eighteenth resolution)

At the May 16, 2018 Annual General, the shareholders authorized the Board of Directors to carry out a share buyback program. The transactions carried out using this authorization are described in Chapter 8 of the Registration Document. As this authorization is due to expire on November 16, 2019, in the **eighteenth resolution**, the Board is seeking a new eighteen-month resolution to acquire Iliad shares at a maximum purchase price of €300 per share.

The shares bought back – which could represent a maximum of 10% of the Company's capital – would be used for the following purposes:

- to maintain a liquid market in the Company's shares through market-making transactions;
- to allocate shares to employees and executive officers of the Company and its subsidiaries (notably under stock option plans);
- to remit shares as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders, subject to a ceiling representing **3%** of Iliad S.A.'s capital. Shares may be bought back for this purpose through the exercise of call options on Free Mobile shares held by the Free Mobile shareholders. Said call options may be exercised by non-controlling shareholders of Free Mobile between July 1, 2019 and December 31, 2019. Shares may also be bought back through the exercise of put options on Free Mobile shares, which may be exercised by Iliad from July 1, 2019 until expiry of the agreement (see Chapter 3, Section 3.4.4.4 – Free Mobile shares granted free of consideration);
- to hold shares in treasury – subject to a ceiling of **5%** of the Company's capital – for subsequent remittance in exchange or payment in connection with external growth transactions;
- to cancel all of some of the shares bought back, subject to the adoption of the twenty-ninth resolution of this Meeting;
- to allocate shares on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company.

The share buybacks could be carried out at any time, except if a public tender offer for the Company's shares is in progress.

The transactions carried out using the previous authorization are described in the management report in Chapter 8, Section 8.2.3 of the Registration Document.

## 9.2 EXTRAORDINARY RESOLUTIONS

The financial authorizations given to the Board of Directors at the May 17, 2017 Annual General Meeting are due to expire on July 17, 2019.

Consequently, the Board is inviting the shareholders to renew these authorizations, which have not been used. If the new authorizations sought by the Board are granted, then they will cancel and supersede, as from the date of this Meeting, the previous authorizations given by the shareholders for the same purposes.

The new authorizations would enable the Board to immediately take advantage of market conditions and opportunities, in the best interests of the Company, in particular for acquisition financing.

### AUTHORIZATION TO ISSUE, WITH PRE-EMPTIVE SUBSCRIPTION RIGHTS, ORDINARY SHARES AND/OR OTHER SECURITIES

### (Nineteenth resolution)

In order to pursue the Group's growth strategy and have the resources needed for its development, the Board of Directors is putting forward a number of resolutions which would authorize it to issue the securities provided for in the regulations currently in force.

In the **nineteenth resolution**, the Board is seeking an authorization to issue the following securities, with pre-emptive subscription rights for existing shareholders:

(a) ordinary shares of the Company (excluding preference shares); and/or

(b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration; and/or

(c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means; and/or

(d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting; and/or

(e) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

The aggregate nominal amount of any capital increases carried out pursuant to this authorization would be set at **€5 million**. This €5 million ceiling would be a blanket ceiling covering all capital increases carried out pursuant to the **nineteenth to twenty-sixth resolutions** and the **twenty-eighth resolution**.

The aggregate nominal amount of debt securities issued pursuant to this authorization would be set at **€2 billion**. This €2 billion ceiling would be a blanket ceiling covering all issues of debt securities carried out pursuant to the **nineteenth to twenty-first resolutions** and the **twenty-third and twenty-sixth resolutions**.

If this resolution is adopted, the authorization would be given for a period of **26 months** as from the date of this Meeting.

### AUTHORIZATION TO ISSUE, BY WAY OF A PUBLIC OFFERING AND WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, ORDINARY SHARES AND/OR OTHER SECURITIES

### (Twentieth resolution)

Being authorized to carry out capital increases without pre-emptive subscription rights for existing shareholders would enable the Board of Directors to offer the Company's securities under the best possible conditions, particularly when a transaction needs to be carried out quickly in order for it to be successful.

Consequently, in the **twentieth resolution**, the Board is seeking an authorization to issue the following securities, by way of a public offer and without pre-emptive subscription rights for existing shareholders:

(a) ordinary shares of the Company (excluding preference shares); and/or

(b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration; and/or

(c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying

rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means; and/or

(d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting; and/or

(e) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

The aggregate nominal amount of any capital increases carried out pursuant to this authorization would be capped at **20%** of the Company's capital, i.e., approximately **€2.6 million**, and would be included in the blanket ceiling set in the **nineteenth resolution**.

The aggregate nominal amount of debt securities issued pursuant to this authorization would be set at **€2 billion** and would be included in the blanket ceiling set in the **nineteenth resolution**.

If this resolution is adopted, the authorization would be given for a period of **26 months** as from the date of this Meeting.

