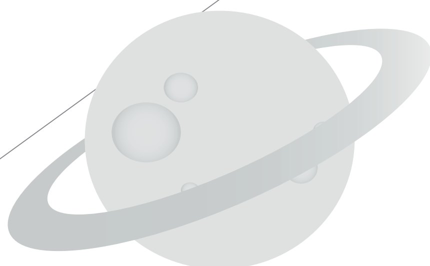
iliad

2019 UNIVERSAL REGISTRATION DOCUMENT
ANNUAL FINANCIAL REPORT



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UNIVERSAL REGISTRATION DOCUMENT 2019

including the Annual Financial Report

In the space of 20 years, the iliad Group has become one of the leading electronic communications players in France and Italy, with over **25 million subscribers, 11,000 employees**, and more than **€5.3 billion in revenues in 2019**.

www.iliad.fr

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

"The French language version of this Universal Registration Document was filed on April 10, 2020 with the French financial markets authority (*Autorité des marchés financiers* – AMF) in its capacity as competent authority within the meaning of EU Regulation 2017/1129, without prior approval, in accordance with Article 9 of said regulation. The Universal Registration Document may also be used for the offer to the public or the admission to trading of securities on a regulated market, provided it is accompanied by securities note and, if applicable, a summary of all amendments applied to the Universal Registration Document. All of these items are approved by the AMF in accordance with the abovementioned regulation."

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 Universal 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**).

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND THE CHAIRMAN OF THE BOARD OF DIRECTORS

> ***"In 2019, we started to reap the benefits of all our hard work over the past 18 months: our sales performance swung back up, we returned to growth in France, with revenues up 3%, and our profitability strengthened. This clearly shows that we have got our strategy right."***

To the Shareholders,

2019 was a particularly intense year. It was a year that saw the first signs of our sales recovery. And it was a year in which we took major strategic decisions, with the signature of two infrastructure partnership agreements and an unprecedented transaction concerning the Company's capital. It was a year that paved the way for the Group's future.

In 2019, we started to reap the benefits of all our hard work over the past 18 months: our sales performance swung back up, we returned to growth in France, with revenues up 3%, and our profitability strengthened. This clearly shows that we have got our strategy right.

After a difficult sales performance in the summer of 2018, we launched our Odyssey 2024 business development plan, with two short-term objectives. First, to improve our sales and marketing strategy while ensuring we keep Free's DNA intact – namely innovation, straightforward usage and transparent prices. And second, to achieve efficiency gains in our network rollouts by overhauling our industrial processes. All of the measures we have put in place have helped to significantly enhance the subscriber experience.

In 2019, we continued our **strategy of investing massively in fiber and mobile rollouts**. Fiber is now our number one industrial priority and the Group ended the year with almost 14 million marketable sockets. We are now present in every *département* in Metropolitan France and nearly one French household in two has access to Free Fiber. What is more, in 2019 we became the leading recruiter of new fiber subscribers.

Thanks to **fiber**, as well as the success of the Freebox Delta and our revamped sales and marketing strategy, we were able to return to a positive net add figure in our fixed-line business during the year.

For **mobile**, in 2019 we were the operator that deployed the largest number of new sites in France, with a particular focus on 700 MHz frequencies and preparing for 5G. As a result, in the last quarter of 2019, our net number of mobile subscribers returned to growth for the first time in two years.

In **Italy**, meanwhile, over 5 million subscribers have chosen us as their provider. And impressively, iliad Italia has already become the country's favorite mobile telephony brand. In 2020, we intend to continue on this trajectory, building on the results we have already achieved and increasing our profitability. And in tandem, our network investments are going to enable us to carry ever-higher volumes of data for our subscribers.

There are therefore many indicators that point to how our Group is on the right track. At the same time, the **two strategic partnership** deals we signed in 2019 have not only laid the ground for our future, but are also helping us to go quicker and further in rolling out our networks.

We forged the first of these partnerships in May, entering into a deal with **Cellnex** to accelerate our 4G and 5G network rollouts in France and Italy. The agreement involved the Group selling 70% of OnTower, the company that manages iliad's passive mobile telecommunications infrastructure in France and close to 2,200 sites in Italy.

Then in September, we announced the signature of an exclusive partnership deal with **InfraVia**, aimed at accelerating the rollout of fiber (FTTH) in low- and medium-density population areas in France (representing approximately 26 million lines), through a specially-created entity called Investissement dans la Fibre de Territoires (IFT).

Another **major strategic operation for the Group** in 2019 was the €1.4 billion share buyback offer it launched at a price of €120 per share (representing a 38% premium), which was financed by a share issue open to all iliad shareholders and guaranteed by Xavier Niel.

"We will [...] continue to ramp up our Odyssey 2024 plan in 2020. The year already looks set to be a full one, with a new Freebox, our entry into the high-potential B2B market with straightforward and competitive offerings, the launch of 5G, and strategic investments in our datacenters through Scaleway."

The overall operation was a clear **success** for all of our shareholders, who had the choice of receiving cash through the share buyback, with a significant premium offered; remaining a shareholder without any dilution; or raising their interest in the Company by taking up shares under the same terms and conditions as its major shareholder.

At the same time, the transaction had no impact on the Group's debt, enabling us to retain our investment capacity. And it also demonstrated **the confidence that Xavier Niel has in the Group and its strategy**, as it resulted in his interest in the Company increasing from 52% to 71%.

Lastly, we have recently made changes to our **governance structure**. Xavier Niel is now the Chairman of the Board of Directors and Maxime Lombardini is Vice-Chairman. And we are delighted to welcome two new, high-profile directors onto the Board: Céline Lazorthes (the founder and Chair of the Supervisory Board of the Leetchi group) and Jacques Veyrat (Chairman and CEO of Impala and former Chairman and CEO of Neuf Cegetel).

In 2019, we celebrated **Free's twentieth anniversary**. We have built up a unique Group, which now has 11,000 employees and 25 million subscribers in France and Italy. But for us, success does not just mean financial performance. We also need **to be responsible and accountable, socially, environmentally** and in the workplace. As is the case for any economic player, iliad is faced with the question of how to reconcile production with the fact that resources are diminishing to such an extent that the future seems uncertain. We have undertaken significant measures over the past several years to limit our environmental footprint, including systematically using recyclable plastic for our Freeboxes, restricting the use of air freight in our supply chain, designing a solution for recycling the heat produced by our datacenters, implementing a new policy for selecting the vehicles we use, and seeking energy efficiency in our active network equipment. For many years we have also carefully measured our carbon emissions and identified possible areas for improvement. But we believe that we have a responsibility to go even further, pursuing our drive to achieve more and more **energy efficiency** and setting out a roadmap to **carbon neutrality**.

We will also continue **to ramp up our Odyssey 2024 plan in 2020.** The year already looks set to be a full one, with a new Freebox, our entry into the high-potential B2B market with straightforward and competitive offerings, the launch of 5G, and strategic investments in our datacenters through Scaleway.

As we write this message, the world is undergoing a health crisis that is unprecedented in recent history. The Covid-19 pandemic is extremely difficult and challenging for us all, and is a moment of truth for our nation and for our Group.

In the space of just a few days, we have had to reinvent our ways of working to protect the health and safety of our employees and subscribers, while continuing to carry out our underlying mission, namely ensuring that Internet and telephone connections are working at all times, guaranteeing data speeds and maintaining our networks. The French government has asked all of the country's telecom operators to do everything they can to ensure continuity of service throughout the duration of the Covid-19 crisis. And this is exactly what we are doing. This period is also a time for us to draw on our corporate values, notably solidarity. To this end we have put in place a range of specific initiatives both for our subscribers and the small-business subcontractors we work with.

What this crisis has done as well, though, is highlight the resilience of our Group and our ability to adapt. And that is why we are looking to the future with confidence.

Finally, we would like to thank you all for being at iliad's side and for continuing to form part of our incredible story.

Thomas Reynaud
Chief Executive Officer

Xavier Niel
Chairman of the Board of Directors

1

OVERVIEW OF THE GROUP AND ITS BUSINESSES

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 fixed-line narrowband Internet Service Provider to an integrated fixed and mobile Ultra-Fast Broadband operator, by focusing on deploying the latest technologies and proposing straightforward commercial offerings. In 2018, the Group expanded its geographic reach to Italy, where it recruited over 2.8 million subscribers in its first year of operation. In 2019, it continued its brisk pace of adds in Italy, with over 2.4 million new subscribers during the year, bringing the total subscriber base to some 5.3 million at end-2019. Consequently, in the space of 20 years, the Group has become one of the leading electronic communications players in France and Italy, with over 25 million subscribers, €5.3 billion in revenues in 2019 and more than 11,000 employees.

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.

The Group has two operating segments, effective since the launch of its mobile operations in Italy:

France

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

Italy

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

1.1.1 FROM AN INTERNET SERVICE PROVIDER TO AN INTEGRATED OPERATOR (FIXED AND MOBILE) – THE GROUP'S MILESTONES

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 (fixed and Mobile) in France.

FREE, LEADING FIBER PROVIDER IN TERMS OF NET ADDS

- **2019** Free becomes the leading fiber provider in terms of Net adds
- **2018** Launch of the Freebox Delta
- **2017** Free, France's first unlimited 4G plan
- **2016** TV by CANAL included in the Freebox Revolution package
- **2015** Launch of the Freebox mini 4K: the world's first 4K box running Android TV™
- **2014** Launch of France's first SIM card dispenser
- **2013** Free includes 4G in its Free Mobile plans
- **2012** Launch of Free Mobile: the broadest offering for half the price
- **2011** Free obtains 20 MHz for 4G
- **2010** Launch of the Freebox Revolution
- **2009** Free obtains a license to become France's fourth mobile operator
- **2008** Free launches technical assistance at home
- **2007** Free offers 100 Mbps optical fiber
- **2006** Launch of the Freebox HD
- **2005** Free offers up to 24 Mbps ADSL
- **2004** Freebox: free telephony for all
- **2003** Free launches free TV: first triple-play operator
- **2002** Freebox, the world's first triple-play box

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 enabled Free to win a large share of the dial-up market with relatively low advertising outlay compared with its competitors.

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, and was able to launch an attractively-priced but profitable dial-up plan.

With the October 2002 launch of Free's ADSL Broadband offering, and then its first Mobile plans launched in 2012, the Group has gradually established itself as a major integrated operator in the fixed (Broadband and Ultra-Fast Broadband) and Mobile segments of the French telecommunications market.

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 FTTH rollouts: key strategies for the profitable growth of the Group's fixed-line business

Local loop unbundling

The unbundling of the local loop is a technical operation which enables 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) means the Group can take full advantage of the density and quality of its own network and set up end-to-end management of the infrastructure 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 a Fiber network

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

The Fiber rollout is a logical extension of iliad's strategy of investing in the deployment of its own infrastructure with the aim of increasing its independence and profitability.

Rollout of a network of mobile masts

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

Rollout of a mobile network in Italy

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

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

1.1.2 SIGNIFICANT EVENTS OF 2019 AND KEY FIGURES

SELECTED FINANCIAL INFORMATION

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

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

Key figures for 2019

Group

- **Consolidated revenues up 9.0% to €5.33 billion.**
- **Return to growth for revenues in France (+3.0%), led by a good performance from Mobile** (revenues invoiced to subscribers up more than 9% year on year).
- **Revenues in Italy up almost 3.5-fold in the space of a year, coming in at €427 million.**
- **Higher profitability in France, with EBITDAaL up 5.5% to €1.9 billion.** EBITDAaL for the Group as a whole contracted 5.8% to €1.65 billion due to start-up losses in Italy.
- **€1.73 billion in profit for the period, up sharply on 2018** thanks to a good performance from France and the capital gain generated by the tower deals in France and Italy with Cellnex.
- **Capex up to €1.98 billion,** reflecting (i) the Group's major drive to increase its mobile coverage and bring fiber to all areas of France, and (ii) the fact that 2019 was the Group's first full year of operations in Italy, with a faster pace of mobile network rollouts.
- **A solid balance sheet structure, with a Leverage ratio of 2.18x at end-2019 (€3.6 billion in Net debt).**
- **A new dividend policy with a dividend set at €2.60 per share.**

France

2019 operational information:

- **Tangible results for the Group's transformation plan launched in 2018:**
  - **A record year for fiber: Some 777,000 new subscribers signed up to the Group's Fiber plans, giving it the highest number of Fiber net adds in France in 2019.** At end-December 2019, the Group's Fiber subscriber base totalled 1.76 million, a rise of nearly 80% in the space of 12 months,
  - **A 33,000 increase in the total Fixed subscriber base in 2019.** The recovery in Fixed subscriber numbers was particularly marked in the second half of the year, with a 64,000 gain compared with a 31,000 loss in the first half,
  - **394,000 Net adds for 4G offerings**, pushing the total 4G subscriber base up to almost 8.2 million at end-December – **ARPU invoiced to subscribers rose 11% year on year to an average of €10.2 in 2019**, demonstrating the success of the Group's strategy to gradually upscale its subscriber base. The loss of 128,000 subscribers in 2019 mainly concerned lower added-value plans, and the fourth quarter saw a return to net adds of mobile subscribers (+17,000);
- **Pursuit of the marked acceleration begun a year ago in rollouts of Ultra-Fast fixed and mobile networks,** in line with the Group's aim of being the Alternative operator of choice for latest-generation networks:
  - **Fixed:**
    - **Largest Fiber network out of France's three Alternative operators, with 13.9 million connectible sockets,**
    - **Intensified marketing of the Group's Fiber plans in less densely** populated areas, with an acceleration in commercial launches on France's public initiative networks (PINs). The Group's Fiber offerings are now available in all regions of Metropolitan France,
    - **Best Fiber speeds**, with average speeds of more than 460 Mbps download and 289 Mbps upload according to nPerf. In addition, the Group is the only operator in France to offer 10G Fiber technology and was the first to provide all of its subscribers with a theoretical average upload speed of up to 600 Mbps;
  - **Mobile:**
    - **Intensified, large-scale deployment of 700 MHz frequencies, enhancing the 4G experience:** some 8,800 sites were newly equipped to use 700 MHz frequencies in 2019, compared with 2,300 in 2018. At the same time, Free kept up its brisk pace of new mobile site rollouts, which was even faster than in 2018, with 2,535 new 3G sites added in 2019 (versus 2,354 the previous year), bringing the total number of sites in Metropolitan France to over 17,000 at the year-end. The Group's mobile network now covers more than 97.7% of the French population with 3G, and the 4G coverage rate is 95.7%,
    - **Best 4G speed out of France's three Alternative operators**, with an average download speed of 44 Mbps, according to nPerf. The strong performance of the Group's 4G network is reflected in the average monthly data usage per 4G subscriber, which was 13.9GB in 2019.

2019 financial information:

- **Revenue upturn in France (3.0% growth during the year),** confirming the positive results of the Group's transformation plan launched in 2018:
  - **2.7% increase in services revenues**, driven by the steady rise in Mobile revenues and the return to growth for Fixed revenues,
  - **Better trends for Fixed services revenues (up 0.4% for the year as a whole, and 3.4% in the fourth quarter).** This reflects the Group's new sales and marketing strategy, the fact that it is no longer dependent on price-slashed deals, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings,
  - **An excellent performance from the Mobile business, with a 9% year-on-year rise in revenues invoiced to subscribers (13.2% in the fourth quarter)**, stemming from a better subscriber mix, the fact that the Group is no longer dependent on price-slashed deals, automatic switches to standard pricing after a 12-month deal period on mobile plans, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings,
  - **Sales of devices up 9.4% to €229 million**, due to the combined impact of a sharp decrease in sales of mobile phones offset by sales of the Freebox Delta Player;
- **EBITDAaL for France up €99 million, or 5.5%, year on year.** The positive impacts of the better mobile subscriber mix, higher number of Fiber subscribers and increase in direct mobile network coverage were partially offset by fierce competition and higher costs related to the rollout of the Group's Fiber and Mobile networks;
- **Capex for France (excluding payments for frequencies) amounting to €1.6 billion, to support the Group's expansion of its Fiber and Mobile networks,** its Fiber subscriber connections, its outlay for launching the new Freeboxes and the large-scale switch-on of 700 MHz-compatible equipment.

Italy

- **Very strong pace of Net adds, with more than 2.4 million subscribers signed up during the year. Despite fierce competition, iliad Italia accelerated its subscriber recruitment in the fourth quarter of 2019, with over 740,000 Net adds.** By creating a go-to brand, iliad Italia achieved the most successful launch in Europe for a new entrant since that of Free Mobile in 2012;
- **Total subscribers topping the 5 million mark in the fourth quarter of 2019;**
- **€427 million in revenues in full-year 2019;**
- **A negative €253 million in EBITDAaL,** primarily reflecting (i) roaming costs due to the larger subscriber base and higher average data usage, and (ii) network costs related to iliad Italia's 4,000 equipped sites at end-2019, with the majority of these costs borne without initially leveraging any of the benefits that coverage brings;
- **€369 million in Capex (excluding payments for frequencies), reflecting the expansion of the Group's mobile network in Italy.** The Group equipped 2,500 new sites during the year, bringing the total number of equipped sites to over 4,000 at end-2019. The number of active sites was over 2,000 at December 31, 2019. By the end of the year, the Group had paid out the full amount of around €450 million due for the purchases of frequencies from Wind Tre, of which €213 million was paid in 2019.

1

KEY FINANCIAL INDICATORS

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

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

BUSINESS ACTIVITIES/KEY OPERATING INDICATORS

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

(1) 50/100 GB for non-Freebox subscribers.
(2) See glossary for definition.

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-2019, the Group was an integrated player in France operating in the Internet access market (Fixed business) and the mobile telephony market (Mobile business), as well as in the mobile telephony market in Italy.

1.2.1.1 The fixed Internet access market in France

GENERAL INFORMATION ABOUT THE FRENCH BROADBAND AND ULTRA-FAST BROADBAND MARKET

	2019 *(at Sept. 30, 2019)*	2018	2017
Revenues *(in € millions)*	**8,800** *(11,744 on a 12-month rolling basis)*	**11,795**	**11,796**
Number of subscriptions *(in millions)*	**29.5**	**29.1**	**28.4**
of which Broadband	*18.9*	*20.1*	*21.5*
of which Ultra-Fast Broadband	*10.6*	*9.0*	*7.0*

Source: ARCEP

The total number of Broadband and Ultra-Fast Broadband subscriptions in France rose by 0.4 million in the first nine months of 2019. With an aggregate 29.5 million Broadband and Ultra-Fast Broadband subscribers at September 30, 2019, 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 September 30, 2019, 64% of subscriptions were for standard Broadband. Over the past several years, growth in the number of Ultra-Fast Broadband subscribers has picked up pace and this trend looks set to continue in the years to come.

The number of Ultra-Fast Broadband subscriptions in France rose by 1.6 million in the first nine months of 2019 to a total of 10.6 million at September 30, 2019, with this sharp increase reflecting the acceleration in fiber rollouts and the use of FTTH technology. At September 30, 2019, Ultra-Fast Broadband subscriptions made up more than 36% of total Internet subscriptions in France, up by more than 6 points in the space of nine months.

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 access market amounted to €8.8 billion in the nine months ended September 30, 2019 (€11.7 billion on a 12-month rolling basis), on par with the previous year.

Players in the fixed Internet access market in France

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

- Internet service providers associated with telecommunications operators: Orange, SFR and Bouygues Telecom;
- independent local access providers;
- 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

1

GENERAL INFORMATION ABOUT THE FRENCH MOBILE TELEPHONY MARKET

	2019 *(at Sept. 30, 2019)*	2018	2017
Revenues *(in € millions of euros, excluding revenues from M2M cards)*	**9,803** *(13,066 on a 12-month rolling basis)*	**12,995**	**12,860**
Number of active SIM cards *(in millions)* **– Metropolitan France only excluding M2M***	**74.8**	**73.5**	**72.1**
o/w locked-in plans	*20.9*	*20.1*	*19.7*
o/w no-commitment plans	*46.5*	*45.8*	*43.2*
o/w active prepaid cards	*6.9*	*6.9*	*7.7*
4G active customer base *(in millions of SIM cards)*	**52.9**	**47.7**	**41.6**
Average bill *(in € per month – on a rolling annual basis)*	**14.8**	**14.9**	**15.1**

* *Machine to machine communications.*
Source: ARCEP

At September 30, 2019, the mobile telephony market in Metropolitan France counted 74 million users (corresponding to SIM cards in use excluding M2M), up by 1.4 million compared with one year earlier [(1)], and the penetration rate was around 114.1%.

The key facts and figures for the mobile networks services market in France in the first nine months of 2019 were as follows:

- balanced growth in terms of no-commitment and locked-in plans. Increases in the numbers of no-commitment and locked-in plans, up 0.7 million and 0.8 million respectively;
- the number of prepaid cards in the third quarter of 2019 remained stable year on year, edging down by just 0.8 million;
- continued very strong development of 4G technology. In the third quarter of 2019, the number of people who had used 4G networks to connect to the Internet in the past three months was 53 million, up by 5.3 million in the space of six months and representing over two-thirds of SIM cards in use;
- a sharp increase in new usages:
  - higher use of roaming-out communications: in the third quarter of 2019, roaming data traffic had increased by 61% in a year, and roaming calls had increased by 14% over the same period,
  - another steep rise in mobile data usage: in the third quarter of 2019, average monthly data usage per subscriber was more than 8 GB, almost 50% higher than for the same period of 2018;
- a contraction in "traditional" voice calls and text messages:
  - a 7% year-on-year decrease in the number of text messages in third-quarter 2019, to an average of less than 180 text messages per user per month,
  - a slight decrease in the volume of call minutes used: in the third quarter of 2019, average monthly voice traffic was three hours and ten minutes per user per month, very similar to previous quarters.

The Group's launch in January 2012 of its Mobile business (see 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 EI Telecom, La Poste Mobile and Prixtel, which represent a total 7.9 million SIM cards and hold a 10.9% share of the market.

(1) Source: ARCEP.

1.2.1.3 The mobile telephony market in Italy

GENERAL INFORMATION ABOUT THE ITALIAN MOBILE TELEPHONY MARKET

	2019 [(1)]	2018	2017
Revenues *(in € billions)*	N/A	14.97	15.80
Number of SIM cards *(in millions)* **– excluding M2M** [(2)]	80.6	82.6	83.9
o/w plans	*10.9*	*11.5*	*12.1*
o/w prepaid cards	*69.7*	*71.1*	*71.8*
SIM cards with Internet access *(in millions)*	54.6	54.5	52.2
Average revenue per user *(in €)*	N/A	252	269

(1) At Sept. 30, 2019
(2) Machine to machine communications.
Source: AGCOM. (2019: at Sept. 30 2019 from the osservatorio Agcom. 2017 and 2018: data from the last Relazione annuale Agcom and Osservatorio Agcom 1/2019 updated as of Dec. 2018).

At September 30, 2019, the mobile telephony market in Italy counted 80.6 million users (corresponding to SIM cards in use excluding M2M), down by 2.7 million compared with one year earlier. Quarter on quarter, the number of SIM cards (voice and voice and data) was 0.9 million lower [(1)].

The mobile phone penetration rate in Italy was 133% [(2)] at September 30, 2019.

The key facts and figures for the mobile networks services market in Italy in the first nine months of 2019 [(3)] were as follows:

- ongoing growth for the prepaid card segment to the detriment of plans. The number of plans continued to decrease (down 0.6 million), and although the number of prepaid cards was lower than in the previous year (down by 2.1 million), they still represented 86.5% of the total standard (non-M2M) SIM cards on the market;
- a stable number of SIM cards with access to Broadband mobile:

  In the third quarter of 2019, although the number of SIM cards with Internet access followed the overall market trend (decreasing 2.7 million year on year), they still represented 70% of total SIM cards;
- a very steep rise in the volume of mobile data traffic:
  - in the nine months to September 30, 2019 the volume of mobile data traffic was 60.4% higher than in the equivalent period of 2018,
  - in the third quarter of 2019, average monthly data usage per subscriber was 6.31 GB, up 60% 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 2019, just a year and a half after its commercial launch, iliad Italia already held 5.6% of the market [(4)].

Mobile telephony players in Italy

The Group's main competitors in the Italian mobile telephony market [(4)] are:

- the other three mobile operators: Telecom Italia (TIM), Vodafone and Wind Tre, which together accounted for 67 million SIM cards in third-quarter 2019, and held an 83.2% market share;
- mobile virtual network operators (MVNOs), such as Poste Mobile, Fastweb, Lycamobile, Coop Voce and Tiscali. Together, these MVNOs represented a total 9 million SIM cards in third-quarter 2019 and held an 11.2% share of the market. The largest is Poste Mobile, which had a 5.3% market share at September 30, 2019. iliad Italia had therefore overtaken this MVNO's share of the market at that date.

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

The statements made in this Universal 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) Source: AGCOM.

(2) Data obtained from the AGCOM database (updated at September 30, 2019) and ISTAT.

(3) AGCOM data updated at September 30, 2019.

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

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 fixed and mobile offerings, since its creation in 1999, Free has positioned itself as a major player in the Internet access market in France. The brand 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 offerings, in less than one year, iliad Italia has become a recognized brand in Italy, with a brand awareness rate of over 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 fixed and mobile networks enable it to design sustainable service offerings that are straightforward, technically sophisticated and attractively priced. Its fixed and mobile Broadband and Ultra-Fast Broadband offerings are among the most competitively priced in their respective markets, while providing best-in-class service.

An ultra-fast integrated national network suited to the needs of both the Fixed 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 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 high quality services and fast 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 offerings in both its Fixed 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 using 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 with 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. Thanks to its investments in its fixed and mobile networks, the Group is in full control of its services, which gives it all of the capacity and resources it needs to react to changes in usages and the competitive environment.

Control over distribution

The Group is one of the rare ISPs in Europe to have established itself in the fixed-line market without relying on a physical distribution network, and it has long-standing, unique know-how in online distribution. Since the launch of its Mobile business in France and Italy it has also 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 of subscribers seeking the more conventional physical store.

Control over subscriber relations

In France, 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 75% 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 fixed-line 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 pricing 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 fixed 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.

Fixed 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 or 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.

iliad's FTTH rollout is a logical extension of its 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 fixed-line 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 fixed 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 antennae using dedicated fiber links between its mobile sites.

Innovation

Innovation is part of the iliad Group's DNA. Since launching its very first fixed-line 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 VDSL2 into its offerings 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 fixed and mobile offerings (4G, FreeWifi, Femtocells, and more).

Sales and marketing innovation

The Group's second innovation is its sales and marketing model which enabled it to enter and become a major player in the fixed-line market. The Group has won both fixed-line and mobile subscribers by proposing straightforward, no-commitment offerings which it constantly enriches with new services. In the Fixed business, the Group regularly proposes new television services in its basic offering, has integrated VDSL 2 at no extra cost, includes calls to certain destinations and much more. And 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/month 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 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 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 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 connected objects. And for the first time, the box itself has become a connected 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), providing 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 – 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-2019 the subscriber base was 5.3 million, representing a market share of almost 7% achieved only a year and a half 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 FIXED 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 strategy based on a more rational pricing and promotions policy (for example, offering an automatic discount for the first 12 months on its Broadband and Ultra-Fast Broadband plans other than the premium plan). Building on this new approach, in 2019 the Group focused its sales and marketing strategy on (i) differentiation through innovation, with the initial positive effects feeding through from the December 2018 launch of the Freebox Delta and the Freebox One, and (ii) fiber, where its significant investments over the last ten years drove it to record the highest number of net adds on the French market in 2019, cementing its status as France's leading alternative Fiber operator.

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

	Freebox Crystal	Freebox mini 4K	Freebox Revolution	Freebox One	Freebox Delta S	Freebox Delta
INTERNET						
Optical Fiber		✓	✓	✓	✓ (10 GB EPON Fiber)	✓ (10 GB EPON Fiber)
xDSL+4G					✓	✓
ADSL2+	✓	✓	✓	✓	✓	✓
VDSL2		✓	✓	✓	✓	✓
WI-FI	✓	✓	✓	✓	✓	✓
TV						
Freebox TV (more than 220 channels)	Optional	✓	✓	✓	✓	✓
Netflix Option		Optional	Optional	✓	✓	✓
Amazon Prime					✓	✓
TV by CANAL Panorama (& myCANAL)			✓		✓	✓
4K-compatible		✓	Optional	4K HDR	4K HDR	4K HDR
250 GB storage			250 GB	1 TB (optional)	1 TB (optional)	1 TB (optional)
Blu-Ray™ player			✓			
Catch-up TV	Optional	✓	✓	✓	✓	✓
VOD access option	Optional	✓	✓	✓	✓	✓
SOUND						
Devialet sound system						✓
VOICE ASSISTANT						
Amazon Alexa					✓	✓
OK Freebox					✓	✓
Google Assistant		✓				
CONNECTED HOME						
Home automation system				✓	✓	✓
Security package option					Optional	Optional
UNLIMITED CALLS						
To more than 110 fixed-line destinations	✓	✓	✓ (1)	✓ (1)	✓ (1)	✓ (1)
To mobiles in Metropolitan France and the overseas departments Option	Optional					
BOOKS, NEWSPAPERS AND MAGAZINES						
Bouquet Cafeyn by LeKiosk						
Youboox One (free until Jan. 31, 2020)	x					
MONTHLY PRICE						
First 12 months	€9.99	€14.99	€19.99	€29.99	€39.99	€49.99
After 12 months	€24.99	€34.99	€44.99	€39.99	€39.99	€49.99

(1) + 5 hours to Algeria and Tunisia

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 fixed-line speeds, so subscribers can have up to 10 times faster speeds than when using ADSL alone;

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

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

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

B2B offerings

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

- **Hosting services,** which correspond to providing dedicated servers to private individuals and SMEs that wish to secure their data. This service is invoiced based on a monthly or annual subscription depending on the type of offer;
- **Colocation services,** which consist of providing physical space in a datacenter, as well as the associated electrical capacity, in order to house bays and servers that generally belong to end-customers;
- **Cloud computing,** which is a model enabling convenient, on-demand network access to a shared pool of configurable computing resources. The Scaleway offering provides such access, with small virtual servers that can be scaled up to dedicated physical servers.

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

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

1.3.1.2 Manufacturing operations for the Fixed 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 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 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 most popular Freebox versions are as follows:

Freebox mini 4K 	Launched in March 2015, the Freebox mini 4K made Free the first operator in the world to offer an ADSL/VDSL/FTTH box compatible with 4K technology (Ultra High Definition) and running Android TVTM. 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 the powerful dual-core A15 processor in its Player, which runs at 1.5 GHz and has 2 GB of RAM. Android TVTM gives Freebox mini 4K subscribers access to a universe of content and applications specifically developed for TV, as well as to Google Cast so they can easily transmit directly on their TV content from 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 Revolution 	Launched in December 2010, the **Freebox Revolution** comprises 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 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. 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-RayTM 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 Delta 	Launched in December 2018, the **Freebox Delta reflects a completely rethought approach** to the notion of a box with a Server for Internet and a Player for TV. The Server is the first in France to offer 10G 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, 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 produces the perfect sound experience, both in terms of hardware (six speakers and Dolby) and software, thanks to SPACETM 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.

1

1.3.2 THE MOBILE BUSINESS IN FRANCE

1.3.2.1 Presentation of the Group's offerings

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

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

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

The Group also has a special version of its Free Mobile Unlimited 4G Plan – the Free 4G Series Plan – which costs €9.99 per month for 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 spreading the installments (four interest-free installments or 24 installments, depending on the model);
- renting a phone: subscribers can rent high-end smartphones for a minimum of 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €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

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

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

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

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

	Frequency portfolio at end-2019	Frequency portfolio at end-2024
700 MHz	2 x 10 MHz	2 x 10 MHz
900 MHz	2 x 5 MHz	2 x 8.8 MHz
1.800 MHz	2 x 15 MHz	2 x 15 MHz
2.1 GHz	2 x 5 MHz	2 x 14.8 MHz
2.6 GHz	2 x 20 MHz	2 x 20 MHz
TOTAL	**2 X 55 MHZ**	**2 X 68.6 MHZ**

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

Rollout of a network of mobile masts

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

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

- **the opening of over 2,500 new 3G sites,** bringing the Group's total number of 3G sites to 17,000 at end-2019 and giving it a coverage rate of 97.7% of the French population;
- **ongoing deployment of 4G technology.** This has been a priority for the Group ever since it launched its Mobile business. And 2019 was no exception, with (i) new 1,800 MHz frequencies made available at over 3,100 additional sites, and (ii) the deployment of 700 MHz frequencies at some 8,800 additional sites across France. The continued deployment of these new frequencies during 2019 enabled the Group to increase its 4G coverage to 95.7% at the year-end and to strengthen its 4G indoor quality. At December 31, 2019, the Group had more than 14,800 4G sites;
- **continued investment in the fiber backhaul network for mobile sites.** In view of ever-faster Internet speeds and the growing number of 4G users, the interconnection capacity of mobile sites is of critical importance to operators. In order to be able to offer its subscribers the best possible speeds, the Group has decided to prioritize the use of fiber for connecting its sites. As a result, at December 31, 2019, 93% of the Group's sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds;
- **further efforts to develop the shared passive mobile infrastructure offering** with other operators (see the section on the strategic industrial partnership with Cellnex).

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

The depreciation/amortization periods applied for the main assets brought into service are as follows:

- licenses: between 15 and 19 years;
- general equipment: 10 years;
- mobile technical equipment: 6 and 18 years;
- other equipment: 3 to 5 years;
- other assets: 2 to 10 years.

Strategic industrial partnership with Cellnex

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

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

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

1.3.3 THE MOBILE BUSINESS IN ITALY

1.3.3.1 Presentation of the Group's offerings

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

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

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

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

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

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

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, 11 and 11 Pro). With a view to being as transparent as possible, iliad Italia offers phones separately from its mobile subscriptions, which means that subscribers can opt for whichever plan and phone they prefer, or can choose not to purchase a phone at all. 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 operations

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 iliad a balanced portfolio of 2 x 35 MHz (duplex) frequencies in Italy, comprising:

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

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

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

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

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

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

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

In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the 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 has notably involved:

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

Strategic industrial partnership with Cellnex

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

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

1.3.4 SUBSCRIBER RELATIONS AND PHYSICAL DISTRIBUTION NETWORK IN FRANCE

1.3.4.1 Support services and subscriber relations in France

The Group's fixed-line and mobile subscribers in France 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 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, iliad – 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 lodged 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 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 user name and password.

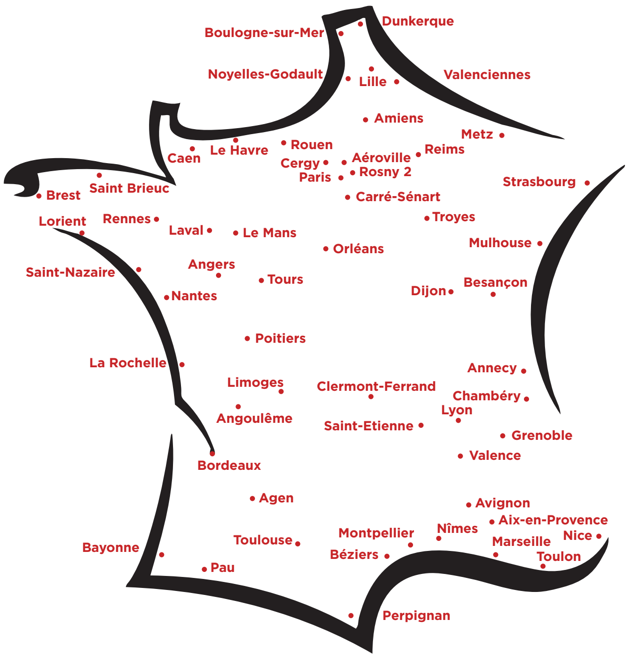
All of the above measures contribute to the Group's overall objective of constantly enhancing and developing the services offered to subscribers in order to effectively meet their existing requirements while at the same time anticipating their future needs. With the same aims in mind, the Group's internal 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-2019, the Group had a network of 81 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 fixed-line 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, 2019, 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 in Italy are provided with technical support and after-sales services through a telephone helpdesk platform run by Group service providers. 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 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 or 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 14 stores in major Italian cities,
  - a network of nearly 1,000 SIM card dispensers ("Simboxes") in 300 kiosks located in busy catchment areas. These dispensers 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 described in Section 1.2.3 above, the Group has a constant and pro-active policy of investing in its networks in France and Italy in order to offer subscribers the best connectivity.

The Group's networks are based on:

- backbone transmission infrastructure;
- local fixed loops obtained through unbundling and the fiber rollout;
- the rollouts 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.

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.

At December 31, 2019, the Group's backbone network comprised over 160,000 linear km of optical fiber, including almost 26,000 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 FIXED-LINE NETWORKS AND LOCAL LOOPS

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 fixed-line 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 colocation 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 139,000 km of fiber, the Group has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. It draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In 2019, it continued to extend its coverage by opening 1,300 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to 14,600 throughout France at the year-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with 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 operating and capital expenditure for these two options differ significantly.

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 fixed networks

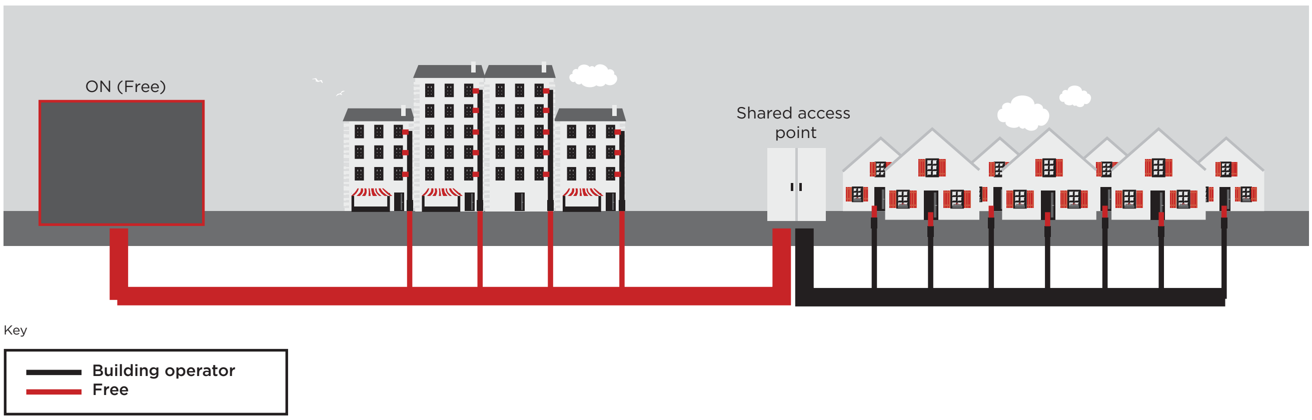
Optical fiber – which has long been used by electronic communications operators for long-distance links – has established itself as the fastest, most reliable and most powerful transmission technology available. It enables data to be transmitted at the speed of the light signal passing through the fiber 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.

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

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

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

In decision no. 2013-1475 dated December 10, 2013, ARCEP issued a list of 106 municipalities that it classified as "very densely populated areas". In these areas, each operator is responsible for rolling out its own network up to shared access points which are generally located inside buildings. The in-building cabling is then shared by the operators.



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 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.

Rollout of optical fiber local loops 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 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.

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

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

b) Public Initiative Networks (PINs) 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.

Strategic partnership with InfraVia

The Group was the first operator, as of August 2012, to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. Since 2017, it has also entered into several framework agreements in areas covered by PINs, with the operators marketing FTTH lines in those areas (Axione, Orange and Covage, for example) as well as directly with a number of public bodies (including Auvergne Très Haut Débit, Vendée Numérique and others).

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

FTTH progress report at December 31, 2019

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

- the number of connectible sockets increased by nearly 45% over the year and totalled 13.9 million at end-December 2019, representing almost one in every two households in France (versus 9.6 million one year earlier). The Group's fiber offerings are now available in roughly 4,400 municipalities (1,100 at end-2018). In addition, after completing its horizontal coverage in very densely populated areas in 2018, the Group almost finished its vertical connections in 2019, with a ratio of around 90% at the year-end;
- the Group's FTTH subscriber base grew by almost 80% in 2019, and stood at 1,760,000 at the year-end. Fourth-quarter 2019 was a record quarter in terms of connections, with 245,000 new subscribers. The sharp year-on-year increase was due to three main factors:
  - French households' growing appetite for FTTH technology,
  - gradual commencement of marketing 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 strong acceleration in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. With 777,000 new FTTH subscribers in 2019, the target of topping the 500,000 adds mark for the year as a whole was already reached by the third quarter. In view of this, the Group is standing by its objectives of:

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

1.4.3 ROLLOUT OF A THIRD- AND FOURTH-GENERATION MOBILE COMMUNICATIONS NETWORK

1.4.3.1 Rollout of a 3G/4G/5G mobile communications network in France

Mobile network infrastructure is a component of the Group's all-IP NGN which allows it to:

- absorb mobile traffic without increasing transmission capacity by avoiding SDH transmission networks and sharing infrastructure with fixed services (Internet, TV and telephony);
- share existing interconnections with other operators to carry calls from and to Free Mobile subscribers;
- guarantee the quality of voice services, by giving voice traffic priority over Internet and TV traffic.