## AUTHORIZATION TO ISSUE, BY WAY OF A PRIVATE PLACEMENT AND WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, ORDINARY SHARES AND/OR OTHER SECURITIES

### (Twenty-first resolution)

In the **twenty-first resolution**, the Board of Directors is seeking an authorization to issue the following securities, by way of a private placement and without pre-emptive subscription rights for existing shareholders:

( a) ordinary shares of the Company (excluding preference shares); and/or

(b) securities which (i) are equity securities carrying rights to other equity securities and/or to the allocation of debt securities and/or (ii) carry rights to new equity securities of the Company, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means, either with or without consideration; and/or

(c) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities and/or securities carrying rights to new equity securities of (i) an entity that holds, directly or indirectly over half of the Company's capital or (ii) an entity in which the Company directly or indirectly holds over half of the capital (a **Subsidiary**), provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting, it being specified that the rights attached to said securities may be immediate or deferred and may be exercised by any means; and/or

(d) securities carrying immediate or deferred rights to shares of the Company following the issue by (i) a Subsidiary, or (ii) an entity that holds, directly or indirectly, over half of the Company's capital, of (a) equity securities carrying rights to other equity securities and/or to the allocation of debt securities, and/or (b) securities carrying rights to new equity securities of the Company, provided that such issues are approved by the shareholders of the entity(ies) concerned in an Extraordinary General Meeting; and/or

(e) equity securities carrying rights to other existing equity securities and/or to the allocation of debt securities of (i) an entity which does not directly or indirectly hold over half of the Company's capital or (ii) an entity in which the Company does not directly or indirectly hold over half of the capital.

The aggregate nominal amount of any capital increases carried out pursuant to this authorization would be capped at **20%** of the Company's capital, i.e., approximately **€2.6 million**, and would be included in the blanket ceiling set in the **nineteenth resolution**.

The aggregate nominal amount of debt securities issued pursuant to this authorization would be set at **€2 billion** and would be included in the blanket ceiling set in the **nineteenth resolution**.

If this resolution is adopted, the authorization would be given for a period of **26 months** as from the date of this Meeting.

## AUTHORIZATION TO SET THE ISSUE PRICE FOR ISSUES OF SECURITIES CARRIED OUT WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS THROUGH A PUBLIC OFFERING OR A PRIVATE PLACEMENT, SUBJECT TO A CEILING OF 10% OF THE COMPANY'S CAPITAL

### (Twenty-second resolution)

In the **twenty-second resolution**, the Board of Directors is asking the shareholders for an authorization to set the issue price for issues of securities carried out without pre-emptive subscription rights pursuant to the **twentieth and twenty-first resolutions** and not to apply the pricing terms and conditions set in those two resolutions. This authorization could be used for issues representing up to **10%** of the Company's capital per 12-month period.

The aggregate par value of any shares issued pursuant to this resolution, directly or on exercise of rights attached to securities carrying rights to shares, would be included in the ceilings set in the **twentieth and twenty-first resolutions**.

If this resolution is adopted, the authorization would be given for a period of **26 months** as from the date of this Meeting.

## AUTHORIZATION TO INCREASE THE NUMBER OF SECURITIES INCLUDED IN AN ISSUE CARRIED OUT WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

### (Twenty-third resolution)

In the **twenty-third resolution**, the Board of Directors is seeking an authorization to increase the number of securities included in an issue carried out with or with pre-emptive subscription rights. Any additional securities issued using this authorization would be issued at the same price as for the original issue in accordance with the timeframes and ceilings specified in the regulations applicable on the original issue date.

If this resolution is approved the Board would be able to grant a greenshoe option and issue additional securities representing up to **15%** of the original issue amount, within 30 days of the close of the initial subscription period. The nominal amount of any capital increases resulting from the use of this authorization would be included in both (i) the ceiling provided for in the resolution under which the original issue was carried out, and (ii) the blanket ceiling set in the **nineteenth resolution**.

If this resolution is adopted, the authorization would be given for a period of **26 months** as from the date of this Meeting.

## AUTHORIZATION TO ISSUE SHARES AND/OR EQUITY SECURITIES CARRYING RIGHTS TO OTHER EQUITY SECURITIES OF THE COMPANY, IN PAYMENT FOR CONTRIBUTIONS IN KIND MADE TO THE COMPANY AND CONSISTING OF EQUITY SECURITIES OR SECURITIES CARRYING RIGHTS TO SHARES IN ANOTHER ENTITY

### (Twenty-fourth resolution)

The purpose of the **twenty-fourth resolution** is to authorize the Board to issue shares and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company and consisting of equity securities or securities carrying rights to shares in another entity.

The aggregate nominal amount of any capital increases carried out pursuant to this authorization – which would be given for **26 months** – could not represent more than **10%** of the Company's capital and would be included in the blanket ceiling set in the **nineteenth resolution**.

If this resolution is adopted it would result in the waiver of existing shareholders' pre-emptive rights to subscribe for any shares or other securities to be issued under the authorization.