The Free Mobile network is based on assets and know-how built up by the iliad Group over twenty years of working in electronic communications and multimedia services, particularly in the following domains:

- infrastructure and network rollouts;
- R&D for telecoms equipment and multimedia applications;
- information systems, particularly for invoicing, subscriber relations and the supply chain.

The network is based on a comprehensive structure with infrastructure shared across the Group. This means that iliad has:

- national transmission capacity based on a network of optical fibers lit with DWDM;
- an existing fixed and mobile voice network, with interconnections with all of the main French operators and international transit operators;
- a presence on all the main Internet traffic exchange points in Europe and the United States, enabling service quality to be controlled;
- a network of fiber local loops currently being rolled out, allowing mobile sites in very densely populated areas to be connected up with very high speeds;
- fiber dedicated to mobile site connections, deployed between subscriber connection nodes/optical nodes and mobile equipment;
- over two-thirds of its mobile sites fiber connected, with the rest mostly connected via microwave transmission.

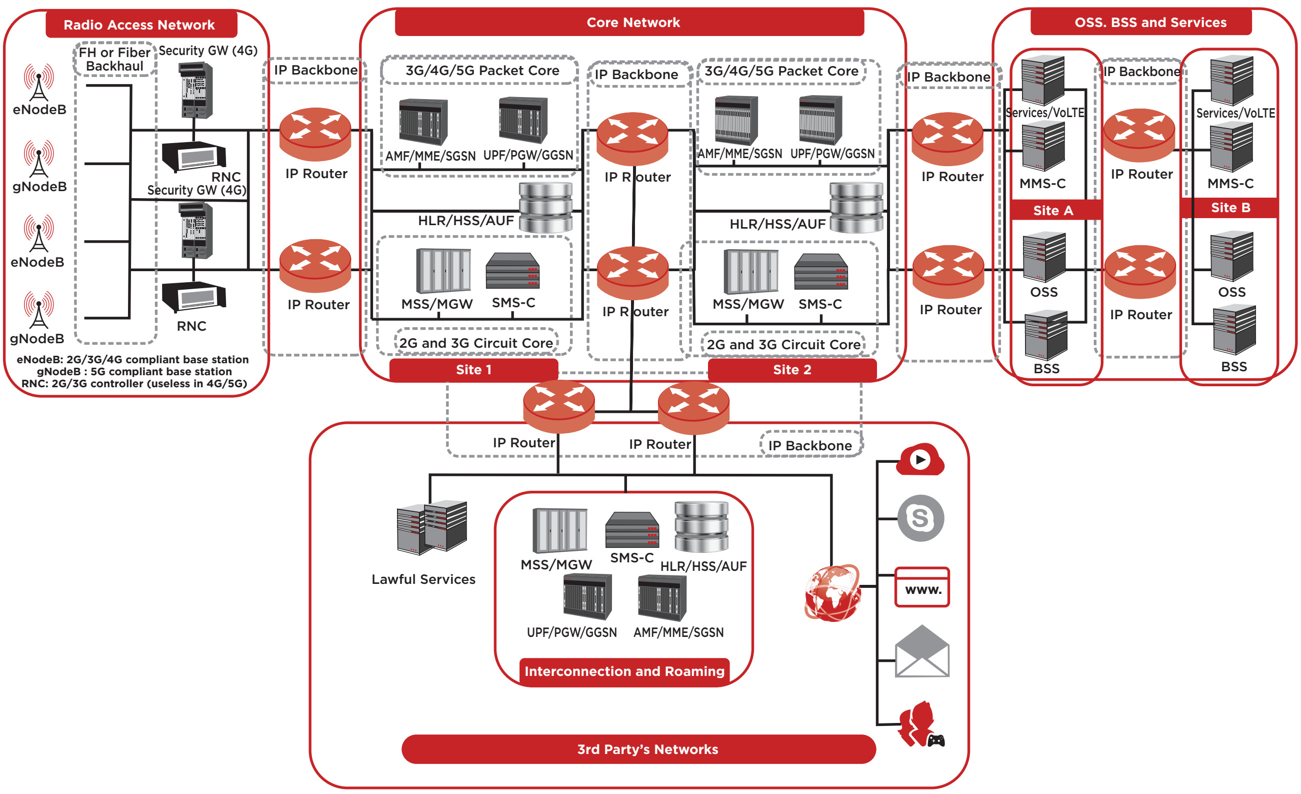
Free Mobile's 4G network has been grafted onto its 3G network, as the architecture choices for the 3G network were specifically made so as to facilitate upgrading to a 4G network. Consequently, the architecture of Free Mobile's 4G network is very similar to that of its 3G network, and is based on the same technical elements.

Free Mobile's 5G network will initially be grafted onto its 4G network via a Non Stand Alone ("NSA") architecture enabling rapid rollout of 5G, but with limited functionalities. Subsequently, when the equipment is ready and the 5G mobile network is sufficiently deployed, the architecture will be upgraded to a Stand Alone ("SA") structure so that it can offer all of the functionalities of 5G technology.

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 NETWORK



Free Mobile's 3G/4G mobile network is therefore a smooth fit with the fixed 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 fixed 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 fixed network,
  - the equipment for the mobile core network is located in the infrastructure (sites and secured rooms) shared with the fixed network.

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 four 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 the residual areas where the Free Mobile network rollout has not yet been completed.

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 been rolling 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 (MultiOperator 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, 2019, more than 4,000 mobile sites had been equipped, of which 2,000 had been activated;
- leveraging synergies with the 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 2019 consolidated financial statements in Chapter 6 of this Universal Registration Document.

1.5 RESEARCH & DEVELOPMENT

1.5.1 RESEARCH AND DEVELOPMENT

The 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, 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 the provision of services to its subscribers, as well as for the Linux-based software applications that are used by all Group companies.

In 2019, the Group spent €20.0 million on R&D related to its xDSL, fiber and mobile activities.

1.5.2 INTELLECTUAL PROPERTY

Patents

At the date this Universal 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 Universal 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 contained 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.

The European Electronic Telecommunications Code, resulting from the EU Telecoms Package reforms and adopted on December 17, 2018, is currently being transposed into French law. However, this new EU Code is not expected to significantly change France's national regulatory framework, particularly with respect to regulations on unbundling and fiber. In addition, the price caps on intra-EU calls in the retail market, introduced by another EU regulation adopted on December 17, 2018, came into force on May 15, 2019.

During 2019, the French parliament adopted Act no. 2019-810 dated August 1, 2019 aimed at protecting France's defense and national security interests in the operation of mobile radio networks. This Act created a permit system for operating network equipment, notably radio network equipment. This will lead to additional delays and uncertainty in validating new equipment brought to market by manufacturers.

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's website. The main ARCEP decisions currently in force that are relevant to the iliad Group are the following:

- concerning the regulation of fixed-line and mobile termination charges: decision 2017-1453 dated December 12, 2017 on (i) determining the relevant markets for voice call terminations on fixed 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 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, 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 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 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 amendments to the IFER tax regime, the price of unbundling services was set at €9.28 per month for 2019, which is lower than the original cap.

A process for revising these decisions was launched by ARCEP in 2019 when it drew up its "scoreboard and outlook" document for the market, with the new decisions expected to be adopted in 2020.

Also during 2019, appeals were heard involving iliad Group subsidiaries that were parties in two settlement decisions (described below) issued by ARCEP in 2018. The settlement decisions are available on ARCEP's website.

By way of decision 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 appealed this decision, but the appeal was rejected in June 2019.

By way of decision 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. Orange's appeal was then rejected in September 2019 and it has not appealed the case further to the French Court of Cassation.

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 no. 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. ARCEP 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 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 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 fixed and mobile operations. This rate was set at 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.

On September 13, 2019, ARCEP issued decision no. 2019-0939-RDPI which gave notice to Free Infrastructure to comply with its obligations in terms of the completeness of FTTH rollouts outside very densely populated areas, and providing information to third-party operators about the fiber connections up to and around certain buildings.

Roaming and shared use of mobile networks

In Opinion no. 13-A-08 relating to the terms and conditions of mobile network-sharing and roaming, the French antitrust authorities recommended that the national roaming agreement between Orange and Free Mobile should not be extended beyond 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"), 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 fixed-line offering in areas where the fixed network is insufficient, and market a multi-operator indoor coverage offering. Free Mobile has published a list of its sites that are undergoing maintenance and has also published a fixed 4G offering. However, it has not yet officially released its indoor 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.

In parallel with the launch of the New Deal, ARCEP's powers to impose sanctions, as provided in Article L. 33-13 of the French Post and Electronic Communications Code, were strengthened under Act no. 2018-1021 of November 23, 2018, notably in relation to financial sanctions that can be imposed if operators do not comply with their coverage obligations.

During 2019, 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, concerning compliance with their obligations under the New Deal.

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. 2016-1,526 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. 2016-1,526 dated November 22, 2016) and 8.8 MHz in the 900 MHz band (ARCEP decision no. 2015-0661 dated June 25, 2015) in 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.

Lastly, licenses for the 3.5 GHz frequencies used for 5G will be allocated during the course of 2020, following a spectrum auction in which the iliad Group will take part.

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 fixed-line 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 2011-1012 dated August 24, 2011, ARCEP has the power to arbitrate any disputes. Additionally, by way of decision no. 2012-0366 dated March 29, 2012, as amended by decisions no. 2014-0433-RDPI and no. 2017-1492-RDPI, ARCEP introduced a process whereby at six-monthly intervals, it can collect information on Internet connections from Internet service providers and the main providers of public online communication services.

Lastly, in 2019, Free Mobile was a party in a decision issued by ARCEP (decision no. 2019-1515 RDPI dated October 17, 2019) concerning the withdrawal of an application for arbitration. In this decision, ARCEP placed on record that Lleida had withdrawn its arbitration application in relation to a dispute with Free Mobile concerning the agreement on SMS interconnections between the Lleida and Free Mobile networks.

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 fixed 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 fixed-line 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 fixed 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: fixed-line 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 fixed 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 2017, on November 27, 2017 a government order was issued stating that Orange had been selected as the operator to provide – for a three-year period – the components of the universal service in France, namely connection to the telephone network and service.

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".

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 electronic communications networks 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 Œuvres 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 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 2001/29 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 Œuvres 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 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 EU 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 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 fixed 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 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 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

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 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. And on June 1, 2019, an implementing decree dated May 29, 2019 came into force relating to the new French Personal Data Protection Act. This decree is the final stage of the process to bring French national law into line with the GDPR. Its main aims are to clarify France's legal framework in this area and to ensure that national regulatory provisions are consistent with EU law and the French legislation introduced in application of EU law.

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 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. Fastweb, a telecom operator, initially appealed this European Commission decision but withdrew its appeal on July 2, 2019.

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*) 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 S.p.A. These frequencies became available in line with the timeframe specified in the above-mentioned July 1, 2016 agreement and all of the licenses had been transferred by December 31, 2019. Consequently, iliad Italia S.p.A. now holds the licenses for the following frequencies:

- 5 MHz in the 900 MHz band: this license expires on 31 December 2021 but AGCOM Resolution no. 541/08/CONS provides that it may be extended until December 31, 2029 if requested by the license holder. On July 31, 2019, iliad Italia submitted a request to the relevant authorities for an extension to this license;
- 10 MHz duplex in the 1,800 MHz band, expiring on December 31, 2029;
- 10 MHz duplex in the 2,100 MHz band. This license now expires on December 31, 2029 but the authorities need to set the fees applicable for its extension from January 1, 2022 to December 31, 2029;
- 10 MHz duplex in the 2,600 MHz band, expiring on December 31, 2029.

As the Group conducts wholesale (call termination) and retail services (to end-customers) in Italy, it is subject to all of the regulatory and legal provisions applicable in the Italian market. These are 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 and Electronic Communications Code ("ECC" - legislative decree no. 259/2003 and its successive amendments).

At EU level, 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. The Italian government has provisionally approved the 2019 European Delegation law, which is required for this transposition and sets out the principles that the government will need to follow.

Mobile networks and services

5G frequencies

In application of the Italian Finance Act (Act no. 205) dated December 27, 2017, on February 26, 2018, 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, 3.6-3.8 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 3.6-3.8 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 January 22, 2019, following a public consultation, AGCOM issued Resolution no. 599/18/CONS concerning the sixth cycle of analysis of the market for mobile network voice termination services. In this Resolution, AGCOM confirmed:

- the identification of 12 operators that supply or will supply voice termination services on their mobile networks;
- the obligation for the 12 identified operators to provide a Reference Interconnection Offer ("RIO") for their networks;
- the use of the cost model prescribed in Resolution no. 60/11/CONS for setting the prices of termination services for the years 2018 to 2021, using symmetric pricing for all identified operators;
- the obligation to control prices for the supply of interconnection kits, and the removal of the cost accounting obligation imposed on Telecom Italia, Vodafone and Wind Tre as a result of AGCOM Resolution no. 497/15/CONS;
- the imposition of a price control obligation only for calls from the European Economic Area according to the following plan:
  - 2018: 0.98 euro cents/min,
  - 2019: 0.90 euro cents/min,
  - 2020: 0.76 euro cents/min,
  - 2021: 0.67 euro cents/min;
- for calls from non-European countries that have regulated prices, the obligation for the identified operators to use those regulated prices as the caps for the prices of their services.

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 fixed 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

HoldCo, which is controlled by Xavier Niel, iliad's majority shareholder, directly and indirectly controls (via HoldCo II) the group of companies comprising iliad and the subsidiaries iliad controls (the iliad Group).

Its control was increased substantially – by almost 20% – following iliad's capital increase, to which Holdco II subscribed on January 29, 2020 in order to finance the share buyback offer that was completed on January 31, 2020. In this context and with the aim of providing iliad with a governance structure that best serves its objectives, the Group's governance organization was reviewed in the first quarter of 2020. HoldCo assumes the role of a holding company that steers the Group, defining its general policy and strategic priorities, as well as identifying areas for development. To this end, it has set up a strategy committee, chaired by Xavier Niel and comprising the Group's main executives, and contributes to developing the Group's strategy and overseeing its implementation. Relations between HoldCo and iliad are governed by a management agreement, which also outlines the management services rendered by HoldCo, particularly those related to developing iliad's strategy and monitoring its implementation.

The iliad Group has 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 consolidated financial statements (Section 6) for a list of the Group's consolidated companies at December 31, 2019 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 iliad and its subsidiaries mainly consist of (i) billings to subsidiaries for services and support provided in the areas of training, financial management, accounting, legal matters etc. and (ii) the organization of financing.

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

The analysis below sets out the main risk factors that could, at the publication date of this Universal Registration Document, have an adverse impact on the Group, its business, financial position, earnings and ability to meet its objectives. These risk factors are specific to iliad and are grouped into five categories. Within these categories, the risks are ranked in decreasing order of net criticality. The net criticality of the risk factors are determined based on a combination of the probability of the risks actually occurring and their severity level, after taking into account the risk management measures put in place by the Group. iliad's assessment of this order of importance may be changed at any time, notably if any new facts or circumstances arise (either external or specific to the Group).

The risks presented are not the only ones to which the Group is exposed. Other risks of which the Group is not currently aware or which it does not consider as being significant at the publication date of this Universal Registration Document, could also have an unfavorable effect on its business, financial position, earnings and ability to meet its objectives. Investors are advised to give careful consideration to all of the risks set out below as well as all of the information contained in this Universal Registration Document.

SUMMARY TABLE

Risks	Probability of occurrence	Severity level	Net criticality
Risks related to the Group's operations			
Cyber-security and service interruption risks	high	moderate	high
Risks related to network failure, saturation or interruption	high	moderate	moderate
Risks related to total network unavailability	low	high	moderate
Risks related to network rollout delays	low	moderate	moderate
Risks related to dependence on main suppliers	moderate	moderate	moderate
Fraud risks	moderate	low	moderate
Risks related to investments outside France	moderate	low	moderate
Risks related to public health and the effect of electromagnetic waves	low	low	low
Risks related to the Covid-19 pandemic	high	moderate	moderate
Risks related to the Group's industry			
Competition risks	high	high	high
Risks related to dependence on the incumbent operator	moderate	high	high
Risks related to the Group's organizational structure			
Risks related to dependence on iliad's principal shareholder	high	moderate	moderate
Risks related to retaining key personnel	moderate	moderate	moderate
Financial risks			
Liquidity and financing risks	low	high	moderate
Risks related to asset impairment and provisions	low	moderate	moderate
Legal risks			
Regulatory compliance risks	high	high	high
Data protection risks	average	high	high
Risks related to liability for illicit content	high	low	moderate
Risks related to disputes	moderate	moderate	moderate

2.1 RISKS RELATED TO THE GROUP'S OPERATIONS

2.1.1 CYBER-SECURITY AND SERVICE INTERRUPTION RISKS

Interruptions of services provided to subscribers may occur as a result of (i) cyber-attacks (on the Group's networks or information systems), such as hacking, viruses or any other form of intrusion, (ii) hardware or software failures, (iii) human error, (iv) sabotage of critical hardware or software, or (v) performance failure by a critical supplier. Out of these interruption risks, telecommunications operators are particularly exposed to malicious acts and cyber-attacks due to their visibility and the vital role that telecommunications play in how an economy functions.

Cyber-attacks can affect the Group directly, i.e., if its own systems are attacked, or indirectly through attacks on the Group's corporate clients, service providers, suppliers or government agencies. For example, some Internet service providers have suffered denial of service attacks, with vast numbers of information requests sent to their websites in the aim of overloading their servers.

Such incidents could lead to several impacts, including:

- the interruption or unavailability of services: e.g., subscriber network connections, in-store sales or subscriber relations services;
- the disclosure of sensitive information, such as competitive information and/or the personal data of subscribers (companies or public entities) (see Section 2.5.2, "Data protection risks");
- intrusion and manipulation of the Group's information systems which can lead to fraud (see Section 2.1.6, "Fraud risks").

In order to protect itself against these risks, the Group has put in place an IT security policy, which includes rigorous management of access authorizations, an anti-DDoS system and a supervision system designed to detect any incidents. It has also made, and will continue to make, the investments needed to ensure the reliability of its security system and minimize any problems that could be caused by a security failure or a breach of the security system.

Despite the measures taken by the Group to protect the security of its systems, the number of cyber-attacks is constantly rising and they are becoming increasingly sophisticated, with ever-greater impacts. This in turn means that the Group's risk of service interruption is also increasing. In addition, as the Group's network is so streamlined, with all-IP and fully dematerialized technologies, and in view of the larger size of service platforms and the fact that equipment is now grouped together in a smaller number of buildings, in the future, service interruptions could affect a higher number of subscribers and several countries at the same time.

Although the impact of such attacks is difficult to quantify, if they were to occur they could severely damage the Group's reputation and image and could result in liability claims against the Group, as well as financial losses. They could also adversely affect the Group's competitive position and subscriber confidence, which could lead to a decrease in its network traffic and revenue, and therefore negatively impact its earnings and outlook. Consequently, the Group could be required to increase its expenditure and its efforts to protect itself against these risks or to alleviate their consequences, which could have a significant adverse effect on its business, financial position, earnings and ability to meet its objectives.

2.1.2 RISKS RELATED TO NETWORK FAILURE, SATURATION OR INTERRUPTION

The Group is exposed to the risks of failure, saturation or interruption of its fixed or mobile telecommunication networks, which could arise if a network has insufficient capacity to absorb the growth in its subscriber base, the development of usages and increased traffic volumes, or when new applications or software are set up.

Any problems that may arise in adapting the fiber and mobile networks currently under construction to new technological developments and changes in subscriber behaviour, as well as any lack of spectrum – e.g., due to the uncertainty that the Group will be allocated the additional frequencies it needs to operate its 4G or 5G networks – could directly affect the Group's operations.

If any of these events were to occur, they could reduce the quality of the services provided to Group subscribers or even cause an interruption in its networks. This could adversely impact new subscriber numbers, as well as the Group's image, reputation, financial position and ability to meet its objectives. In order to mitigate these risks, the Group has set up local network maintenance teams comprising its own employees and local service providers, as well as supervision centers that can detect incidents on a 24-hour basis.

The Group must be able to manage the operating risks inherent to (i) the development of its mobile operations in France and Italy, (ii) the end of its roaming agreements with operators concerning the use of their mobile networks (Orange for 2G/3G in France and Wind Tre in Italy), and (iii) rolling out its own network and building up suitable distribution channels.

Until now, the Group has been able to upgrade the capacity of its technical access platforms in line with the growth in traffic volumes and subscriber numbers in order to offer best-in-class quality and fast connections. However, given the generally accepted forecasts for traffic growth 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, it cannot guarantee that it will have the resources required for increasing the capacity of its access infrastructures.

If the Group is unable to increase this capacity, it could have a significant adverse impact on its business, financial position, earnings and ability to meet its objectives.

2.1.3 RISKS RELATED TO TOTAL NETWORK UNAVAILABILITY

The Group's networks or services could become totally unavailable due to (i) a technical fault or breakdown, (ii) an incident at a site (network or IT) caused by a natural disaster or an accident, or (iii) intentional damage (e.g., as a result of war, terrorism or strikes).

In order to address these risks the Group:

- monitors security at its main sites and for its network equipment;
- has a business continuity plan for its critical systems and software;
- ensures that it has network redundancy, especially for its core network (see Chapter 1, Section 1.4.3.1 of this Universal Registration Document).

The Group has put in place specific procedures, protocols and systems and has strengthened its network links in order to guarantee service continuity in the event of a crisis (core network redundancy and critical links, high-level security and surveillance of critical equipment, priority service restoration in the event of a power outage, self-sufficient power for several days if power supplies are cut off or sabotaged, etc.). In practice, the Group has a transmission network in France based on secure IP technologies, structured in a chain architecture with network redundancy and which serves several operating centers spread across several geographic regions.

Such incidents could result in both an interruption of the services provided to Group subscribers and high repair costs, even after any amounts received from the Group's insurers. This could adversely impact the Group's continuity of services, as well as its number of new subscribers, image, reputation, earnings, financial position and ability to meet its objectives.

2.1.4 RISKS RELATED TO NETWORK ROLLOUT DELAYS

The Group's strategy has always been focused on rolling out its own fixed and mobile networks and developing its regional coverage in France and Italy.

For fixed networks in France, the Group is using the existing copper local loop across the whole country, rolling out its own fiber local loop in certain regions ("very densely populated" areas), co-financing the fiber local loop in the rest of the country, and deploying part of the backhaul network of fiber local loops.

In the mobile segment, the Group is rolling out its own network made up of directly-owned or directly-operated sites as well as sites shared with other operators.

The rollouts of the fiber-to-the-home (FTTH) network and 3G, 4G and 5G mobile networks are contingent on three main factors. First, obtaining (i) the authorizations required to roll out and operate the networks, which are granted by various entities, including local and regional authorities, site owners and property managers (occupancy of public property, urban planning permits, right of entry into buildings, connections to homes etc.) and (ii) licenses to operate mobile masts, which are granted by the competent frequency regulatory authorities in France and Italy. Second, that the work entrusted to third-party service providers is properly completed. And third, reaching agreements with various partners in order to increase the Group's access to infrastructure, such as co-financing agreements for access to fiber networks, agreements with public or private bodies, or roaming agreements for the mobile network (see Chapter 1, Section 1.1.1 of this Universal Registration Document).

Any delays in obtaining the requisite authorizations or completing the necessary work (e.g., due to performance failures by third-party service providers, or delays or problems in rolling out the co-financed fiber local loop), or any delays or problems relating to (i) implementing network-sharing agreements or roaming agreements (particularly in Italy), or (ii) entering into co-financing or other agreements, or the Group's ability to obtain such agreements, could slow down the Group's network rollout plans and prevent it from successfully executing its strategy. This in turn could adversely affect the Group's competitive position, business, revenue, financial position, earnings, outlook and expansion.

In addition, any rollout delays in the Group's Mobile business could result in the Group not being able to meet its regulatory coverage requirements, its contractual obligations with its main partners, and/or its service quality commitments to subscribers. The financial sustainability of the Group's Mobile business depends on it having the necessary frequencies as well as a high direct coverage rate and network density in order to ensure optimal service quality on its 3G and 4G networks and its future 5G network.

To prevent such delays, the Group has developed in-house expertise in rolling out its own networks. Its network teams – which comprised some 2,500 people working on the fiber rollout as at June 30, 2019 – have built up high-level skills in all stages of the process for putting the Group's infrastructure in place and, in conjunction with the business lines concerned, have developed specific expertise in managing these projects (see Chapter 1, Section 1.4 of this Universal Registration Document). The Group has also established close partnerships with selected partners and providers in order to reinforce its infrastructure and extend its coverage.

If the rollouts of the Group's FTTH network and its own mobile networks were to slow down due to the occurrence of any of the above-described risks, it could particularly affect the Group's ability to act fully independently and to offer its own, differentiated services in all of the regions where it operates. This could then adversely impact the quality of its services, offerings, number of new subscribers, operations, profitability, financial position, ability to meet its objectives, business development and outlook.

2.1.5 RISKS RELATED TO DEPENDENCE ON MAIN SUPPLIERS

In order for it to be able to offer its products and services, the Group uses many suppliers, particularly in relation to network infrastructure, mobile phones and SIM cards, and the components of its routing and transmission equipment. To achieve the transmission capacity and quality levels needed for its growing number of subscribers and their changing requirements, the Group relies partly on electronic communications networks belonging to other operators in France and Italy, such as Orange, SFR, Fastweb, TIM, Wind Tre and networks rolled out by certain local authorities. The Group's main critical supply contracts are as follows:

- 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 covering periods of between 15 and 20 years on average;
- interconnection and unbundling agreements in France and Italy, notably with Orange (**the "Incumbent Operator"**) in France, and Wind Tre in Italy, which give the Group access to the local loop of the operator concerned. As described in more depth in Chapter 1, Section 1.4.2 of this Universal Registration Document, these interconnection and unbundling agreements, respectively, allow the Group to (i) interconnect its own network with the network of the operator concerned by means of a physical connection to one of the 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. These agreements are open-ended regulated agreements;
- agreements to access ultra-fast local loops, signed with infrastructure operators (Altitude, Axione, Covage, Orange and SFR), which are generally entered into for 20-year periods renewable by Free for a further 20 years;
- an open-ended agreement signed in 2007 to access Orange's civil engineering structure. The overall agreement is broken down into separate agreements for each link, which have an initial term of ten years and are subsequently automatically renewable every five years for a further five-year term;
- 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;
- site-sharing and colocation agreements, which are needed for mobile network rollouts and are signed with other operators, notably between Free Mobile and Orange or Hivory (formerly SFR) and between iliad Italia and Wind Tre, Vodafone and TIM;
- contracts to supply mobile phones and SIM cards, generally entered into for periods of one to five years and renewable for further one- to five-year periods if agreed by the contract parties.

Consequently, if one or more of the Group's suppliers were unable to supply the products and/or services concerned – e.g., if they were prohibited from selling in France – this could affect the Group's ability to fully control its networks, offer high quality services and conduct its operations, or could lead to additional costs that would have an unfavourable impact on its business, earnings and outlook.

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

The Group stands out from other operators because it has made the strategic choice to develop in-house its own routing and data transmission equipment, software and boxes (see Chapter 1, Section 1.2.3 "Strategy", of this Universal Registration Document). Any market shortage of components and other items used to manufacture the Group's network equipment, such as the Freeboxes, Freebox DSLAMs, optical fiber and mobile network equipment, or a sharp rise in their price, ban on their sale, or any delivery delays, could impact the Group's purchasing processes and production capacities. Such events could also prevent the Group from providing to its subscribers, on a timely basis, equipment enabling them to access its services, and could also affect its network capacity. For example, memory – an electronic component used by the Group in the manufacture of its boxes – is subject to high volatility in prices (both increases and decreases) in the electronics market. The price of "Flash Memory" components rose by more than 75% in 2017, for instance, and the "DDR3 2GB Memory" module went up by over 80% between 2016 and 2018 before coming back down to its original 2016 price at end-2019. Although the Group considers that these components and other items are standardized and replaceable, and that its purchasing policy for them allows it to anticipate growth in demand for Internet access (to fixed and mobile Broadband and Ultra-Fast Broadband), if any of the above-described events were to occur, the quality of its services may be affected, which could adversely impact its earnings, image and reputation.

The Group's Purchasing Department incorporates supplier dependency risks in its controls and actively seeks to vary its supply sources. In addition, the Group's purchasing policy entails building up a minimum target inventory level so that it can be production self-sufficient for at least three months.

The Group cannot guarantee that it will be able to renew all of its contracts with its main suppliers, or that the financial terms of the contract renewals will be similar to the previous ones, or acceptable, or that it will be able to find replacement suppliers. The termination of any of these contracts could have a significant adverse effect on sales of the Group's products and/or services, as well as on its business, earnings, financial position, outlook and ability to meet its objectives.

2.1.6 FRAUD RISKS

Like all other operators in its industry, the Group is exposed to the risk of being a victim of various types of fraud. One of the main types of fraud risk it faces is people attempting to benefit from its services without paying for them. In view of the large number of invoices it issues and the volume of its payment transactions, such fraud could represent heavy financial losses for the Group. For example, it recorded a provision of around €30 million in its consolidated financial statements for the year ended December 31, 2015 relating to the risk of fraud concerning the sale of mobile phones. The Group is also exposed to risks of fraud in its B2B hosting business and its financial services activity where it acts as a payment establishment, with potentially significant impacts should such risks materialize. In today's environment of increasingly complex technologies, more virtual networks, and faster implementation of new services and applications, cases of fraud may arise that are more difficult to detect or control. One reason for this is the development of big data, which has enlarged the scope of possible attacks, and particularly cyber-attacks. If a significant case of fraud were to occur it could adversely affect the Group's revenue, margins, service quality and reputation.

2.1.7 RISKS RELATED TO INVESTMENTS OUTSIDE FRANCE

In 2018, the Group launched its business in Italy, with one of its main investment goals being to extend the geographic coverage of its services and networks and develop its business internationally.

The Group's changing geographic footprint involves a considerable number of risks. These include the risk that changes in the political, economic, regulatory, tax and/or social environment could jeopardize profit forecasts drawn up by the Group when it originally made the investment decision, which would therefore adversely affect its earnings and financial position. In certain countries targeted by the Group, risks related to corruption and business ethics might potentially expose it to international sanctions, which could affect the Group's image and reputation.

The Group cannot guarantee that it will be able to develop its business in these markets in line with its plans or that it will be able to fully recover the amounts invested to develop its networks and services. Similarly, it can give no assurance that the deployment of its services in new markets will be successful, in view of the competition from other operators or players already present in those countries.

If the Group is unable to extend its networks and service offering to such new markets, the value and/or sustainability of its investments might be affected, which could have an adverse impact on its business, financial position, earnings and outlook.

2.1.8 RISKS RELATED TO PUBLIC HEALTH AND THE EFFECT OF ELECTROMAGNETIC WAVES

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 could reduce people's use of mobile electronic communications, prevent the installation of mobile communication masts and wireless networks, or result in more claims and litigation. In France, 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") has increased public protection regarding exposure to electromagnetic waves, notably by strengthening the consultation process between operators and residents before a mobile phone mast can be installed. These factors could have a negative impact on the Group's objectives and earnings.

As the Group holds mobile communications licenses, in light of the concerns about the potential (but not scientifically proven) health effects that could arise from exposure to mobile telecommunications equipment, it faces the risk that lawsuits may be filed against it in relation to its operations. The public's heightened perception of health risks could lead to a decrease in the number of the Group's subscribers, less subscriber usage or potential liability claims, and could affect network rollouts and/or generate additional costs or investment. If it were to be scientifically proven in the future that mobile telecommunications equipment does have a harmful effect on health, this would adversely impact the Group's business, image, earnings, financial position and outlook.

2.1.9 RISKS RELATED TO THE COVID-19 PANDEMIC

The start of 2020 has been marked by the worldwide health emergency caused by the Covid-19 pandemic. With the rapid spread of the virus in France and Italy, both countries have implemented lockdowns.

As well as the tragic human implications, the pandemic is slowing the economies of several geographic regions. The Group is doing everything it can to first and foremost ensure the health and safety of its employees in France and Italy, while also carrying on with its operations in view of the essential role that telecom networks and services play in keeping a country going.

Despite the uncertainties caused by Covid-19 and the impact of the pandemic, the Group's solid fundamentals are still in place. As at the filing date of this Universal Registration Document, the Group believes that the pandemic and ensuing disruption in France and Italy will not last more than a few months, and is therefore confident in its ability to achieve its objectives. Nevertheless, the pandemic could impact the iliad Group and some of its objectives, notably in Italy, in view of the slowdown in the network rollout and the greater use of roaming services.

2.2 RISKS RELATED TO THE GROUP'S INDUSTRY

2.2.1 COMPETITION RISKS

The markets in which the Group conducts the majority of its business are mature markets (the French fixed and mobile markets and the Italian mobile market). It therefore faces fierce competition from other Internet access providers and operators, or from new players. This is especially the case in the retail market, in terms of prices and the ability to swiftly offer the latest technologies, as well as the ability to propose offerings with network convergence and data-rich content (Ultra-Fast Broadband and mobile). There is also a high level of subscriber volatility as most offerings on the market come with no commitment and there are frequent launches of promotional deals.

The fixed and mobile access services market is characterized by fast-changing technologies and technical access methods (switched access, ADSL, VDSL, FTTH, Broadband, Ultra-Fast Broadband, 2G, HSPA, 3G, H+, 4G, 4G+, 5G, etc.). This means that there are similarly rapid changes in the types of services and functions offered to subscribers as well as in pricing structures (unlimited offers, free offers, promotional deals, European roaming). The competitiveness of an electronic communications operator therefore depends on its ability to swiftly offer the latest technologies at the best price. Competitive pressure can render the Group's offers less attractive than those of its competitors and lead to a decrease in the number of its fixed and/or mobile subscribers. It can also push down prices, thus affecting the profitability of the Group's services. As an example, monthly average revenue per user (ARPU) decreased from €36.10 in September 2013 to €32.60 in December 2019.

In the mobile market, the arrival of Free Mobile in France and iliad Italia in Italy, combined with their rapid growth, heightened competition in these already mature markets and prompted market operators (both incumbent and virtual (Mobile Virtual Network Operators or MVNOs)) that had greater financial resources than those of the Group, to launch marketing counter-offensives. The Group's success in the mobile market will depend on its ability to ensure (i) that its offers and services are and remain sufficiently appealing compared with those of its competitors, (ii) that it can offer its services to a sufficiently large number of subscribers through the extension and rollout of its own mobile networks, and (iii) that it takes part in the Italian market's digital transition. If the Group is unable to grow, notably by proposing appealing offerings and quickly developing a 4G/5G network, this could directly impact its ability to retain its subscribers, adversely affect its revenues and delay return on the investments made in rolling out its own networks. In particular, if the Group is unable to roll out a future 5G network that is suitably adapted to subscriber behaviour (i.e., higher data usage) and has sufficient spectrum capacity (in view of the uncertainty about whether it will be allocated the frequencies it needs for its 5G network) at a bearable cost (taking into account the final amount paid for auctioned spectrum and the investments made by the Group), it will have to deploy more 4G sites to meet subscriber demand, and would find itself in an unfavorable competitive position in terms of the 5G rollout.

In order to counter such competitive pressure and be technically and commercially self-sufficient, the Group has made rolling out its own networks a strategic priority. It also has a very pro-active capital expenditure strategy, focused on innovation and R&D, in order to stay at the cutting-edge of innovative solutions and be able to roll out new-generation networks. The strong brand recognition of the "Free" and "iliad" names, allied with the Group's differentiating sales strategy, are also major competitive strengths. To remain competitive, the Group must be agile, while constantly developing new functions and features for its products and services – which may require significant investments – and must continue to propose new and attractive offerings for users.

In the fixed market, competition for access services is fierce and the Group expects it to intensify further in the future due to the fact that (i) gaining market share is becoming difficult as the market is mature, (ii) the number of strategic and capital alliances between the Group's competitors could increase, (iii) multinationals with more financial resources than the Group have entered the market, such as the GAFA companies (Google, Apple, Facebook and Amazon) and other OTT (over-the-top) [1] service providers, whose investment capacity, particularly for advertising, constitutes a considerable competitive advantage, and (iv) new, and notably global, competitors could enter the market. If the Group is unable to manage these subscriber and/or network risks, this could adversely impact its earnings.

Competition is also strong, and is expected to further intensify, for television and video services via fixed electronic communications networks. In this sector, several of the Group's competitors are implementing strategies involving the convergence of electronic communications networks and media, which has resulted in some competitors gaining greater power and control over access to and broadcasting premium content (TV channels and programs). Consequently, exclusive content distribution rights held by particular operators are starting to develop in the market, particularly for premium content (such as premium TV channels). In addition, some TV channel owners have made access to their free channels contingent on also having access to their pay-TV channels, which has a harmful effect on the appeal of the Group's audiovisual offering and could therefore impact its earnings. 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 provide secure transmission of content, it cannot guarantee that it will be able to maintain or develop its audiovisual operations in line with its plans. If the Group is unable to reach agreements on the distribution of certain content, and if certain premium channels and content start being distributed on an almost exclusive basis by the owners of the channels or the Group's competitors, the Group could be unable to provide similar TV offerings, which would prevent it from competing.

(1) The supply of content over the Internet without the involvement of an operator or its set-top box.

This fiercely competitive situation could have a significant adverse impact on the Group and its ability to retain its subscribers and win new ones, as well as on its market share, margins, earnings, return on investment, financial position, ability to meet all or some of its objectives, business development and outlook.

2.2.2 RISKS RELATED TO DEPENDENCE ON 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 has signed interconnection and unbundling agreements which give it access to the incumbent operator's local loop (see Section 2.1.5 above, "Risks related to dependence on main suppliers"). The Group's profitability depends partly 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 [1] wholesale market by the incumbent operator. For example, any major rise 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 (the French regulatory authority for electronic and postal communications), 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. At December 31, 2019, the Group had 4.7 million fixed subscribers on the incumbent operator's ADSL network. Consequently, a 10 euro cent increase in the unbundling tariff would represent an additional annual cost of around €6 million for the Group.

As part of the FTTH network rollout – which is being carried out in accordance with the regulatory framework set by the ARCEP – the Group has entered into numerous network-sharing and co-financing agreements with the incumbent operator. These agreements cover areas that are classified by ARCEP as "very densely populated" as well as other areas (which have privately co-financed networks or public initiative networks ("PINs")). One of the main objectives of the agreements is for the Group to participate in co-financing Orange's rollouts of FTTH lines in return for access to all of the deployed lines for an initial period of between twenty and thirty years (renewable for periods ranging from twenty to forty years). The terms and conditions applicable to (i) cabling buildings in areas that are not very densely populated, and (ii) the renewal of the right to use the deployed FTTH lines could have an adverse effect on the Group's business, results of operations, financial position and its ability to meet its objectives.

In order to free itself from this dependence on the incumbent operator's network, the Group has made it a strategic priority to roll out its own networks and control all of its infrastructure, so that it can have the highest possible degree of technical and commercial independence.

To meet this objective for its mobile network, the Group is gradually stopping its use of roaming services on Orange France's 2G and 3G networks provided for in a roaming agreement originally signed on March 2, 2011 (see Chapter 5, Section 5.1.2 of this Universal Registration Document).

2.3 RISKS RELATED TO THE GROUP'S ORGANIZATIONAL STRUCTURE

2.3.1 RISKS RELATED TO DEPENDENCE ON ILIAD'S PRINCIPAL SHAREHOLDER

At the date of this Universal Registration Document, Xavier Niel – the Company's principal shareholder – held 71.16% of iliad's share capital and 69.08% of the voting rights. Xavier Niel is a director and Senior Vice-President of the Company. In addition, some of the iliad shares he holds carry double voting rights, as provided for by French law. The Group is structured around a strong executive team. However, Xavier Niel is 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, and decisions concerning important Group transactions, notably external growth transactions in France and abroad, including issues of new shares, mergers, and asset contributions). The Group's interests may not always be the same as those of its principal shareholder, which could affect the Group's outlook and business development. The Group's success therefore depends on maintaining its relationship with Xavier Niel.

In addition, 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 on the open market, or there may be market perception that such a disposal was imminent or probable, could have a significant adverse effect on the price of the Company's shares.

Such a situation could have a significant unfavourable impact on the Group's image and the Company's share price.

(1) Fiber To The Home: technology used to directly connect subscribers' homes to an optical fiber network.

2.3.2 RISKS RELATED TO RETAINING KEY PERSONNEL

The Group's success is particularly dependent on retaining certain key personnel who have specific expertise in the Group's business (engineers, technicians, executives and key employees). The Group has a culture which fosters teamwork and motivation, and it has set up a human resources and compensation policy adapted to the talent of its people. Furthermore, its key employees have an ownership stake in iliad and/or its subsidiaries, which plays a major role in building loyalty. Nevertheless, 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 affect the Group's ability to meet its objectives and implement its strategy and could have a significant adverse effect on its business, revenues, earnings and financial position.