## AUTHORIZATION TO ISSUE SHARES AND/OR EQUITY SECURITIES CARRYING RIGHTS TO OTHER EQUITY SECURITIES OF THE COMPANY, IN PAYMENT FOR CONTRIBUTIONS IN KIND MADE TO THE COMPANY BY EMPLOYEES AND EXECUTIVE OFFICERS OF FREE MOBILE CONSISTING OF EQUITY SECURITIES OR SECURITIES CARRYING RIGHTS TO SHARES

### (Twenty-fifth resolution)

The purpose of the **twenty-fifth resolution** is to authorize the Board of Directors to issue shares and/or equity securities carrying rights to other equity securities of the Company, in payment for contributions in kind made to the Company consisting of equity securities or securities carrying rights to shares in another entity.

The aggregate nominal amount of capital increases carried out pursuant to this authorization – which would be given for **26 months** – could not represent more than **3%** of the Company's capital and would be included in the ceiling set in the **twenty-fourth resolution**.

If this resolution is adopted it would result in the waiver of existing shareholders' pre-emptive rights to subscribe for any shares or other securities to be issued under the authorization.

This authorization could be used by the Board for the purpose of remitting Iliad shares as payment for Free Mobile shares transferred to the Company by Free Mobile shareholders. The beneficiaries of the securities issued pursuant to this resolution would include the following executive officers of Iliad: Cyril Poidatz, Rani Assaf, Antoine Levavasseur and Thomas Reynaud. In accordance with Article L. 225-10 of the French Commercial Code, which refers to Article L. 225-147, paragraph 2 of said Code, any shareholders of Iliad who are also shareholders of Free Mobile will not take part in the vote on this resolution and their Iliad shares will not be taken into account for the purposes of calculating the quorum and majority.

## AUTHORIZATION TO ISSUE SHARES AND/OR SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY IN THE EVENT OF A PUBLIC OFFERING WITH A STOCK COMPONENT INITIATED BY THE COMPANY

### (Twenty-sixth resolution)

In the **twenty-sixth resolution**, the shareholders are invited to authorize the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, in accordance with the conditions set out in the **twentieth resolution**, in order to carry out a public offering, with a stock component, for the shares of another entity.

The aggregate nominal amount of capital increases carried out pursuant to this authorization – which would be given for **26 months** – would be capped at **€2 million** and would be included in the blanket ceiling set in the **nineteenth resolution**.

## AUTHORIZATION TO INCREASE THE COMPANY'S CAPITAL BY CAPITALIZING RESERVES, PROFIT, ADDITIONAL PAID-IN CAPITAL OR OTHER ELIGIBLE ITEMS

### (Twenty-seventh resolution)

The purpose of the **twenty-seventh resolution** is for the shareholders to grant the Board of Directors an authorization to increase the Company's capital by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalizing reserves, profit, additional paid-in capital or other items that are eligible for capitalization.

The aggregate nominal amount of any capital increases carried out pursuant to this authorization – which would be given for **26 months** – would be capped at **€500 million**. This ceiling would be separate from and therefore not included in the blanket ceiling set in the **nineteenth resolution**.

## AUTHORIZATION TO ISSUE SHARES OF THE COMPANY TO MEMBERS OF AN EMPLOYEE STOCK OWNERSHIP PLAN, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

### (Twenty-eighth resolution)

In the **twenty-eighth resolution**, the Board of Directors is seeking an authorization to issue, without pre-emptive subscription rights, new shares of the Company to members of an employee stock ownership plan set up within the Company or the Group. The aggregate nominal amount of any capital increases carried out pursuant to this authorization could not represent more than **1%** of the Company's share capital.

The shares issued could be offered at a discount, with such discount not exceeding the maximum discount against the Reference Price provided for in the applicable regulations. The Reference Price would correspond to the average of the prices quoted for the Iliad share on Euronext Paris over the twenty trading days preceding the date on which the Board sets the start date for the subscription period.

If this resolution is adopted, the authorization would be given for a period of **26 months**. The above-mentioned 1% ceiling would be included in the blanket ceiling for capital increases set in the **nineteenth resolution**.

Iliad's objective in seeking this authorization to set up an employee stock ownership plan is to closely involve its employees in its growth and performance and increase their engagement and sense of belonging within the Iliad Group.

## AUTHORIZATION TO REDUCE THE COMPANY'S CAPITAL BY CANCELING TREASURY SHARES

### (Twenty-ninth resolution)

One of the purposes of the share buyback program (provided for in the **eighteenth resolution**) is to cancel the purchased shares. Consequently, in the **twenty-ninth resolution**, the shareholders are invited to give the Board of Directors an **18-month** authorization to cancel all or some of the Iliad shares bought back under the buyback program. The number of shares canceled in accordance with this resolution during any given period of 24 months could not represent more than **10%** of the Company's issued capital.

This resolution could be used, *inter alia*, to offset the dilutive effect on existing shareholders' interests caused by the exercise of stock options.

## AMENDMENT TO THE ARTICLE OF THE COMPANY'S BYLAWS CONCERNING DISCLOSURE THRESHOLDS

### (Thirtieth resolution)

In the **thirtieth resolution**, the shareholders are asked to amend the provisions of the Company's bylaws relating to disclosure thresholds, in order to provide that:

- the requirement for shareholders to file a disclosure when raising or reducing their interest by a multiple of 1% of the Company's capital or voting rights would only apply to shareholders holding less than 50% of the capital and/or voting rights;
- in the event of a failure to comply with this disclosure requirement, the shares of the shareholder concerned will be stripped of voting rights at the request of one or more shareholders holding at least 5% of the Company's capital or voting rights, with such request included in the minutes of the General Shareholders' Meeting concerned.