2.4 FINANCIAL RISKS

Information on the Group's financial risk management and a sensitivity analysis are provided in Note 35 to the 2019 consolidated financial statements in this Universal Registration Document.

2.4.1 LIQUIDITY AND FINANCING RISKS

The Group finances its business activity through issues of short-term money-market securities, credit facilities with various different lenders (bank loans, bilateral credit lines or syndicated loans) and bond issues.

At December 31, 2019:

- Gross debt: €5,202 million;
- Leverage ratio of 2.2x EBITDAaL.

See Chapter 5, Section 5.3.3 "Consolidated debt" of this Universal Registration Document, Note 31 to the 2019 consolidated financial statements in this Universal Registration Document, and Note 35 to the 2019 consolidated financial statements in this Universal Registration Document for a description of the 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 breach or significant unfavorable change in these ratios.

In view of its financing needs, the Group is exposed to liquidity risk in the event of disruptions in bond markets or reduced lending capacity for banks. Such events could affect the Group's ability to raise financing and therefore prevent it from having access to the liquidity it needs.

Liquidity risk is the risk of not having the funds necessary to meet commitments at their maturity date. This includes (i) the risk that assets may not be readily sold under satisfactory conditions when required, and (ii) the risk of borrowings having to be repaid early or of not having access to credit under satisfactory terms and conditions. iliad's earnings and outlook could be adversely affected if its financing requirements were to increase and its access to capital markets were to become difficult. In the event of unfavorable changes in the economic environment, the Group's access to its usual sources of financing could be restricted or become much more expensive due to higher market interest rates and/or lending margins. In order to prevent these risks from occurring, Group Treasury has put in place undrawn confirmed credit facilities and carefully controls the Group's sensitivity to liquidity risk in line with the maturities of its various financing arrangements. Any inability to access financial markets and/or obtain credit on reasonable terms and conditions could prevent the Group from having sufficient liquidity and could affect its competitive positioning. 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 and flexibility could be negatively impacted.

2.4.2 RISKS RELATED TO ASSET IMPAIRMENT AND PROVISIONS

Changes in the economic, political or regulatory environment could lead to impairment in value of the Group's assets (notably goodwill and/or other intangible assets), or require it to set aside provisions for its long-term contractual obligations or for onerous contracts. At June 30, 2019, goodwill recognized by the Group on its acquisitions and disposals amounted to €306 million, and intangible assets acquired totalled €3.82 billion. 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. The Group recognizes an impairment loss against these assets, or a provision if events or circumstances suggest that there are significant and prolonged unfavorable changes affecting either the economic environment or the assumptions or objectives applied at the date the acquisition was completed or the contractual obligation entered into. For example, as a result of changes in ultra-fast mobile technologies, LTE (Long Term Evolution) technology took over from Wimax (Worldwide Interoperability for Microwave Access) technology, and in 2010 the Group had to write down its Wimax frequencies by €40 million, representing 74% of the asset's value at that time. For further information on impairment of assets, see Notes 16 to 19 of the 2019 consolidated financial statements in this Universal Registration Document. As the Group has a large amount of goodwill and intangible assets on its balance sheet, any material impairment losses or provisions could have an adverse effect on its financial position and earnings for the year in which they are recognized. These amounts may vary depending on the assumptions, judgement and estimates used when impairment tests are performed, including discount rates, the perpetuity growth rate, and forecast cash flows, which in turn depend on the Group's assessment of the economic and financial context (see Note 18 to the 2019 consolidated financial statements in this Universal Registration Document).

2.5 LEGAL RISKS

2.5.1 REGULATORY COMPLIANCE RISKS

The Group's business activities are highly regulated and therefore extremely dependent on the legal and regulatory context – and even the political situation – in the countries where they are conducted. The Group's operations are subject to specific regulations governing the electronic communications sector in France and Italy, which notably concern (i) obtaining/renewing fixed or mobile operator licenses and frequencies, (ii) the terms and conditions of access to networks, such as for roaming and network-sharing, (iii) unbundling, (iv) the prices of services (unbundling charges and costs for renting copper pairs from the incumbent operator), (v) the effect of electromagnetic waves, (vi) personal data security for digital operations, (vii) taxes levied on telecommunications companies (introduction of new taxes or increases in existing taxes), (viii) consumer protection (canvassing and solicitation), and (ix) bitstream (for further information about the regulations applicable to the Group, see Chapter 1, Section 1.6 "Regulatory Framework" of this Universal Registration Document). In order to roll out its 5G network, the Group is also dependent on the allocation and auctioning of 5G frequencies carried out by the national regulators. In Italy, auctioned 5G frequencies represented a total of €6.5 billion, of which iliad Italia managed to win €1.2 billion worth. Additionally, some operations carried out by the Group's entities are subject to specific industry regulations. This is the case, for example, for iliad 78's financial services activities, meaning that the Group has to comply with all of the regulations applicable to the banking and finance sector, which exposes it to the risks inherent to that sector (e.g., money laundering and terrorism financing).

The Group's room for maneuver in managing its business activities is therefore restricted, as it has to comply with a range of regulatory obligations concerning the supply of its products and services which can lead to significant outlay, such as for the rollout of its 5G network. The Group has put in place specific compliance programs which enable it to respect all of the relevant regulations, determine their impacts, and implement any required action plans.

If the Group does not comply with the laws, regulations and standards to which it is subject – not only in the countries where it actually operates, i.e., France and Italy, but also in the rest of Europe and internationally – it could face various different types of sanctions, fines or other penalties, which could affect its business, revenues, earnings and reputation. For example, if the Group does not fulfil the commitments it gave when it was granted its licenses and authorizations to operate its 3G and 4G networks – notably in relation to population coverage and service quality – the licenses or authorizations concerned may be terminated and the Group could be required to pay compensation to the French state or other related parties.

Any changes in the regulations applicable to the Group or, more generally, in the political context of one of the Group's host countries, could also lead to additional costs or investments, and have a significant adverse impact on how the Group conducts its business, as well as on its image, reputation, earnings and ability to meet its objectives.

2.5.2 DATA PROTECTION RISKS

In the course of its business the Group has access to a vast amount of general personal data (such as the names, addresses and bank details of its subscribers) as well as personal data held in connection with its health data hosting activities. The Group is therefore exposed to the risk of loss, unauthorized disclosure or inappropriate alteration of the personal data of its subscribers (both individuals and companies), employees, suppliers, service providers and any other persons, which is stored on its infrastructure or carried on its networks.

These risks could occur due to (i) the implementation of new services or applications, (ii) the development of new business activities in the domain of connected objects, (iii) malicious acts (such as cyber-attacks) targeted at sensitive and/or personal data held by the Group, (iv) negligence or errors committed either within the Group or by partners to which certain operations are outsourced, or (v) governmental request that do not comply with the applicable legal and regulatory formalities.

The Group could also be held liable under specific data protection legislation applicable in many countries, such as the European General Data Protection Regulation (EU) 2016/679 dated April 27, 2016 (GDPR), which strengthens the rights of individuals and imposes more stringent obligations on data processors.

The Group applies strict measures and takes the necessary precautions to protect the data it handles, at all levels of its organization. For example, it has appointed a Data Protection Officer (DPO) as well as a Group Compliance Officer who ensures that the Group is compliant both with the applicable laws and its own in-house standards, and issues advice on improving the Group's systems. A network of GDPR correspondents has also been set up, tasked with implementing a data protection compliance program. Incident impact analyses are performed, which the Group uses as a basis for putting in place new security measures and/or reviewing its processes. Additionally, the Group regularly raises awareness about data security among all of its employees, partners and service providers as part of its training and awareness-raising programs.

If these risks – which are becoming increasingly frequent with widespread media coverage – were to materialize, the owners of the disclosed or altered data could suffer considerable prejudice and the Group might be held liable. This could lead to a loss of subscriber confidence, which would have a significant adverse impact on the Group's reputation, image and business.

2.5.3 RISKS RELATED TO LIABILITY FOR ILLICIT CONTENT

Lawsuits are regularly 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). For example, in 2018 the Group was ordered by a French court to block access to a site conveying a message of extreme hate against people on account of their religion, ethnicity or sexual orientation. And in 2019, it was ordered to block access to several sites that were contravening intellectual property rights or regulations on financial products and services.

In accordance with the applicable French regulations (as described in Chapter 6, Section 1.6.2 of this Universal Registration Document), the Group has made specific forms available on the Free portal home page so that web users can report illicit content, and has established a procedure for reporting any breaches of the law, particularly violation of human dignity. In this way, the Group can respond promptly to any issues raised. It has also allocated special teams to manage these alerts and delete reported illicit content.

If any such lawsuits were to be filed, the Group could incur significant costs, either for its defense or to comply with any court orders or injunctions issued, even if it is not held liable. Lastly, any such proceedings could damage the Group's image and reputation.

2.5.4 RISKS RELATED TO DISPUTES

In the normal course of their business the Group's companies may be involved in inquiries, disputes with governmental agencies, civil or criminal lawsuits, arbitration proceedings with the regulatory or oversight authorities, or proceedings with consumer associations, competitors or other parties. Information on the main disputes in which the Group is currently involved is provided in Note 36.6 to the 2019 consolidated financial statements in this Universal Registration Document.

To the best of the Company's knowledge, apart from the cases referred to above, there are no governmental, legal or arbitration proceedings (in progress, pending or threatened) that could have, or have had in the past twelve months, a significant impact on the financial position or profitability of the Company and/or the Group.

The aggregate amount of provisions set aside to cover all of the Group's disputes (see Note 28 to the consolidated financial statements in Chapter 6 of this Universal Registration Document) corresponds to the full amount of the outflows of resources that the Group deems probable (excluding any recoverable amounts) for all types of disputes in which it is involved as a result of conducting its business. At June 30, 2019, these provisions totalled €33 million.

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. Taken on an individual basis, these cases do not have a significant impact on the Group. However, any proliferation of such claims or the filing of a class action could constitute a financial risk for the Group. In order to considerably reduce the total, final costs of any such suits, the Group generally seeks to negotiate an out-of-court settlement.

Since the Group has entered the mobile market, a number of suits have been filed against it by competitors, alleging that it has engaged in misleading commercial practices, unfair competition or defamation.

Some of these proceedings have involved, or may involve in the future, claims for substantial amounts against one or more Group companies, which could jeopardize the conditions in which the Group's companies conduct their business. The advancement or final outcome of some or all of the proceedings currently in process could have a significant adverse effect on the Group's earnings, financial position and reputation.

Furthermore, the provisions for disputes that the Group has already recognized in its financial statements, or that it may have to subsequently recognize, may prove to be insufficient. It cannot be ruled out that in the future new lawsuits or proceedings will be filed against a Group entity, either related or not to those currently in process and arising either from risks already identified by the Group or from new risks. Any rulings against the Group in such lawsuits or proceedings could have an adverse effect on its business, financial position, earnings and outlook.

2.6 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 2019 was approximately €11.2 million, corresponding to the total amount of insurance premiums paid by the Group. 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 fixed 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 which covers all forms of such liability claims.

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.

2.7 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

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, and is further simplified by Executive Management and central functions being located together at the iliad Group headquarters.

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 Internal Control Department serves the entire Group, including all Group entities. It supports and advises operational and functional staff in the implementation of internal control in line with the guidance set by the Group's management.

The Finance Department, which is also assisted by the accounting and management control teams and the other departments described in this document, is central to the overall internal control system.

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

2.7.1 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. 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 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 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 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.

2.7.2 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 Universal 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 2.1.4 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 officer centralizes all strategic, commercial, financial and technical information that is released outside the Group. Furthermore, in accordance with this procedure, the media relations officer attends any and all interviews in order to ensure that the information relayed is consistent.

2.7.3 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 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 fixed 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 fixed 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

This chapter of the Universal 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, 2019, 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) the compensation of the corporate officers [(1)], notably the compensation policy for 2020 and the components of compensation paid during or allocated for 2019, and (iv) any other information required in the report pursuant to Articles L. 225-37 *et seq.* of the French Commercial Code.

This report was drawn up by the Board of Directors based on work carried out by various departments within the Company, notably the Corporate Secretary's Department, and after consulting with the Board Committees on the sections falling within their remit.

It was signed off by the Board of Directors on March 16, 2020 and will be presented to the Company's shareholders at the Annual General Meeting to be held in 2020.

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 January 2020 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 compliant with the recommendations of said Code.

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 Membership structure of the Board of Directors

12 MEMBERS

5 INDEPENDENT DIRECTORS

1 DIRECTOR REPRESENTING EMPLOYEES

45% WOMEN BOARD MEMBERS

13 MEETINGS

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

(1) *For the purposes of this document, the term "corporate officers" refers to the Company's directors and officers.*

Map of Board expertise

12 Directors

Expertise	Directors
Sector knowledge	7
Entrepeneurship	6
Executive management	10
Finance and M&A	9
Marketing and digital	6
International experience	10
Governance and experience in a listed company (other than iliad)	6

3 SPECIALIST COMMITTEES

Audit Committee	Nominations Committee	Compensation Committee
3 members	3 members	4 members
4 meetings	2 meetings	7 meetings
81% attendance rate	100% attendance rate	94% attendance rate

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 Committee	Compensation Committee
Executive directors							
Xavier Niel Chairman of the Board of Directors *French nationality*	52	Dec. 12, 2003	2021 AGM	16			
Maxime Lombardini Vice-Chairman of the Board of Directors *French nationality*	54	May 29, 2007	2022 AGM	13			
Thomas Reynaud Chief Executive Officer and a director *French nationality*	46	May 29, 2008	2020 AGM	12			
Antoine Levavasseur Senior Vice-President and a director *French nationality*	42	May 27, 2005	2020 AGM	15			
Directors qualified as independent by the Board							
Bertille Burel *French nationality*	50	May 17, 2017	2021 AGM	3	✓		
Virginie Calmels *French nationality*	49	June 23, 2009	2021 AGM	11		✓	✓
Marie-Christine Levet *French nationality*	53	May 29, 2008	2020 AGM	12	Chair		
Orla Noonan *Irish nationality*	50	June 23, 2009	2021 AGM	11	✓		
Corinne Vigreux *French nationality*	55	May 19, 2016	2020 AGM	4		Chair	Chair
Non-independent directors							
Pierre Pringuet *French nationality*	70	July 25, 2007	2021 AGM	13		✓	✓
Cyril Poidatz *French nationality*	58	Dec. 12, 2003	2020 AGM	16			
Employee representative director							
Ilan Dahan *French nationality*	39	Nov. 18, 2015	2024 AGM	4			✓
Number of meetings in 2019				13	4	2	7
Average attendance rate				93%	81%	100%	94%

3.1.1.3 Profiles of the Company's directors

XAVIER NIEL

CHAIRMAN OF THE BOARD OF DIRECTORS

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

Xavier 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.

Xavier is also a shareholder of the Le Monde newspaper and the Télérama, Courrier International and L'Obs magazines.

MAIN POSITIONS AND DIRECTORSHIPS HELD

Within the Group

French companies

- Chairman of Freebox S.A.S.

Outside the Group

French companies

- Legal Manager of Élysées Capital
- Chairman of SE 51 S.A.S.
- Chairman of 1 bis Place des Vosges S.A.S.
- Member of the Supervisory Board of La Société Éditrice du Monde S.A.
- Member of the Supervisory Board of Le Nouvel Observateur du Monde S.A.
- Member of the Supervisory Board of Mediawan S.A.*
- Chairman of Sons Holdco
- Chairman of Invest SB S.A.S.
- Chairman of NJJ Holding S.A.S.
- Chairman of NJJ Immobilier S.A.S.
- Chairman of NJJ Strategy S.A.S.
- Chairman of NJJ Boru S.A.S.
- Chairman of NJJ Telecom Europe S.A.S.
- Chairman of Holdco S.A.S
- Chairman of La Compagnie des Immeubles Parisiens S.A.S
- Legal Manager of Paris Grenelle S.C.I
- Director of Groupe Nice Matin S.A.S.
- Chairman of the Strategy Committee of HoldCo

Foreign companies

- Member of the Board of Salt Mobile S.A. (Switzerland)
- Member of the Board of Monaco Telecom (Monaco)
- Member of the Board of Telecom Comores Holding (Mauritius)
- Member of the Board of Eircom Holdings Ireland Limited (Ireland)
- Member of the Board of Maya Africa Holding/Tigo (Senegal)
- Member of the Board of KKR & Co. Inc (USA)

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

Within the group

French companies

- Senior Vice-President of iliad S.A.
- Vice-Chairman of the Board of Directors of iliad S.A.

Outside the Group

French companies

- Member of the Supervisory Board of Le Monde S.A.
- Director of Ateme S.A.
- Chairman of NJJ Animation S.A.S.
- Chairman of NJJ Project Four S.A.S.
- Chairman of SEHF S.A.S
- Legal Manager of OH4S SNC
- Legal Manager of 9 rue de Lagny S.A.R.L.
- Chairman of Golf du Lys Chantilly S.A.S.
- Chairman of the Supervisory Board of BlackPills S.A.S.
- Chairman of NJJ Capital S.A.S.
- Chairman of NJJ Market S.A.S.
- Chairman of NJJ Capital Monaco Acquisition S.A.S.
- Chairman of NJJ Indian Ocean S.A.S.
- Chairman of NJJ Invest Tel S.A.S
- Chairman of NJJ Media S.A.S.
- Chairman of NJJ Suisse Acquisition S.A.S.
- Chairman of NJJ Investco S.A.S.
- Chairman of NJJ North Atlantic S.A.S.
- Chairman of NJJ Project Two S.A.S.
- Chairman of NJJ Project Three S.A.S.
- Chairman of NJJ Exclusive S.A.S.
- Chairman of NJJ Innovation S.A.S.
- Chairman of NJJ Presse S.A.S.
- Chairman of NJJ Tara S.A.S.
- Chairman of NJJ Galway S.A.S.
- Chairman of NJJ Télécom S.A.S.
- Chairman of NJJ Project Five S.A.S.
- Chairman of IT Solutions Factory S.A.S
- Chairman of Kima Ventures S.A.S.
- Chairman of Kima Ventures II S.A.S.
- Chairman of Station F S.A.S.
- Chairman of Square Vergennes S.A.S.
- Joint Legal Manager of Diderot S.A.S.
- Joint Legal Manager of Kléber Levallois S.N.C

Foreign companies

- Member of the Board of Salt Network S.A. (Switzerland)

**Listed company.*

MAXIME LOMBARDINI

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

Maxime Lombardini began his career in 1989 with the Bouygues group, where he held successive positions as General Secretary of TPS (satellite television), Development Director of TF1 and Chief Executive Officer of TF1 Production. He then held the position of Chief Executive Officer of the iliad Group from 2007 through 2018. On May 21, 2018, he was appointed as Chairman of iliad's Board of Directors. Since March 16, 2020 he has served as the Vice-Chairman of the Board of Directors, alongside Xavier Niel. Maxime is a graduate of Sciences Po Paris and holds a postgraduate degree in business and tax law from the University of Paris II.

MAIN POSITIONS AND DIRECTORSHIPS HELD

Within the Group

French companies

- Chairman of F Distribution S.A.S.
- Chairman of Free S.A.S.
- Chairman of Free Fréquences S.A.S.
- Chairman of Free Infrastructure S.A.S.
- Chairman of Free Réseau S.A.S.
- Chairman of IFW S.A.S.
- Chairman of IH S.A.S.
- Chairman of Free Mobile S.A.S.
- Chairman of IRE S.A.S.
- Legal Manager of Immobilière iliad S.A.S.
- Chairman of Online S.A.S.
- Chairman of Protelco S.A.S.
- Chairman of Online Immobilier S.A.S.
- Chairman of Free R&D S.A.S.
- Chairman of Solid-19 S.A.S.
- Chairman of iliad 4 S.A.S.
- Chairman of Free Caraïbe S.A.S.
- Chairman of iliad 6 S.A.S.
- Director of TRM S.A.S.
- Member of the Supervisory Board of NJJ Boru
- Senior Vice-President of Holdco II
- Member of the Strategy Committee of HoldCo
- Chairman of iliad 10

Foreign companies

- Chairman of the Board of Directors of iliad Italia S.p.A. (Italy)
- Sole director of iliad Holding S.p.A. (Italy)

Outside the Group

Non-French companies

- Director of Carraun Telecom Holdings Limited (Ireland)

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

Within the Group

French companies

- Chief Executive Officer of iliad S.A.
- Chairman of the Board of Directors of iliad S.A.

THOMAS REYNAUD

CHIEF EXECUTIVE OFFICER AND A DIRECTOR*

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

MAIN POSITIONS AND DIRECTORSHIPS HELD

Within the Group

French companies

- Senior Vice-President of Free Mobile S.A.S.
- Director of TRM S.A.S.
- Chief Executive Officer of Holdco II S.A.S.
- Member of the Strategy Committee of HoldCo S.A.S.
- Member of the Supervisory Board of iliad 78 S.A.S.

Foreign companies

- Director of iliad Italia S.p.A (Italy)

Outside the Group

French companies

- Member of the Board of Directors of the Mozaik Foundation
- Member of the Board of Directors of Tomato-n-co
- Member of the Supervisory Board of IFT S.A.S.
- Member of the Supervisory Board of On Tower France S.A.S.

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

Within the Group

French companies

- Senior Vice-President of iliad

* *At its meeting on March 16, 2020, the Board of Directors decided that at the Annual General Meeting to be held in 2020 it will recommend the re-election of Thomas Reynaud as a director for a four-year term.*

ANTOINE LEVAVASSEUR

SENIOR VICE-PRESIDENT AND A DIRECTOR*

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. He then developed the subscriber management information system and was in charge of running and upgrading the email platforms, web servers and applications used by subscribers.

MAIN POSITIONS AND DIRECTORSHIPS HELD

Within the Group

French companies

- Senior Vice-President of Free Mobile S.A.S.
- Member of the Strategy Committee of HoldCo

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

N/A

* *Antoine Levavasseur's term of office is due to expire at the close of the Annual General Meeting to be held in 2020.*

CYRIL POIDATZ

DIRECTOR*

Cyril Poidatz began his career as an auditor with Coopers & Lybrand and then worked for ten years at Cap Gemini. For several years he was Finance Director at Cap Gemini Italia, where he led the restructuring of Cap Gemini's Italian divisions. Cyril joined the iliad Group in 1998, holding several management positions before serving as Corporate Secretary from 2018 to 2020.

MAIN POSITIONS AND DIRECTORSHIPS HELD

Within the Group

French companies

- Senior Vice-President of Free Mobile S.A.S.
- Chairman of the Board of Directors of TRM S.A.S.
- Chairman of the Board of Directors of SEPIA S.A.S.
- Member of the Strategy Committee of HoldCo
- Member of the Supervisory Board of iliad 78

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

Within the Group

French companies

- Chairman of the Board of Directors of iliad S.A.
- Chairman of F Distribution S.A.S.
- Chairman of Free S.A.S.
- Chairman of Free Fréquences S.A.S.
- Chairman of Free Infrastructure S.A.S.
- Chairman of Free Mobile S.A.S.
- Chairman of Free Réseau S.A.S.
- Chairman of IFW S.A.S.
- Chairman of IH S.A.S.
- Chairman of Immobilière iliad S.A.S.
- Chairman of IRE S.A.S.
- Chairman of Online S.A.S.
- Chairman of Protelco S.A.S.
- Chairman of Online Immobilier S.A.S.
- Chairman of Free R&D S.A.S.
- Chairman of Free Carrier S.A.S.
- Chairman of iliad 4 S.A.S.
- Chairman of Free Caraïbe S.A.S.
- Chairman of iliad 6 S.A.S.
- Chairman of iliad 7 S.A.S.

* *At its meeting on March 16, 2020, the Board of Directors decided that at the Annual General Meeting to be held in 2020 it will recommend the re-election of Cyril Poidatz as a director for a four-year term.*

BERTILLE BUREL

INDEPENDENT DIRECTOR

Bertille Burel graduated from Sciences Po Paris in 1996, and in 1997 earned a postgraduate 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. Subsequently, Bertille founded Wonderbox with her husband, James Blouzard, on their return to France from a six-month round-the-world tour. Wonderbox has grown into France's leading gift box company and now has operations in 11 countries and employs over 500 people. It is still growing strongly, driven by its constant objective of being at the cutting edge of innovation in the leisure industry.

MAIN POSITIONS AND DIRECTORSHIPS HELD

French companies

- Legal Manager of W Group
- Chief Executive Officer of Wonderbox S.A.S.
- Chair of Multipass S.A.S.
- Chief Executive Officer of Wonderbox NewCo 1
- Chief Executive Officer of Wonderbox NewCo 2

Foreign companies

- Branch Chief Executive Officer of Multipass Paris Zweigniederlassung Zurich (Switzerland)
- Director of Wonderbox S.A. (Belgium)
- Director of Wonderbox Italia SRL (Italy)
- Director of Vivaboxes International S.A. (Belgium)
- Director of WBX Business Support Espana SL (Spain)

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

N/A

VIRGINIE CALMELS

INDEPENDENT DIRECTOR

November 2019, Virginie Calmels has been Chair of the Strategy Committee of the OuiCare group, and Honorary Chair of the OuiCare Foundation, which campaigns against violence against women and for gender equality. In parallel, she is developing an entrepreneurial project for the training sector at CVEducation.

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

She has been a director of iliad 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. She joined Endemol France in 2003 as CEO and was appointed Chairman and CEO in October 2007. She then 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 Economy, Employment and Sustainable Growth, working alongside Alain Juppé (Mayor), Vice-President of Bordeaux Métropole and President of town planning agency EPA Bordeaux Euratlantique. She resigned from these positions five years later, in February 2019, to return to the private sector.

Virginie is a graduate of Toulouse École Supérieure de Commerce (ESC) and of INSEAD, holds a postgraduate degree in accounting and finance (DESCF), and is a certified accountant. She 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.
- Director of Assystem S.A
- Chair of the Strategy Committee of the OuiCare group
- Regional councilor for the Aquitaine Limousin Poitou-Charentes region

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 director of Endemol Nordic AB
- Chair and director of Endemol Norway AS
- Chair and director of Endemol Sweden AB
- Chair of Endemol France
- Chair of Endemol Fiction
- 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 SBEPE
- 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 Metropole
- President of Établissement Public d'Aménagement Bordeaux Euratlantique

MARIE-CHRISTINE LEVET

INDEPENDENT DIRECTOR

Marie-Christine Levet is one of France's Internet pioneers. In 1997 she founded Lycos France and then in 2001 took on the role of Chair of Club-Internet following its acquisition by Deutsche Telekom. She significantly built up Club-Internet's broadband content and services offerings, before selling it to Neuf Telecom in 2007. Between 2008 and 2010, she managed the hi-tech information group, Tests, and the Internet business of the NextRadioTV group. In 2010, she moved into private equity, becoming Associate Director of Jaïna Capital, a leading investment fund specialized in seed funding for entrepreneurs. In 2017, she founded Educapital, Europe's first private equity firm dedicated to the education and innovative training sectors. Marie-Christine holds a degree from HEC business school and an MBA from INSEAD.

MAIN POSITIONS AND DIRECTORSHIPS HELD

French companies

- Associate director of Educapital
- Director of Econocom
- Director of Maisons du Monde
- Director of AFP
- Director of SoLocal

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

French companies

- Associate director of LER
- Associate director of Jaïna Capital S.A.S.U.
- Director of BPI Financement (Banque Publique d'Investissement)
- Director of Hi-Pay
- Director of Fonds Google pour l'Innovation Numérique dans la Presse (FINP)
- Director of Mercialys S.A.

* *Marie-Christine Levet's term of office is due to expire at the close of the Annual General Meeting to be held in 2020.*

ORLA NOONAN
INDEPENDENT DIRECTOR

Orla Noonan joined Group AB in 1996 and was appointed as Chief Executive Officer in 2014. 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. She also became an independent director of SMCP (Sandro Maje Claudie Pierlot). 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 leading digital marketplace group. In 2019 she became a member of AFP's Board of Directors. Orla is a graduate of HEC business school in Paris (France) and Trinity College in Dublin (Ireland).

MAIN POSITIONS AND DIRECTORSHIPS HELD

French companies

- Independent director of SMCP
- Director of AFP
- Chair of Knightly Investments S.A.S.

Foreign companies

- Chair of Adevinta, Norway

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

French companies

- Chief Executive Officer and a director of Groupe AB S.A.S.
- Chair of TEAM Co.

Foreign companies

- Independent director of Schibsted, Norway
- Director of RTL 9 S.A. Luxembourg
- Director of AB Entertainment S.A. Luxembourg

PIERRE PRINGUET
DIRECTOR

After graduating from École Polytechnique and École des Mines, Pierre Pringuet served as advisor to the minister Michel Rocard before joining Pernod Ricard as Business Development Director in 1987. In 1997, he was appointed Chairman and Chief Executive Officer of Pernod Ricard Europe and then in 2000 joined Patrick Ricard at the Group's holding company as Co-Chief Executive Officer. In 2006 he was appointed as the group's sole Chief Operating Officer. Following the retirement of Patrick Ricard, Pierre became Chief Executive Officer of Pernod Ricard in 2008 and was subsequently appointed Vice-Chairman of the Board of Directors in 2012. Having reached the age limit set in Pernod Ricard's bylaws, Pierre stood down as Chief Executive Officer in 2015 and as Vice-Chairman of the Board of Directors in 2020. Between 1990 and 2015, he also held the position of Chairman of the Sully Committee, and was named Chairman of the French association of private sector companies (*Association Française des Entreprises Privées* - AFEP) in 2012 and Chairman of the Scotch Whisky Association (SWA) in 2014. Since 2019 he has also been a director of La Française des Jeux.

MAIN POSITIONS AND DIRECTORSHIPS HELD

French companies

- Director of Cap Gemini S.A.*
- Vice-Chairman of the Supervisory Board of Vallourec S.A.*
- Director of Avril Gestion
- Director of La Française des Jeux*

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

French companies

- Chief Executive Officer of Pernod Ricard S.A.*
- Director of Pernod Ricard S.A.*
- Chairman of the Association Française des Entreprises Privées (AFEP)

* *Listed company.*

CORINNE VIGREUX
INDEPENDENT DIRECTOR

Corinne Vigreux is the co-founder of TomTom. Regularly voted one of the top fifty most inspirational women in European tech, she 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, she 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 Orange-Nassau order.

MAIN POSITIONS AND DIRECTORSHIPS HELD

Foreign companies

- Managing Director of TomTom Software Ltd (United Kingdom)
- Managing Director of TomTom Inc. (United States)
- Chair of the Sofronie Foundation
- Chair of the Codam Foundation
- Chair of the Supervisory Board of the DutchStartHub Foundation
- Vice-Chair of the Supervisory Board of Takeaway.com N.V
- Member of the Supervisory Board of the Dutch National Opera & Ballet (Amsterdam, Netherlands)
- Member of the Dutch division of the National Committee of French Foreign Trade Advisers (CNCCEF)
- Director of the Netherlands Chamber of Commerce and Industry

POSITIONS AND DIRECTORSHIPS THAT HAVE EXPIRED IN THE PAST FIVE YEARS

Foreign companies

- Managing Director of TomTom Sales BV (Netherlands)

* *Corinne Vigreux's term of office is due to expire at the close of the Annual General Meeting to be held in 2020.*

ILAN DAHAN (1)

EMPLOYEE REPRESENTATIVE DIRECTOR

Ilan has been an employee-representative director since November 2015. He joined iliad 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 headed up the Group's FTTH design office from 2012 through September 2017, and since then has been Head of Production Methods for the overall FTTH project, responsible for liaising between the Group's various entities in order to optimize FTTH connection processes.

(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.

3.1.2 GOVERNANCE STRUCTURE

As required by law, the Company's executive management function is either carried out by the Chairman of the Board of Directors, who then has the title of Chairman and Chief Executive Officer, or by another person appointed by the Board of Directors with the title of 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 was confirmed on May 21, 2018 when Thomas Reynaud was appointed Chief Executive Officer.

By separating out the roles of the Chairman and the Chief Executive Officer, the Board is able 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).

As at the date of this Universal Registration Document, the Board of Directors is chaired by Xavier Niel, the iliad Group's founder and major shareholder, and Thomas Reynaud is the Chief Executive Officer.

As Chairman of the Board of Directors, Xavier Niel organizes and oversees the Board's work and reports on that work to the Annual General Meeting. He ensures that the Company's administrative and management bodies operate effectively and that the directors are able to fulfil their duties.

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

3.1.3 EXECUTIVE MANAGEMENT

At its meeting on May 14, 2018, the Board of Directors named Thomas Reynaud as its 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 Assaf (1)

Aged 45, French nationality

Rani Assaf is in charge of all of the Group's fixed and mobile networks in France and Italy.

Since joining the Group in 1999, he has been involved in setting up the Group's IP network infrastructure, as well as its interconnection with the incumbent operator on a Cisco SS7 platform. He is also one of the founders of the Freebox project. Rani Assaf is also a member of HoldCo's Strategy Committee.

Alexis Bidinot

Aged 32, 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, he 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.

Alexis Bidinot resigned from his position as a Senior Vice-President on December 9, 2019.

Antoine Levavasseur

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 ORGANIZATION AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

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

3.2.1.1 General rules relating to the membership structure of the Board of Directors and the appointment and election of directors

The names of the current members of iliad's Board of Directors are provided above.

The rules for appointing and electing directors and removing them from office – which are described below – are set down by law and in Articles 13 *et seq.* of the Company's bylaws. Subject to the exceptions provided for pursuant to the applicable laws, the Board of Directors comprises a minimum of three and a maximum of eighteen members, who are elected for four-year terms by shareholders in a General Meeting, based on recommendations put forward by the Nominations Committee. Each director must own at least 100 iliad shares [(1)].

Directors may be removed from office at any time by way of a decision by the shareholders in a General Meeting.

If one or more seats on the Board of Directors fall(s) vacant due to the death or resignation of one or more directors, the Board of Directors may, between two General Meetings of shareholders, replace the director(s) concerned. However, if the number of directors in office falls below the legal requirement, the Board of Directors or, failing that, the Statutory Auditors, must immediately call an Ordinary General Meeting of shareholders in order to restore the number of directors to the required legal minimum. If the Board temporarily appoints a director, such appointment must be submitted for ratification at the next Annual General Meeting.

The Board of Directors also includes one or two employee representative directors, appointed by the iliad UES Social and Economic Committee. Directors representing employees have the same duties and responsibilities as the other Board members. They are appointed for a four-year term and do not receive any remuneration in their capacity as a director. If the seat of an employee representative director falls vacant for any reason, said seat will be filled by the appointment of a new employee representative director at the first ordinary Social and Economic Committee meeting following the date on which the Board places on record that the seat is vacant.

Ilan Dahan has been the employee representative director on iliad's Board since November 2015, having been re-appointed in November 2019. At the Annual General Meeting to be held in 2020, the shareholders will be invited to approve amendments to the Company's bylaws concerning the appointment of a second employee representative director, pursuant to Article L. 225-27-1 of the French Commercial Code, as amended by the French Act dated May 22, 2019 on business growth and transformation (the "Pacte Act").

A representative from the Company's Social and Economic Committee attends Board of Directors meetings in an advisory voting capacity.

3.2.1.2 Changes in the membership structure of the Board of Directors

In 2019

Ilan Dahan's term of office as employee representative director was renewed by way of a decision taken by the iliad UES's Social and Economic Committee on November 30, 2019.

In 2020

Xavier Niel – the iliad Group's founder and major shareholder – was appointed Chairman of the Board of Directors on March 16, 2020. Maxime Lombardini now holds the position of Vice-Chairman of the Board.

Cyril Poidatz's term of office is due to expire at the close of the Annual General Meeting to be held in 2020. Consequently, in the seventh resolution of that Meeting, based on the recommendation of the Nominations Committee, the shareholders will be asked to re-elect Mr. Poidatz as a director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2024 to approve the 2023 financial statements.

Thomas Reynaud's term of office is due to expire at the close of the Annual General Meeting to be held in 2020. Consequently, in the eighth resolution of that Meeting, based on the recommendation of the Nominations Committee, the shareholders will be asked to re-elect Mr. Reynaud as a director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2024 to approve the 2023 financial statements.

Corinne Vigreux and Antoine Levavasseur have decided not to stand for re-election so will step down from iliad's Board of Directors at the close of the 2020 Annual General Meeting. In addition, as (i) Pierre Pringuet has decided to step down from the Board, and (ii) Marie-Christine Levet has decided not to stand for re-election at the 2020 Annual General Meeting due to the fact that she will no longer qualify as an independent director from that date, the Board has decided to put forward Céline Lazorthes and Jacques Veyrat for election as new directors of the Company (in the ninth and tenth resolutions respectively). These new directors would be elected for a four-year term expiring at the close of the Annual General Meeting to be called in 2024 to approve the 2023 financial statements.

Furthermore, a second employee representative director will need to be appointed by the iliad UES's Social and Economic Committee and take up office within six months of the Annual General Meeting to be held in 2020.

Consequently, if the above resolutions are adopted by the shareholders, at the close of the 2020 Annual General Meeting, the Board of Directors will comprise 10 members, including five independent directors (56%). Four of the Board's members will be women, representing 44%, which complies with the recommendations in the AFEP-MEDEF Corporate Governance Code and the French law concerning gender parity on corporate Boards [(2)].

(1) This obligation does not apply to employee representative directors.

(2) Employee representative directors are not taken into account for the purpose of calculating the proportion of (i) men and women directors or (ii) independent directors.

The profiles of Céline Lazorthes and Jacques Veyrat are presented below:

Céline Lazorthes

A charismatic and highly innovative entrepreneur, Céline Lazorthes is one of the figureheads of FrenchTech.

At just 37 years old, she has already been through all the stages in the life of a start-up, as she created Leetchi.com in 2009, and MangoPay in 2013, and headed up the Leetchi Group until its sale to Crédit Mutuel Arkéa in 2015.

Appointed as Chair of the Supervisory Board of the Leetchi Group in June 2019, Céline now devotes most of her time to the more-than 30 companies she backs as a business angel, and to her support of female entrepreneurship.

In 2019, Céline co-founded the Sista collective, a group of business women that campaigns for more equal access to funding for tech companies. She is also a director of the SNCF and the *Génération Libre* think-tank.

Jacques Veyrat

Jacques Veyrat worked in the Treasury Department at the French Ministry of Finance from 1989 through 1993, and then in the cabinet team of the Ministry of Equipment between 1993 and 1995.

From 1995 he held various management posts in the companies of the Louis Dreyfus group, notably Chief Executive Officer of Louis-Dreyfus Armateurs SNC.

In 1998, he founded LDCom, renamed Neuf Telecom in 2004 and subsequently Neuf Cegetel in 2005. He served as Chairman and CEO of Neuf Cegetel until April 2008, when a takeover bid for the Company was launched on the Paris stock exchange.

Jacques was then the Chairman and Chief Executive Officer of the Louis Dreyfus group from 2008 through 2011.

Since July 2011, he has been Chairman of Impala S.A.S., a holding company that controls some fifteen companies. Impala is the principal shareholder of Neoen, which invests around €1 billion a year in renewable energy start-up projects.

Jacques is a graduate of *École Polytechnique* and a member of the Corps des *Ponts et Chaussées* (a prestigious French civil service corps for engineering graduates of the *École Polytechnique*).

3.2.1.3 Balanced, diverse Board membership

The Board of Directors regularly assesses whether its membership structure, and that of the Board Committees, has the right balance in terms of diversity. The table below shows how the Group's diversity policy is applied within the Board, indicating the criteria used, the objectives set, how the policy is implemented, and the results obtained.

The diversity of the Board's members and their complementary profiles are a strong asset for the quality of the Board's discussions and the decisions it has to make.

Criteria	Policy and objectives	Implementation and results obtained
Gender parity	To have gender parity on the Board of Directors and the Board Committees.	If the shareholders approve the related resolutions, at the close of the 2020 Annual General Meeting, the Board will include four women (i.e., 44% of its members). Two out of the three Board Committees are chaired by women (the Audit Committee and the Nominations Committee).
Qualifications and experience	To achieve the best possible balance by seeking members with complementary profiles in terms of experience, expertise and qualifications.	The members of the Board of Directors have a range of diverse and complementary skills and qualifications. They all have a highly-developed sense of ethics, commitment, innovation and strategy and have built up in-depth expertise in their business areas. In addition, they have specific skills related to operations and sectors that are key to the Group's business and strategy: • industry-sector knowledge; • expertise in administering or managing large companies; • governance expertise; • expertise in digital and new technologies; • international management experience.
Independence	For independent directors to represent at least one third of the Board's members.	If the shareholders approve the related resolutions, at the close of the 2020 Annual General Meeting, 56% of the Board's members will qualify as independent directors. All three Board Committees are chaired by independent directors (the Audit Committee, the Nominations Committee and the Compensation Committee).
Employee representation	Appointment of one or two employee representative directors.	The Board currently has one employee representative director, who is also a member of the Compensation Committee.