## POWERS TO CARRY OUT FORMALITIES

### (Thirty-first resolution)

In the **thirty-first resolution**, the Board of Directors is seeking an authorization to carry out any formalities required following the Annual General Meeting.

**The Board of Directors**

# 10

# ADDITIONAL INFORMATION


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# 10.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

## 10.1.1 NAME AND POSITION OF THE PERSON RESPONSIBLE

Thomas Reynaud, Chief Executive Officer of Iliad.

## 10.1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

*"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.*

*I further declare that, to the best of my knowledge, the financial statements for 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the consolidated Group as a whole, and that the information contained in the management report whose various sections are presented in the cross-reference table on page 287 provides a fair review of the business, results and financial position of the Company and its subsidiaries, as well as a description of the principal risks and uncertainties that they face.*

*I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein."*

Thomas Reynaud
Chief Executive Officer of Iliad
April 15, 2019

## 10.1.3 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Thomas Reynaud
Chief Executive Officer
Iliad

16 rue de la Ville l'Evêque

75008 Paris, France

Telephone: + 33 (0)1 73 50 20 00

www.iliad.fr

# 10.2 DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Company's bylaws, this Registration Document and other corporate documents made available to shareholders as required in accordance with the law can be consulted at the Company's registered office.

Copies of this Registration Document can be obtained free of charge from the Company's registered office (16, rue de la Ville l'Evêque, 75008 Paris, France – Tel: +33 (0)1 73 50 20 00) and may also be downloaded from the Company's website (www.iliad.fr), as well as from the website of the AMF (www.amf-france.org).

# 10.3 MATERIAL CONTRACTS

## 10.3.1 FINANCIAL CONTRACTS

Information on the Group's debt is provided in Chapter 5 Section 5.3.3 of this Registration Document.

## 10.3.2 OPERATING CONTRACTS

In addition to the agreements referred to in Chapter 6, Section 6.4.3, on March 2, 2011, Free Mobile signed a 2G and 3G roaming agreement with Orange France for Orange France's 2G and 3G networks. Orange France has provided roaming services since the launch of Free Mobile. The roaming agreement has been adapted several times since 2012 – notably in terms of interconnection capacity – to take into account the increasing number of Free Mobile subscribers. On June 15, 2016, Free Mobile and Orange France signed a further addendum to this agreement, covering the period until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020. This termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can have the highest degree of technical and commercial independence.

Free Mobile has entered into agreements with several mobile telephone suppliers for the purpose of including handsets in its offerings.

In early July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups, as part of the plan to merge their respective H3G and Wind subsidiaries. The agreement provides for Iliad to become Italy's fourth mobile operator by acquiring the assets constituting the remedy package proposed to the European Commission as part of the Commission's investigation into the planned merger.

Apart from the contracts referred to above, Iliad has not entered into any material contracts other than those executed in the normal course of business.

# GLOSSARY

The glossary below is provided as a supplement and as an aid to understanding this Registration Document. Some of the definitions below therefore give only a summary of the technical processes described, without providing details as to the functioning of such processes.

**Add/Drop Multiplexer (ADM)**: Equipment on a telecommunications network used for inserting or extracting data packets.

**ADM (Add/Drop Multiplexer)**: See Add/Drop Multiplexer.

**ADSL (Asymmetrical Digital Subscriber Line)**: ADSL is an xDSL technology used for high-speed data transmission, in particular when using a subscriber's conventional telephone line consisting of a pair of copper wires. By using two modems, one installed on the subscriber's premises and the other in a DSLAM located in the main distribution frame, ADSL technology is able to increase network bandwidth considerably and obtain transmission speeds up to 320 times faster than with a conventional analog modem. The principle behind ADSL is that part of the bandwidth is reserved for transporting voice traffic (low frequencies) while another part is used for transporting data (high frequencies) either in the direction of the network backbone (upload) or in the direction of the subscriber (download). The technology is asymmetrical in the sense that the upload bit rate (data sent by the user) is lower than the download rate (data received by the user). For the correct representation of voice traffic (using the low frequency spectrum), splitters located at each end of the line eliminate those parts of the signal which are not needed.

In the ADSL2+ version the bandwidth of the line is divided as follows:

| | |
|---|---|
| 0 – 5 KHz: | analog telephone line |
| 30 KHz – 130 KHz: | narrowband channel towards the network (upload) |
| 30 KHz – 2.2 MHz: | broadband channel towards the subscriber (download) |

FDM (Frequency Division Multiplexing) is used to separate the various data traffic flows. An echo cancellation system is used for spectrum recovery on the upload and download channels.

**AFNIC (*Association Française pour le Nommage Internet en Coopération* – www.afnic.fr/en):** AFNIC is a non-profit organization whose principal function is to establish and implement a naming registry for the .fr (France) and .re (Reunion Island) domains. It has drawn up naming charters which set out its rules for registering domain names in these geographic areas. Members of AFNIC include service providers who have been accredited as registrars of domain names in the French domain name areas.

**Alternative operator**: An operator that entered the market subsequent to the incumbent State operator losing its monopoly.

**ATM (Asynchronous Transfer Mode)**: This network technology, which is used for ADSL, enables the simultaneous transmission of data, voice and video. ATM is based on the transmission of signals in short, fixed-length packets. The transmission of these packets is said to be asynchronous because they are transported over different routes and do not necessarily arrive at their destination in the same chronological order as they were sent.

**Backbone**: Network consisting of a number of very high bandwidth links to which other, smaller networks are connected (including metropolitan networks).

**Bandwidth**: The transmission capacity of a transmission link. Bandwidth determines the quantity of data (in bits per second) that can be transmitted simultaneously.

**Bit**: Contraction of "binary digit". A bit is the smallest unit of data processed by a computer. In a binary system, each bit has a value 0 or 1. Data recorded in digital form are coded in bits. One character (letter or figure) is generally coded as 8 bits (1 byte).

**Bit rate**: Amount of data passing through a communication channel over a given period of time. The bit rate is measured in bits per second or in multiples thereof (kbps = kilobits per second, Mbps = megabits per second, Gbps = gigabits per second, Tbps = terabits per second). The upload bit rate corresponds to the transmission of data from the subscriber to the network and the download bit rate corresponds to data transmitted from the network to the subscriber.

**Broadband**: The concept of broadband is a relative concept, depending on the capabilities of transmission technology at any given time. At present, broadband is generally accepted as corresponding to a bit rate of at least 512 kbps. See also "bit rate".

**Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Broadband and Ultra-Fast Broadband User)**: Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), divided by the total number of Broadband and Ultra-Fast Broadband subscribers invoiced at the end of the period.

**Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Freebox Révolution Broadband and Ultra-Fast Broadband User excluding promotional offers)**: Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), and the impact of promotional offers, divided by the total number of Freebox Révolution Broadband and Ultra-Fast Broadband subscribers invoiced at the end of the period.

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

**Byte**: A set of eight bits. Bytes and their multiples (kilobyte (kB), megabyte (MB), gigabyte (GB), terabyte (TB), etc.) are used to measure the size of electronic files. When such measurements are given in multiples of bytes, it is generally accepted that a kilobyte is equal to 210, or 1,024 bytes (and not 1,000 bytes), and that a megabyte is equal to 220 bytes (and not 1,000,000 bytes).

**Call termination**: An operation that consists of the routing of calls to subscribers on a particular network. In principle, call termination requires either that the call be made from the network on which the caller is a subscriber or from an interconnected network.

**CNIL (*Commission Nationale de l'Informatique et des Libertés* – http://www.cnil.fr/english/):** The CNIL is an independent administrative authority established by Act no. 78-17 of January 6, 1978 (France's data protection law). Its principal role is to protect privacy and personal or public freedom, and it is responsible for ensuring compliance with the data protection law.

**Co-location facilities or space**: A room located in the incumbent operator's sites containing equipment belonging to third-party operators used for local loop unbundling. The room is built by the incumbent operator which then rebills the cost of construction to the operators located in the room. The third-party operators then rent whatever space they need (one or more racks each occupying a floor area of 600 mm x 600 mm) for their unbundled activities.

**Connectible FTTH 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.

**Cookie**: Information recorded by a server in a text file located on the subscriber's computer and which can be read by this same server (and by this server alone) at a later time.

**Copper pair**: Type of cable used for the transmission of electrical signals, consisting of one or more pairs of metal conductors. The two wires forming the pair are braided in order to minimize potential interference between two conductors. By extension, the copper pair also refers to the local loop link between a subscriber and the local concentrator. See also "local loop".

**CSA (*Conseil Supérieur de l'Audiovisuel* – www.csa.fr)**: The CSA is a French independent administrative authority established by the Act of January 17, 1989. Its principal role is to guarantee the freedom of audiovisual communications in France in accordance with the provisions of the Act of September 30, 1986, as amended.

**Dark optical fiber**: Raw optical fiber without the equipment which allows it to be used.

**Dedicated facilities or space**: A room located in the incumbent operator's sites containing equipment belonging to third-party operators used for local loop unbundling. Third-party operators rent the space (one or more racks each occupying a floor area of 600 mm x 600 mm) necessary for their unbundled activities. See also "Co-location facilities or space".

**Dial-up (also called narrowband)**: Historically this corresponds to the bit rate of a conventional telephone line using the voice frequency spectrum. By way of example, an Internet connection using a conventional telephone line is established at a maximum download rate of 56 kilobits per second (kbps). See also "bit rate".

**Digital**: Coding in binary form (0 or 1) of information to be processed by a computer.

**Digital local exchange (DLE/LX)**: Switch on the incumbent operator's telephone network to which subscribers are connected by means of local concentrators. The incumbent operator's network is organized in a hierarchical fashion, with the digital local exchange being the lowest level in the hierarchy of exchanges installed on the network.