3.2.1.4 Director independence

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 a corporate officer of the Company or the Group, or with a shareholder owning over 10% of the Company's capital.
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	**Receiving remuneration linked to the performance of the Company or the Group** An independent director must not receive any variable compensation (settled either in cash or shares) or any other form of compensation linked to the performance of the Company or the Group.
Criterion 8	**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, each time a Board member's term of office is renewed or a new Board member is elected, and in all circumstances at least once a year, the Board assesses the independence of each of its members, based on the criteria described above and the recommendations of the Nominations 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.

At its meeting on March 16, 2020, the Board examined the situation of each of its members by reference to the above independence criteria. Based on this analysis, 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 fulfil the independence criteria:

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8	Status
Bertille Burel	x	x	x	x	x	x	x	x	Independent
Virginie Calmels	x	x	x	x	x	x	x	x	Independent
Marie-Christine Levet	x	x	x	x	x	x	x	x	Independent
Orla Noonan	x	x	x	x	x	x	x	x	Independent
Pierre Pringuet	x	x	x	x	x	o	x	x	Not independent*
Corinne Vigreux	x	x	x	x	x	x	x	x	Independent

x means that the director meets the independence criterion concerned.
** Since July 25, 2019 – the date on which Pierre Pringuet's total time as an iliad director exceeded twelve years.*

Independent directors represented 45% of the Board's members in 2019 (excluding the employee representative director 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 and take into account the interests of all of the Company's shareholders.

3.2.1.5 Responsible directors

The Board's Internal Rules include an appendix containing a Code of Conduct that all directors are required to respect. This Code sets out the rights and duties of directors as well as the rules governing the exercise of their duties, which include the following:

Attendance and diligence

By taking on their directorship, directors undertake to devote the required time and attention to their duties. In particular, they must attend all meetings of the Board of Directors and of any Board Committees of which they are a member. They must also familiarize themselves with the businesses and specific characteristics of the Company as well as its strategic objectives and corporate values, and must upskill as necessary for exercising their duties.

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 an administrative, management or supervisory body (or of the committees of any such body) of a French or non-French listed company outside the Group, he or she must first inform the Chairman of iliad's Board of Directors and the Chairman of the Nominations 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 preventing conflicts of interest

Each director is bound by a duty of loyalty towards the Company and 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.

The directors must strive to avoid all situations of conflicts of interest and must inform the Board of Directors of any situation that gives rise to any actual or potential conflicts of interest of which they are aware. In the event of any actual or potential conflict of interest, the director concerned may not take part in any related work, discussions or votes carried out by the Board or the Board Committees.

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 the criminal or administrative sanctions that could be imposed if 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 corporate officers during 2019 is provided in Chapter 8, section 8.2.4.2 of this Universal Registration Document.

3.2.1.6 Statements made by the Company in relation to directors

No family ties

There are no family ties between any members of the Board of Directors and the Company's Executive Management.

No convictions for fraud, involvement in bankruptcy, or any official public incrimination and/or sanctions by statutory or regulatory authorities

To the best of the Company's knowledge, as at the date of this Universal Registration Document, in the past five years, none of the members of the Board of Directors or Executive Management team have been:

- convicted of fraud;
- been involved with a company that has been declared bankrupt or gone into receivership, liquidation or administration;
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities [1];
- 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.

No conflicts of interest

To the best of the Company's knowledge, as at the date of this Universal Registration Document, there are:

- no potential conflicts of interest between (i) the duties of the members of the Company's Board of Directors and Executive Management team with respect to the issuer and (ii) their private interests and/or other duties;
- no arrangements or understandings with major shareholders or with customers, suppliers or other parties, pursuant to which a member of the Company's Board of Directors or Executive Management team has been selected as a member of the Board of Directors or Executive Management team.

(1) On April 29, 2019, the Sanctions Commission of the Autorité des Marchés Financiers (the French securities regulator) sanctioned Maxime Lombardini for insider trading. This decision has been appealed.

In accordance with best corporate governance practices, the Board of Directors has set up a procedure aimed at avoiding any conflicts of interest between the issuer and the private interests of Xavier Niel, the Company's majority shareholder. A disclosure procedure has been put in place for the investment projects of NJJ Holding, 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). This procedure is intended to avoid any conflicts of interest between iliad and NJJ and to clarify the positioning of NJJ and the Company when NJJ is considering an investment opportunity in a fixed and/or mobile telecommunications operator. Consequently, if NJJ were to consider acquiring a stake in a fixed and/or mobile telecommunications operator in France or abroad, it 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.

No 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 that provides for the granting of benefits.

Agreements with a controlled company

No agreement has been entered into, either directly or indirectly, between (i) any of the Company's corporate officers or any shareholder owning more than 10% of the Company's voting rights and (ii) a Group subsidiary.

3.2.2 OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors' operating procedures are set in accordance with the applicable laws and regulations as well as with the Company's bylaws and the Board of Directors' Internal Rules originally adopted in 2003 and last amended on January 30, 2017. In addition to specifying the Board's operating procedures, the Internal Rules (i) include an appendix containing a Code of Conduct which sets out the rights and duties of directors in compliance with the principles of the AFEP-MEDEF Code, and (ii) reiterates the conduct expected of the Board's members. The Internal Rules are regularly amended by the Board to reflect changes in the applicable laws and regulations and revisions to the AFEP-MEDEF Code.

3.2.2.1 Work of the Board of Directors

Roles and responsibilities of the Board

The Board of Directors is responsible for defining the overall strategy for the Company's operations and ensuring that it is implemented. It also deals with all matters related to the efficient running of the Company and makes all related decisions. The Board of Directors is, and must remain, a collegiate body that collectively represents all of the Company's shareholders and whose duties must be exercised in the Company's best interests.

The Board discusses and addresses all matters that fall within its legal and regulatory remit. In particular, it examines and approves all decisions regarding the Company's business, economic, financial and HR strategies and oversees their implementation by Executive Management.

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 any decisions required in relation to its debt and financing.

Role and responsibilities of the Chairman of the Board of Directors

The Chairman of the Board of Directors represents the Board. He organizes and oversees the Board's work and reports on that work 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.

Work conducted by the Board of Directors in 2019

The Board of Directors met thirteen times in 2019, with five special meetings. The meetings lasted two hours on average and the average attendance rate was 93%.

At each meeting the directors discussed the Company's business performance. During 2019, the Board notably:

- made decisions regarding the business, economic and financial strategies of the Company and the Group as well as their implementation;
- approved the annual and interim financial statements and prepared and called the Annual General Meeting;
- examined the budget;
- assessed the independence of the Company's directors;
- assessed the Board's operating procedures;
- allocated the directors' remuneration;
- launched an employee share ownership program in France and Italy and set up a free share plan for employees and corporate officers of the Company and the Group;
- authorized financing arrangements;
- launched a share buyback offer for iliad shares, financed by a capital increase carried out via a share issue on the open market, guaranteed by Holdco II – a company controlled by Xavier Niel;
- arranged strategic partnerships;
- authorized the signature of related-party agreements;
- adopted a procedure for identifying and verifying regulated and unregulated related-party agreements;
- split the Nominations and Compensation Committee into two separate committees.

3.2.2.2 Organization of the work of the Board of Directors

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.

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 may 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 meetings

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.

Directors' attendance at Board and Committee meetings in 2019

In 2019, the Board of Directors met 13 times, with five special meetings. The average attendance rate at these meetings was 93%.

	Board of Directors	Compensation Committee	Nominations Committee	Audit Committee
Number of meetings in 2019	**13**	**7**	**2**	**4**
Directors' attendance				
Xavier Niel	12/13			
Cyril Poidatz	13/13			
Maxime Lombardini	13/13			
Antoine Levavasseur	13/13			
Pierre Pringuet	13/13	7/7	2/2	
Thomas Reynaud	13/13			
Marie-Christine Levet	12/13		2/2	4/4
Virginie Calmels	12/13	6/7		
Corinne Vigreux	13/13	7/7	2/2	
Bertille Burel	05/13			1/4
Orla Noonan	13/13			4/4
Ilan Dahan	13/13	5/5*		

* *Mr. Ilan Dahan has attended all meetings of the Compensation Committee since his appointment on March 18, 2019.*

Each director's attendance rate is calculated based on the total number of Board meetings held during the year, including the five Board meetings that had to be scheduled at extremely short notice.

3.2.2.3 Assessment of the Board of Directors' work and operating procedures

In accordance with the recommendations of the AFEP-MEDEF Code and the Board's Internal Rules, the Board discusses its operating procedures on an annual basis. In addition, it regularly (and at least once every three years) carries out a formal assessment of its work and operating procedures.

The objectives of this assessment are to:

- review the operating procedures of the Board and its Committees;
- verify that important issues are properly prepared and discussed;
- assess each director's actual contribution to the Board's work.

The last three-year assessment, performed in 2018, was carried out under the supervision of the Chairman of the Board, with the help of the Board Secretary who organized the process based on a questionnaire approved by the Board.

During the annual discussions of its operating procedures in 2019, the Board members put forward constructive suggestions, notably concerning the deployment of a secure IT tool enabling them to have permanent access to the information communicated during Board meetings and the presentations given to the Board Committees. The directors also stated that they would like to have more meetings with the chief operating officers of the Group's various subsidiaries.

3.2.2.4 Procedures for identifying and verifying related-party agreements

In 2019 the Board of Directors set up a procedure for identifying and verifying regulated and unregulated related-party agreements, as defined in the French Commercial Code. This procedure – which was adopted at the March 16, 2020 Board meeting – complies with the applicable regulations concerning regulated related-party agreements, as set out in the French Commercial Code and AMF recommendation 2012-05 dated July 2, 2012.

It is intended to (i) define the methods used by the Company to identify and classify regulated related-party agreements to which it is a party, and (ii) provide a framework for regularly assessing unregulated related-party agreements, i.e., agreements concerning routine operations entered into on arm's length terms.

In accordance with this procedure, the Group's Corporate Secretary must be informed prior to any transaction that could constitute a regulated related-party agreement. The Corporate Secretary examines the agreement concerned and after consulting with the Chief Financial Officer, decides whether it constitutes a regulated related-party agreement or if it meets the criteria to be classified as unregulated. If the agreement is classified as a regulated related-party agreement within the meaning of Article L. 225-38 of the French Commercial Code, the related legal procedure will then be applied.

3.2.3 ORGANIZATION AND OPERATING PROCEDURES OF THE BOARD COMMITTEES

The Board of Directors may be assisted in its duties by one or more specialist committees. When such a committee is created, the Board of Directors sets its organizational and operating procedures and draws up its internal rules.

The Board currently has three committees: the Audit Committee, the Nominations Committee, and the Compensation Committee.

These committees actively prepare the Board's work, put forward proposals to the Board, and report to the Board on their work after each meeting.

Additionally, in the interests of good corporate governance practice, the Board of Directors may also set up other committees to put forward recommendations about specific topics. For example, when the Company decided to launch its share buyback offer in 2019, an independent appraiser was appointed in accordance with the applicable regulations, as the Company's major shareholder did not tender any shares to the offer. This appraiser was tasked with giving an opinion on the financial terms and conditions of the share buyback offer. The firm selected as the appraiser was appointed based on the recommendation of a special-purpose committee set up by the Board, which mainly comprised independent directors. The firm's work was monitored by the Board, through this special-purpose committee, which prepared the wording of the reasoned opinion issued by the Board.

THE AUDIT COMMITTEE

Membership in 2019	Chair: Marie-Christine Levet Members: • Bertille Burel (independent director); • Marie-Christine Levet (independent director); • Orla Noonan (independent director).
Roles and responsibilities	The main roles and responsibilities of the Audit Committee are as follows: ***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, and reviewing the Annual Report of the Group's main disputes and litigation. • Reviewing and issuing an opinion on the draft report of the Chairman of the Board of Directors on the Company's internal control and risk management procedures. ***Independence and appointment of Statutory Auditors*** • Approving the provision of the services referred to in Article L. 822-11-2 I of the French Commercial Code. • 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.
Main work conducted in 2019	The Audit Committee met four times in 2019 with an average attendance rate of 81%. 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; • analyzing the results of the statutory audit and the accounting options selected (for which the Committee did not consider it useful to use the services of an external specialist). 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. During the year, the Audit Committee heard presentations given by the Chief Financial Officer, the Chief Financial Controller and the Chief Accounting Officer. The Committee's members considered that the Statutory Auditors' answers to their questions raised in the meetings held during the year were satisfactory.
Planned work for 2020	In 2020 the Audit Committee will continue to carry out the duties assigned to it. Its work will notably concern the preparation of the Group's financial information and a review of its provisioning and risk management strategy and internal control procedures.

THE NOMINATIONS COMMITTEE

Membership in 2019	Chair: Corinne Vigreux Members: • Virginie Calmels (independent director); • Corinne Vigreux (independent director); • Pierre Pringuet (director).
Roles and responsibilities	The main roles and responsibilities of the Nominations Committee are as follows: • 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 whether 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 renewing the terms of office 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 defining their roles and responsibilities; • ensuring the long-term continuity of the Company's management bodies by establishing a succession plan for its executive officers, directors and, where appropriate, senior executives 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 work conducted in 2019	The Nominations Committee met twice in 2019, with a 100% attendance rate. The meetings were mainly devoted to: • examining changes in the Board of Directors' membership structure; • reviewing the independence status of the Company's directors qualified as independent; • nominating new directors and reviewing the membership structure of the Board of Directors.
Planned work for 2020	In 2020 the Nominations Committee will continue to carry out the duties assigned to it. Its work will notably entail reviewing the membership structure of the Board of Directors, particularly in terms of diversity and gender balance.

THE COMPENSATION COMMITTEE

Membership	Chair: Corinne Vigreux Members: • Virginie Calmels (independent director); • Corinne Vigreux (independent director); • Pierre Pringuet (director); • Ilan Dahan (employee representative director).
Roles and responsibilities	The main roles and responsibilities of the Compensation Committee are as follows: • submitting proposals to the Board on the compensation policy and the compensation packages of the Company's executive officers and, where appropriate, other key executives of the Group, particularly their fixed and variable compensation, but also their pension benefits, personal protection insurance, termination benefits, benefits in kind and any other form of compensation paid by the Company or other Group entities; • making proposals on the general policy and conditions of stock options and/or performance shares (free shares), the grant thereof and the set-up 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, other key executives of the Group, 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 duties of the Company's executive officers' and the financial terms and conditions applicable on their departure; • putting forward recommendations to the Board concerning the aggregate amount of directors' remuneration to be submitted for approval at the Annual General Meeting, as well as recommending to the Board how this remuneration 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 of 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.
Main work conducted in 2019	The Compensation Committee met seven times in 2019, with a 94% attendance rate. The meetings were mainly devoted to: • preparing the Annual General Meeting (the ex-ante and ex-post say on pay votes); • implementing the liquidity procedure for the Free Mobile shares held by the Company's employees and executive officers, and overseeing the work of the appointed independent valuers; • setting up an employee share ownership plan in France and Italy; • setting up a free share grant plan for employees and corporate officers of the Company and the Group.
Planned work for 2020	In 2020 the Compensation Committee will continue to carry out the duties assigned to it. Its work will notably entail adapting the compensation policy for the corporate officers in line with the new requirements of the government order transposing into French law European Directive no. 2017/828 dated May 17, 2017 related to executive compensation.

3.3 ORGANIZATION AND OPERATING PROCEDURES OF EXECUTIVE MANAGEMENT AND MANAGEMENT BODIES

3.3.1 SEPARATION OF THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by law, the Company is managed either by the Chairman of the Board of Directors, who then has the title of Chairman and Chief Executive Officer, or by another person appointed by the Board of Directors with the title of 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 was confirmed on May 21, 2018 when Thomas Reynaud was appointed Chief Executive Officer.

By separating out the roles of the Chairman and the Chief Executive Officer, the Board is able 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).

3.3.2 EXECUTIVE MANAGEMENT

Appointments

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.

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.

Powers

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 subject to the restrictions set by the Board of Directors in its Internal Rules, and except for those matters which by law may only be dealt with in Shareholders' Meetings or by the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. Actions taken by the Chief Executive Officer are binding on the Company with respect to third parties, even when they fall outside the scope of the corporate purpose, unless the Company can prove that the third party was aware that such an action exceeded said scope or, in view of the circumstances, could not have been unaware thereof. Publication of the bylaws does not, in itself, constitute such proof.

In accordance with Article 19 of the Company's bylaws, acting on the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more Senior Vice-Presidents 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

In accordance with the Board's Internal Rules, the Chief Executive Officer requires the Board's prior approval for the following projects or transactions:

- any acquisition or investment project representing over €100 million per transaction, as well as any substantial amendments to the terms and conditions of such a project;
- any project to sell an equity interest representing over €100 million per transaction;
- any transaction or commitment representing a unit amount of over €200 million, even when such transactions or commitments form part of iliad's normal course of business.

At its March 16, 2020 meeting, the Board of Directors gave the Chief Executive Officer a one-year authorization to issue guarantees, deposits and endorsements in the Company's name for (i) an aggregate amount of up to €150 million for commitments given to third parties other than controlled companies, and (ii) an unlimited amount for commitments given to controlled companies and to the tax or customs authorities.

3.3.3 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 staff as well as members of the corporate support units – are as follows:

- the Executive Committee

  The role of the Executive Committee is to manage the Group's business activities and ensure that its main strategies and policies are being implemented;

- the Operators Committee

  The Operators Committee 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

  This committee analyzes the performance of the Group's audiovisual operations and related marketing campaigns. It verifies that audiovisual operations are effectively monitored and that the terms and conditions of contracts entered into with content providers, service suppliers and subscribers are respected;

- the Fiber Committee

  The Fiber Committee 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

  The main role of the Mobile Committee is to monitor 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

  This committee verifies that production cycles are effectively managed and that all necessary measures are taken to meet the Group's targets;

- 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

  This committee puts forward proposals aimed at defining and putting in place the Group's corporate social responsibility (CSR) policy and commitments. It is responsible for overseeing the operational aspects of the CSR policy and its rollout across the Group;

- the Ethics Committee

  The Ethics Committee holds both regular and special meetings. At its regular meetings, it 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

  This committee is responsible for (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, onboarding, training, employee-related data, HR systems, and the scheduling and content of collective bargaining negotiations;

- the Personal Data Protection 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.

3.3.4 GENDER EQUALITY IN THE WORKPLACE

The Group has a gender equality policy in place that applies at all aspects of employees' careers, particularly recruitment, access to training, compensation and promotion. See Chapter 4, section 4.1.6.1.4 of this Universal Registration Document for further details.

The measures undertaken in order to constantly increase the proportion of women in the workforce yielded the following results at December 31, 2019:

- Board of Directors: 45%;
- top management posts: 35%;
- managerial posts: 47%;
- total workforce of the Company: 58%;
- total workforce of the Group: 26%.

Increasing the number of women in top management positions is a priority for the Group. Since 2018, three women have been appointed to the Executive Management team, representing 75% of the team's new members.

The Group intends to continue in this direction, in order to achieve a better gender balance across the workforce, at all levels of responsibility, in accordance with market standards.

3.4 COMPENSATION OF THE GROUP'S CORPORATE OFFICERS (1)

3.4.1 2019 COMPENSATION FOR CORPORATE OFFICERS

General principles

The compensation packages of the Company's executive officers 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 in order to align their interests with those of the shareholders. The overall objective of the compensation policy is to regularly reward executive officers' loyalty on a mid- to long-term basis. The Company's non-executive directors are allocated individual remuneration out of an aggregate amount authorized by the shareholders at the Annual General Meeting. The rules for allocating this remuneration are set by the Board of Directors based on recommendations put forward by the Compensation Committee. In the fifth resolution of the May 21, 2019 Annual General Meeting, the shareholders set the aggregate amount of non-executive directors' remuneration at €230,000.

Compensation paid during, or allocated for, 2019 to corporate officers

The components of the compensation paid during, or allocated for, 2019 to iliad's corporate officers were set by the Board of Directors, based on the recommendation of the Compensation Committee. For the executive officers, the amounts were set in line with the compensation policy approved by the Company's shareholders at the May 21, 2019 Annual General Meeting (15th to 17th resolutions).

Pursuant to Article L. 225-100 of the French Commercial Code, as amended by French Government Order no. 2019-1234 of November 27, 2019 on the compensation of corporate officers of listed companies, the Company is required to submit the following for approval at the Annual General Meeting:

- a draft resolution relating to the total compensation and benefits paid during, or allocated for, 2019 to all of the corporate officers (12th resolution); and
- a draft resolution on the total compensation and benefits paid during, or allocated for, 2019 to each of the executive officers (13th to 18th resolutions).