**Digital main switching unit (DMSU)**: The incumbent operator's interconnect point, occupying the highest level in the hierarchy of switches in a trunk exchange area. See also "trunk exchange area".

**DNS (Domain Name System)**: A DNS is a database which registers Internet resources (computer, server, router, etc.) in the form of a domain name and allocates them a unique IP address. The Internet protocol converts the domain name into the corresponding IP address. Without the DNS, users would have to remember websites or email addresses in the complicated form of the domain's IP address. See also "domain name".

**Domain name**: A domain name is the unique identifier of an IP address. The DNS (see "DNS – Domain Name System") matches the domain name to the IP address. A domain name consists of a string of characters (from "a" to "z" or "0" to "9", plus "-") corresponding to the name of a trademark, association, company, individual, etc., plus a suffix known as the TLD (see "TLD [Top Level Domain]"), such as ".fr", ".de", ".net", or ".com".

**Domain name registration**: Domain name registration consists of hosting domain names on a computer with an IP address on behalf of the domain name owners, who are in turn entered in the register relating to their top level domain or TLD. See also "TLD".

**DSL (Digital Subscriber Line)**: See xDSL.

**DSLAM (Digital Subscriber Line Access Multiplexer)**: Equipment installed in the telephone exchange closest to the subscriber which is part of the equipment used to transform a conventional telephone line into an xDSL line. DSLAMs connect several xDSL lines and are connected to the modem on the subscriber's premises via the local loop.

**DWDM (Dense Wavelength Division Multiplexing)**: Technology permitting the transmission of a large number of frequencies on the same fiber strand, thereby significantly increasing the bandwidth capacity of the optical fiber.

**EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)**: Corresponds to profit from ordinary activities before (i) depreciation, amortization and provisions for impairment of non-current assets and (ii) share-based payment expense. The Group uses EBITDA as an indicator of its operating performance.

**Eligibility**: A telephone line is said to be "eligible" for ADSL when the technical characteristics of the line in terms of signal loss are such that xDSL-type technologies can be used. The length and diameter of the copper pairs (local loop) are the main parameters determining eligibility. Using current technologies, in order to obtain a 512 kbps Internet connection, the subscriber's access point must be located within four kilometers of the DSLAM.

**FCF**: Free cash flow.

**Firewall**: Hardware or software device which controls access to all the computers on a network from a single point of entry. The main function of the firewall is to filter the data packets transmitted between the protected network and outside networks. In addition, a firewall can be used to perform advanced security functions such as virus detection, IP address masking on the protected network and the establishment of encryption tunnels subject to authentication.

**Free Cash Flow from ADSL operations**: Represents EBITDA plus or minus changes in working capital and minus investments made in connection with property, plant and equipment and intangible assets acquired for the Group's ADSL operations.

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

**Full unbundling**: Full unbundling consists of allowing a third-party operator to control the entire local loop (both low and high frequencies).

**Gross profit**: Corresponds to revenues less purchases used in production.

**IEEE 802.11a/b/g/n standards**: Radio-telecommunications standards established by the IEEE (Institute of Electrical and Electronic Engineers) describing the characteristics of wireless networks using the 5 GHz (IEEE 802.11a/n) and 2.4 GHz (IEEE 802.11b/g/n) frequency bands. (See also "RLAN – Radio Local Area Network" and "WLAN – Wireless Local Area Network").

**Interconnection**: The term interconnection refers to the reciprocal services provided by two operators of networks open to the public, permitting all of their users to communicate freely with one another, irrespective of the type of network or services they use. The term also refers to the provision to a public telephone service provider of access to a public network operator's network. The objective of interconnection is to allow a given operator's subscribers to make telephone calls to the subscribers of all other interconnected operators. Interconnection between the incumbent operator (Orange) and third-party operators is governed by the provisions of the French Post and Telecommunications Code and is regulated by ARCEP.

**Internet Service Provider (ISP)**: Organization or company that provides subscribers with access to the Internet, either free of charge, or for a cost.

**IP (Internet Protocol)**: Telecommunications protocol used on the networks supporting the Internet which divides the data to be transmitted into packets, addresses the various packets, transports them independently of one another and, finally, recreates the packets in their initial form once they reach their destination. This protocol uses a technique known as packet switching. On the Internet, it is associated with a data transmission control protocol (TCP) – hence the term TCP/IP.

**IP address**: The IP address allows a router using TCP/IP to identify the unique network interface of a machine connected to the Internet. In order to be accessible or to send data packets over the Internet, a machine must have a public IP address, i.e., an address that is known on the Internet. Icann has overall responsibility for managing IP addressing on a worldwide basis, but delegates responsibility for certain areas to regional and local organizations. An IP address is a sequence of 32 binary digits (see also "bit") grouped into four bytes in the form A.B.C.D where A, B, C and D are numbers between 0 and 255 (this structure corresponds to version 4 of the IP protocol, or IPv4). The problem of limited addressing resources caused by the growth of the Internet has led to the development of a new version of the IP protocol (IPv6), based on 128 binary elements, which is gradually being brought into use.

**IRU (Indefeasible Right of Use)**: Special type of agreement, specific to the telecommunications sector, for the provision of optical fibers (or transmission capacity) over a long period.

**Leverage ratio**: Represents the ratio between Net debt (short- and long-term financial liabilities less cash and cash equivalents) and EBITDA.

**Linux**: Linux is a multi-task and multi-user operating system based on Unix (Uniplexed Information and Computer Service). It is a so-called "open source" software system, i.e., it is freely available in source code form and modifiable under the terms of a General Public License (GNU GPL).

**Local concentrator**: Active telecommunications equipment connected to both the digital local exchange and the copper pairs constituting the local loop. This is the primary active equipment in the incumbent operator's network. The function of the local concentrator is to group several subscriber lines into one cable.

**Local loop**: Physical circuit of the telephone network which connects the termination point of the network on the subscriber's premises (i.e., the subscriber's telephone socket) and the local loop operator's main distribution frame (i.e., generally the incumbent operator's local telephone exchange) which contains a digital switch. The local loop is composed of a pair of braided copper wires.

**M2M**: Machine to machine communications.

**Main distribution frame (MDF)**: Establishes a temporary connection between a copper pair (local loop) and any active equipment on the operator's network. It is a vital point of flexibility in the operation of a telecommunications network.

**MMS (Multimedia Messaging Service)**: Extends the core SMS capability by enabling users to send to and from their phones messages that include photos as well as audio or video content.

**Modem (modulator-demodulator)**: Device that transforms analog signals into digital signals and vice versa. A modem is required in order to connect to the Internet (where the data exchanged are digital).

**MPEG-2**: Video signal compression standard, used mainly for DVDs.

**MPEG-4**: Digital compression standard for new-generation audiovisual content. This format is able to broadcast High Definition streaming data and provides enhanced audiovisual quality at low bandwidths.

**Multicast**: Routing system minimizing the number of data flows from a server to various subscribers by multiplying the data flows only when they are as close as possible to end users.

**Multiplexing**: Technique permitting several communication flows to pass through the same channel/transmission bearer. Multiplexing can work in different ways: frequency multiplexing uses different frequencies for the various communications, while time division multiplexing allocates a period of time (known as a slot) to each communication.

**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 as presented in the balance sheet.

**Optical fiber**: Transmission medium which routes digital data in the form of modulated light signals. It consists of an extremely thin glass cylinder (the core strand) surrounded by a concentric layer of glass (the sheath). The potential bandwidth that can be passed through an optical fiber in conjunction with the corresponding active equipment is enormous.

**Optical node (ON)**: Site hosting optical local loop equipment bringing together all of the optical local loop interconnection links serving end-subscribers for a given geographic area.

**Partial unbundling**: Partial unbundling involves providing an operator with access to the incumbent operator's local loop and allowing the operator to use the high (non-voice) frequencies of the frequency spectrum on the copper pair. The incumbent operator continues to use the local loop in order to provide conventional telephone services to the public (using the low frequencies of the local loop). Customers continue to pay the telephone line rental to the incumbent operator.

**Peering**: Type of interconnection agreement between two IP backbone networks (known as peer networks) for the exchange of Internet traffic destined for their respective networks. These exchanges take place at exchange nodes called peering points and may be invoiced if they are not fully reciprocal.

**Ping**: Ping is an acronym for Packet Internet Groper, and is a component of the Internet connection protocol which verifies the connections established on the Internet between one or more remote hosts and measures the time data packets require to be transmitted to one computer connected to the Internet and back again. The lower the ping value (i.e., the closer to zero) the faster the network connection.

**POP (Point of Presence)**: Physical site from which the operator can use an interconnection link to connect to the interconnect point of another operator (whether another POP or, in the case of the incumbent operator, a digital main switching unit or a digital local exchange). The POP is located on the operator's network backbone. See also "digital main switching unit".

**Portability**: Possibility for subscribers to keep their telephone numbers when changing operators and/or geographical location.

**Preselection**: Carrier selection mechanism allowing a subscriber to automatically route all eligible calls (local, national, international, and calls to mobile phones) so that they are carried by the operator of the subscriber's choice, without having to dial a special prefix.

**Primary digital block**: Basic unit of measurement of the capacity of interconnection links to the incumbent operator's switched network (telephone traffic and dial-up Internet traffic). It corresponds to a grouping of several communications on the same physical support structure (31 simultaneous communications, i.e., a capacity of 2 Mbps).

**Profit for the period from recurring operations:** Profit for the period excluding the impact of the additional and exceptional income tax contribution.

**Public switched telephone network (PSTN)**: Conventional telephone network which uses switching (a non-permanent link established by line seizure and then dialing). Each call established on the PSTN ties up network resources.

**Reference Interconnect Offer**: Document describing the technical and pricing terms of the incumbent operator's interconnect offer (or the interconnect offer of any other operator designated as having significant market power pursuant to Article L. 36-7 of the French Post and Telecommunications Code). It informs third-party operators of what interconnection services are available and sets out the prices and the technical terms of these services.

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

**Reverse look-up directory**: Service allowing users to retrieve the name and address of the owner of a telephone line by searching the corresponding telephone number, provided the owner of the line has not opted out of the directory.

**RLAN (Radio Local Area Network)**: Wireless network. RLANs generally conform to IEEE 802.11 standards.

**SDH (Synchronous Digital Hierarchy)**: Multiplexing technique providing for the secure transmission of different types of data. This technique is used for the transmission of data on conventional telephone networks.

**Services revenues**: Total revenues excluding revenues related to handsets.

**SMS (Short Message Services)**: Short alphanumerical text messages.

**Source code**: List of instructions in a computer program in a language capable of being understood by human beings.

**Spamming**: The bulk mailing of unsolicited electronic messages. This type of message is generally sent to email lists obtained unconventionally or illegally (for example, through the use of a search engine on public websites or through the sale of email address files without the permission of the owners of such addresses).

**Subscriber connection node**: A site hosting the incumbent operator's network equipment bringing together all of the interconnection links for its copper local loop for a given geographic area. Subscriber connection nodes provide access to the various services available via the copper local loop. Third-party operators may access these services through unbundling arrangements in order to directly serve end-subscribers.

**Switch**: Equipment which routes calls to destinations by establishing a temporary link between two circuits on a telecommunications network (or occasionally by routing information in packet form). Switches are organized in a hierarchical fashion, i.e., the higher the position they occupy in the hierarchy, the more subscribers they serve.

**TLD (Top Level Domain):** The top level domain name classification, corresponding to a geographic area or a sector of activity, such as ".com", ".org" or ".fr".

**Total Broadband and Ultra-Fast Broadband subscribers**: Represents, at the end of a period, the total number of subscribers identified by their telephone lines who have signed up for Free's and Alice's Broadband or Ultra-Fast Broadband service, 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.

**Triple-play**: A technical service capable of managing bandwidth-intensive voice, data and audiovisual content simultaneously and over long distances.

**Trunk exchange (TX)**: Telephone network switch linking together the digital local exchanges. The incumbent operator's network is organized in a hierarchical fashion, with the trunk exchange being the highest level in the hierarchy of national exchanges. Through the digital local exchanges, the trunk exchange serves all subscribers in a given geographic area (called a trunk exchange area). See also "trunk exchange area".

**Trunk exchange area**: The geographic area covered by a trunk exchange. The incumbent operator's switched network in Metropolitan France is divided into 18 trunk exchange areas, defined by the incumbent operator in its Reference Interconnect Offer and generally corresponding to the administrative regional divisions of France. See also "Trunk exchange (TX)".

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

**Unbundling**: Operation involving the separation of a range of telecommunications services into several distinct units. Unbundling of the local loop (or unbundled access to the incumbent operator's local network) consists of separating the access services provided over the local loop, allowing new operators to use the local network of the incumbent operator and provide services directly to their subscribers.

**Universal service**: The main element of the public telecommunications service as defined by law, with the intended purpose of providing high-quality telephone services to the general public at an affordable price.

**Urban area**: In the architecture of the incumbent operator's network, Ile-de-France is divided into two trunk exchange areas: the urban area, which corresponds to the former Seine *département* (Paris, Hauts-de-Seine, Seine-Saint-Denis, and Val-de-Marne) and the peripheral area, which covers the Seine-et-Marne, Essonne, Yvelines and Val-d'Oise *départements*.

**VoIP (Voice over DSL):** Transmission of voice traffic (in packets) using ADSL technology, i.e., using the high frequencies of the local loop, as compared to conventional telephony which uses the low frequencies of the local loop.

**WLAN (Wireless Local Area Network)**: A wireless network based on radio telecommunications. An RLAN (see RLAN [Radio Local Area Network]) is a specific type of WLAN.

**xDSL (x Digital Subscriber Line)**: The family of technologies used to transmit digital data over the copper pair (local loop) at high speeds (such as ADSL, SDSL, ADSL2+, VDSL2, etc.). See also "ADSL".

# CROSS-REFERENCE TABLES

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* *In accordance with Article 28 of European Commission regulation (EC) no. 809/2004 of April 29, 2004, the following information is incorporated by reference in this Registration Document:*

- *the management report, the consolidated financial statement for the year ended December 31, 2017 and the associated Statutory Auditors' report presented in Section 20.1 of the 2017 Registration Document filed with the French financial markets authority (Autorité des Marchés Financiers – AMF) on April 11, 2018 under no. D. 18-0315;*
- *the management report, the consolidated financial statement for the year ended December 31, 2016 and the associated Statutory Auditors' report presented in Section 20.1 of the 2016 Registration Document filed with the French financial markets authority (Autorité des Marchés Financiers – AMF) on April 7, 2017 under no. D. 187-0342.*

## ANNUAL FINANCIAL REPORT

This Registration Document contains all the information required in the Annual Financial Report pursuant to Article L. 451-1-2 of the French Monetary and Financial Code *(Code monétaire et financier)* and Article 222-3 of the AMF's General Regulations.

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