3.4.1.1 2019 compensation for all corporate officers (12th resolution)

In accordance with Article L. 225-100-II of the French Commercial Code, the tables below provide summarized information on the compensation paid during, or allocated for, 2019 to all of the Company's corporate officers for their duties during that year, as well as all the information required pursuant to Article L. 225-37-3-I of said Code.

The total amount of compensation paid during, or allocated for, 2019 to all of the corporate officers complies with 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 as approved by the shareholders at the May 21, 2019 Annual General Meeting (15th to 17th resolutions). No changes to, or exemptions from, the 2019 compensation policy were applied during the year.

Compensation components disclosed in accordance with Article L. 225-37-3-I of the French Commercial Code relating to executive officers

The compensation paid during, or allocated for, 2019 to the executive officers for their duties in that capacity corresponded to (i) fixed compensation and (ii) long-term share-based compensation.

No executive officer received, or was allocated, any form of variable compensation (annual or multi-annual) or exceptional compensation, or any other benefits (i.e., commitments corresponding to compensation, signing bonuses, termination benefits or benefits for a change in duties (paid either during or after the term of office concerned), or benefits-in-kind). No compensation was paid or allocated to any executive officer by a company included in the Group's scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code.

The structure of the executive officers' compensation packages – which combines a fixed component with a long-term share-based component – is aimed at aligning the executive officers' interests with those of the shareholders, and therefore contributing to the Company's sustainability.

Fixed compensation represents on average between 15% and 30% of the total compensation of each executive officer.

Amount of fixed compensation paid during 2019 to each executive officer

- Maxime Lombardini: €384,000.
- Thomas Reynaud: €384,000.
- Rani Assaf: €189,000.
- Alexis Bidinot: €189,075.
- Antoine Levavasseur: €189,000.
- Xavier Niel: €189,000.

(1) *For the purposes of this document, the term "corporate officers" refers to the Company's directors and officers.*

Stock options, performance shares and any other long-term compensation allocated during 2019 to the executive officers

Using the authorization given in the 22nd resolution of the May 16, 2018 Annual General Meeting, and acting on the recommendation of the Compensation Committee, on November 22, 2019, the Board of Directors authorized a share grant plan that included 46,000 shares granted free of consideration to executive officers (Thomas Reynaud, Rani Assaf, Antoine Levavasseur and Maxime Lombardini).

The vesting of all of the shares granted to executive officers under the plan is subject to (i) performance conditions and (ii) a continuing presence condition (i.e., that the beneficiaries are still with the Group) which applies at each vesting date, except in certain specific cases provided for in the plan rules (notably death or disability).

	Number of shares granted during the year	Valuation of shares based on the method used for the consolidated financial statements *(in €)*	Percentage of the Company's capital represented by each executive officer's share grant
Maxime Lombardini	9,000	926,100	0.02%
Thomas Reynaud	19,000	1,955,100	0.03%
Rani Assaf	9,000	926,100	0.02%
Alexis Bidinot	0	N/A	0
Antoine Levavasseur	9,000	926,100	0.02%
Xavier Niel	0	N/A	0

The conditions to which free shares granted to executive officers are subject (other than the performance conditions) – and notably the vesting periods and any lock-up periods – are described in section 3.4.2 below, "Compensation policy" and in the AMF tables 6 and 7 set out in section 3.4.3.

The performance conditions for the two applicable vesting dates are as follows:

- for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019;
- for the tranche vesting on November 30, 2022: (i) for 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for the other 50% of the shares: the Group's EBITDAaL margin for the year ended December 31, 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019;
- for the tranche vesting on November 30, 2023: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023.

For each performance condition, the achievement rates will be assessed at the end of the years during which the performance has to be achieved, and the percentage of the shares that vest will be calculated based on those achievement rates.

Compensation components disclosed in accordance with Article L. 225-37-3-I of the French Commercial Code relating to non-executive directors

The rules for allocating remuneration paid to the non-executive directors for their directorships are set out in section 3.4.2.1 below.

The provisions of the second paragraph of Article L. 225-45 of the French Commercial Code were not applicable in 2019.

Amount of remuneration paid during, or allocated (1) for, 2019 to the non-executive directors

In €	Fixed portion	Variable portion
Virginie Calmels	21,000	15,000
Marie-Christine Levet	21,000	15,000
Orla Noonan	21,000	15,000
Pierre Pringuet	21,000	15,000
Olivier Rosenfeld (2)	0	0
Corinne Vigreux	21,000	15,000
Bertille Burel	9,000	3,750
Cyril Poidatz (3)	N/A	N/A
Ilan Dahan (4)	N/A	N/A

(1) Remuneration allocated to the non-executive directors is paid in the same year.
(2) Olivier Rosenfeld stepped down as a director on January 28, 2019.
(3) Cyril Poidatz also receives compensation under his employment contract, which amounted to €180,000 for 2019.
(4) Ilan Dahan also receives compensation under his employment contract.

Other information provided in accordance with Article L. 225-37-3-I 6° and 7° of the French Commercial Code relating to executive officers

The following table shows the ratios between the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and the Senior Vice-Presidents and the average and median compensation of iliad S.A.'s employees (on a full-time equivalent basis), as well as the year-on-year change in the executive officers' compensation, the Company's performance, the average compensation of Company employees and the ratios over the past five years. In compliance with paragraph 6 of Article L. 225-37-3 I of the French Commercial Code, the scope used covers iliad S.A.

This information is presented in accordance with the guidelines published by the AFEP (French employers' federation). Compensation figures were calculated based on all compensation paid during, or allocated for, the year in question. Compensation ratios were calculated on the following basis:

- for executive officers, compensation corresponds to the fixed compensation (executive officers do not receive any variable or multi-year compensation) paid during the year and, from 2017 onward, long-term compensation in the form of performance shares;
- for employees, compensation corresponds to compensation paid during the year. This comprises a fixed component (on a full-time equivalent basis), a variable component, any bonuses, incentives and profit-sharing paid during the year in respect of the prior year, and performance shares granted during the year.

	2019	2018	2017	2016	2015
Average employee compensation at iliad S.A.	**85,057**	**81,752**	**72,351**	**40,432**	**38,800**
Chairman of the Board of Directors (Maxime Lombardini)*					
Chairman's compensation *(in €)*	1,310,100	2,188,752	3,642,168	384,000	384,000
Ratio vs. average employee compensation	15.4	25.8	44.9	4.5	4.6
Ratio vs. median employee compensation	39.9	69.8	111.5	6.2	6.4
Chief Executive Officer (Thomas Reynaud)**					
Chief Executive Officer's compensation *(in €)*	2,339,100	2,188,752	3,642,168	384,000	384,000
Ratio vs. average employee compensation	27.5	26.8	50.3	9.5	9.9
Ratio vs. median employee compensation	71.2	72.4	124.9	13.2	13.7
Senior Vice-President (Xavier Niel)					
Senior Vice-President's compensation *(in €)*	189,000	189,000	189,000	189,000	189,000
Ratio vs. average employee compensation	2.2	2.3	2.6	4.7	4.9
Ratio vs. median employee compensation	5.8	6.3	6.5	6.5	6.7
Senior Vice-President (Rani Assaf)					
Senior Vice-President's compensation *(in €)*	1,115,100	1,993,752	3,258,400	189,000	189,000
Ratio vs. average employee compensation	13.1	24.4	45.0	4.7	4.9
Ratio vs. median employee compensation	34.0	66.0	111.8	6.5	6.7
Senior Vice-President (Antoine Levavasseur)					
Senior Vice-President's compensation *(in €)*	1,115,100	1,993,752	3,258,400	189,000	189,000
Ratio vs. average employee compensation	13.1	24.4	45.0	4.7	4.9
Ratio vs. median employee compensation	34.0	66.0	111.8	6.5	6.7
Senior Vice-President (Alexis Bidinot)					
Senior Vice-President's compensation *(in €)*	189,075	2,005,152	200,400	N/A	N/A
Ratio vs. average employee compensation	2.4	24.5	2.8	N/A	N/A
Ratio vs. median employee compensation	6.1	66.4	6.9	N/A	N/A
Year-on-year increase in the Company's performance					
• Total number of the Group's subscribers	10.3%	12.3%	5.9%	7.1%	
• Number of FTTH subscribers	79%	76.8%	79.4%	55%	

* *Maxime Lombardini was Chairman of the Board of Directors as from May 21, 2018. Prior to that date, the office was held by Cyril Poidatz.*

** *Thomas Reynaud has been Chief Executive Officer since May 21, 2018. Prior to that date, the office was held by Maxime Lombardini.*

3.4.1.2 Individual compensation paid during, or allocated for, 2019 to each of the corporate officers

Executive officers

COMPONENTS OF COMPENSATION AND BENEFITS PAID DURING, OR ALLOCATED FOR, 2019 TO MAXIME LOMBARDINI, CHAIRMAN OF THE BOARD OF DIRECTORS, SUBMITTED FOR SHAREHOLDER APPROVAL (13TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	Presentation
Fixed compensation	€384,000	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 for 2018 paid in 2019	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 = €926,100 (accounting value of the instruments granted for 2019)	Decision taken by the Board of Directors on November 22, 2019 using the authorization given at the May 16, 2018 Annual General Meeting (22nd resolution). 9,000 shares Applicable performance conditions: • for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019; • for the tranche vesting on November 30, 2022: (i) for 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for the other 50% of the shares: the Group's EBITDAaL margin for the year ended 31 December 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019; • for the tranche vesting on November 30, 2023: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023. Percentage of the Company's capital represented by the share grant: 0.02% Further details on these share grants are provided in section 3.4.3.
Directors' remuneration	N/A	As is the case for all executive officers, Maxime Lombardini does not receive any directors' remuneration.
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 DURING, OR ALLOCATED FOR, 2019 TO THOMAS REYNAUD, CHIEF EXECUTIVE OFFICER, SUBMITTED FOR SHAREHOLDER APPROVAL (14TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	Presentation
Fixed compensation	€384,000	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 for 2018 paid in 2019	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 = €1,955,100 (accounting value of the instruments granted for 2019)	Decision taken by the Board of Directors on November 22, 2019 using the authorization given at the May 16, 2018 Annual General Meeting (22nd resolution). 19,000 shares Applicable performance conditions: • for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019; • for the tranche vesting on November 30, 2022: (i) For 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for the other 50% of the shares: the Group's EBITDAaL margin for the year ended 31 December 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019; • for the tranche vesting on November 30, 2023: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023. Percentage of the Company's capital represented by the share grant: 0.03% Further details of these share grants are provided in section 3.4.3.
Directors' remuneration	N/A	As is the case for all executive officers, Thomas Reynaud does not receive any directors' remuneration.
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 DURING, OR ALLOCATED FOR, 2019 TO XAVIER NIEL, SENIOR VICE-PRESIDENT, SUBMITTED FOR SHAREHOLDER APPROVAL (15TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	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 for 2018 paid in 2019	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	N/A
Directors' remuneration	N/A	As is the case for all executive officers, Xavier Niel does not receive any directors' remuneration.
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 DURING, OR ALLOCATED FOR, 2019 TO RANI ASSAF, SENIOR VICE-PRESIDENT, SUBMITTED FOR SHAREHOLDER APPROVAL (16TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	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 for 2018 paid in 2019	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 = €926,100 (accounting value of the instruments granted for 2019)	Decision taken by the Board of Directors on November 22, 2019 using the authorization given at the May 16, 2018 Annual General Meeting (22nd resolution). 9,000 shares Applicable performance conditions: • for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019; • for the tranche vesting on November 30, 2022: (i) for 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for the other 50% of the shares: the Group's EBITDAaL margin for the year ended 31 December 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019; • for the tranche vesting on November 30, 2023: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023. Percentage of the Company's capital represented by the share grant: 0.02% Further details on these share grants are provided in section 3.4.3.
Directors' remuneration	N/A	N/A
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 DURING, OR ALLOCATED FOR, 2019 TO ANTOINE LEVAVASSEUR, SENIOR VICE-PRESIDENT, SUBMITTED FOR SHAREHOLDER APPROVAL (17TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	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 for 2018 paid in 2019	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 = €926,100 (accounting value of the instruments granted for 2019)	Decision taken by the Board of Directors on November 22, 2019 using the shareholder authorization given at the May 16, 2018 Annual General Meeting (22nd resolution). 9,000 shares Applicable performance conditions: • for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL (1) and Capex (2) (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019; • for the tranche vesting on November 30, 2022: (i) for 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for the other 50% of the shares: the Group's EBITDAaL margin for the year ended 31 December 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019; • for the tranche vesting on November 30, 2023 plan: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023. Percentage of the Company's capital represented by the share grant: 0.02% Further details on these share grants are provided in section 3.4.3.
Directors' remuneration	N/A	As is the case for all executive officers, Antoine Levavasseur does not receive any directors' remuneration.
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.

COMPONENTS OF COMPENSATION AND BENEFITS PAID DURING, OR ALLOCATED FOR, 2019 TO ALEXIS BIDINOT (1), SENIOR VICE-PRESIDENT, SUBMITTED FOR SHAREHOLDER APPROVAL (18TH RESOLUTION)

Components of compensation and benefits submitted for shareholder approval	Amount (or accounting value) allocated for 2019	Presentation
Fixed compensation	€189,075 (2)	Fixed compensation set by the Board of Directors on December 4, 2017 based on the recommendation of the Compensation Committee.
Annual variable compensation for 2018 paid in 2019	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	N/A	N/A
Directors' remuneration	N/A	N/A
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.

(1) Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.
(2) Amount received until December 9, 2019.

Non-executive directors

For 2019, the Board of Directors allocated the remuneration payable to the non-executive directors as follows:

DIRECTORS' REMUNERATION AND OTHER REMUNERATION RECEIVED BY THE NON-EXECUTIVE DIRECTORS (AMF TABLE 3)

Non-executive directors	Amount received in 2019 *(gross, in €)*	Amount received in 2018 *(gross, in €)*
Virginie Calmels		
Directors' remuneration	36,000	30,000
Other remuneration	N/A	N/A
Marie-Christine Levet		
Directors' remuneration	36,000	30,000
Other remuneration	N/A	N/A
Orla Noonan		
Directors' remuneration	36,000	30,000
Other remuneration	N/A	N/A
Pierre Pringuet		
Directors' remuneration	36,000	30,000
Other remuneration	N/A	N/A
Olivier Rosenfeld*		
Directors' remuneration	0	18,000
Other remuneration	N/A	N/A
Corinne Vigreux		
Directors' remuneration	36,000	30,000
Other remuneration	N/A	N/A
Bertille Burel		
Directors' remuneration	12,750	30,000
Other remuneration	N/A	N/A
Cyril Poidatz		
Directors' remuneration	N/A	N/A
Other remuneration	N/A	N/A
Ilan Dahan		
Directors' remuneration	N/A	N/A
Other remuneration	N/A	N/A

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

3.4.2 COMPENSATION POLICY FOR CORPORATE OFFICERS

In accordance with Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, as amended by French Government Order no. 2019-1234 of November 27, 2019 on the compensation of corporate officers of listed companies, the Company's compensation policy for all of its corporate officers is presented below.

The shareholders will be asked to approve the following components of the compensation policy for the Company's corporate officers in the 19th to 22nd resolutions of the 2020 Annual General Meeting.

3.4.2.1 Information concerning all of the corporate officers

General principles

The compensation policy for the corporate officers, as set by the Board of Directors based on the recommendations of the Compensation Committee, is in line with the recommendations of the AFEP-MEDEF Code, which the Company uses as its corporate governance framework.

Main objectives

Consequently, the Board of Directors' main aims are to ensure that:

- the compensation policy is clear, consistent and straightforward and that it reflects the Company's values and entrepreneurial culture, based on fair and transparent principles;
- the overall compensation packages granted are competitive, aligned with the responsibilities of each officer concerned, and take into account market practices;

- a significant portion of executive officers' compensation is based on the Company's performance, especially in relation to (i) the main priorities of its commercial strategy (growing its network and number of subscribers) and (ii) its main financial performance objectives. This performance is assessed via long-term incentive plans with underlying performance conditions that are based on creating lasting value for all of the Company's stakeholders and which closely align the executive officers' interests with those of all of its shareholders.

By combining clarity and competitiveness, these plans are aimed at helping the Company recruit and retain the best talent. This means that executive officers' compensation supports the Group's overall strategy and helps ensure the Company's long-term development.

The components of each executive officer's compensation package are set taking into account the compensation and employment conditions of the Company's employees. The Company places particular importance on employee profit-sharing which is tied to iliad's long-term strategic objectives and results. This is clearly illustrated in the fact that the Company launched an employee stock ownership plan in March 2019, which was proposed to some 8,100 Group employees in France and Italy. The significant take-up by eligible employees underscores their confidence in the Group and its growth prospects. Following the operation, the corporate mutual fund for employee stock ownership holds close to 0.5% of the Company's capital. In addition, the conditions applicable to the performance shares granted in 2019 are the same for all of the executive officers concerned and certain other key personnel of the Company and its subsidiaries. Some 43% of the overall 2019 share grant is subject to performance conditions. The Board of Directors has decided to extend this incentive plan to a larger number of beneficiaries in order to foster loyalty among its talent.

Decision-making process

The Board of Directors is responsible for setting the compensation policy for iliad's corporate officers, based on the recommendations of the 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 Compensation Committee regularly reviews the structure of the corporate 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 Board of Directors pays particular attention to managing conflicts of interest, in order to ensure that all of its corporate officers act in all circumstances in the best interests of the Company and all of its shareholders.

It is therefore the Compensation Committee that is responsible for setting the components and amounts of the executive officers' compensation. The majority of the members of this Committee are independent directors and it does not include any executive officers.

In addition, in Board of Directors' meetings, the executive officers are not entitled to take part in the Board's vote on their own compensation.

The procedures for managing conflicts of interest concerning members of the Board of Directors are detailed in section 3.2.1.6.

Corporate officers newly appointed/elected or re-appointed/re-elected

If a new corporate officer of the Company is elected or appointed in 2020, or an existing corporate officer's term of office is renewed, the components and structure of the compensation described in the compensation policy for corporate officers would also apply to him or her. The Board of Directors would set that corporate officer's compensation based on the recommendation of the Compensation Committee, in accordance with the above-mentioned policy and in line with the compensation of the Group's other corporate officers.

In addition to the compensation described below, when a new corporate officer is recruited 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 position.

Changes for 2020

When it changed the Company's governance structure, the Board of Directors decided to retain the majority of the principles relating to corporate officers' compensation.

In particular, it decided that the Chairman of the Board would not receive any remuneration in his capacity as Chairman.

As the Chief Executive Officer is now required to devote part of his time to Holdco II's operations, the Board has decided to split his compensation between the operational activities he exercises within the iliad Group and those he exercises within Holdco II. This situation does not give rise to any conflicts of interest.

Specific principles applicable to the members of the Board of Directors

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

Only the Company's independent (non-executive) directors receive remuneration for their directorships.

The rules for allocating this remuneration were set by the Board of Directors and provide for the following:

- a fixed portion of €25,000 based on the director's actual attendance at Board meetings (of which €1,500 can be deducted if a director fails to attend more than one meeting during the year);
- a variable portion of €15,000, 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' remuneration, nor do the Chairman of the Board, the Vice-Chairman, the Chief Executive Officer or the Senior Vice-Presidents.

If a director has an employment contract with the Company (including the director representing employees), it must be a permanent contract and must contain termination provisions (including the applicable notice period) that comply with the applicable regulations and collective bargaining agreements.

Specific principles applicable to the executive officers

Structure and allocation of annual compensation

The executive officers' annual compensation is made up of fixed remuneration and a long-term incentive payment in the form of performance share grants. In special circumstances, they may also be awarded exceptional compensation.

The executive officers' compensation package must be focused on compensating performance, with a predominant portion of the package made up of long-term remuneration. The total compensation breaks down as follows:

- fixed compensation: around 15% of the total;
- long-term compensation around 85% of the total.

No executive officer receives remuneration for their directorship.

Fixed compensation

Executive officers' fixed compensation must be set in such a way that that the Group is able to attract top executive talent both from within its own ranks and, where necessary, from outside. This compensation has to foster engagement and loyalty on a long-term basis and reflect the level of responsibility of the officer concerned. Changes in fixed compensation must be based on the scope and level of that responsibility, as well as on the executive officer's individual performance and development.

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

To date, the Board has decided not to put in place any variable 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 motivating for executive officers to attain performance targets and are more suited to the Group's corporate strategy.

The executive officers are not automatically entitled to any exceptional compensation. However, in accordance with the second paragraph of Article L. 225-37-2, III. of the French Commercial Code, and if so recommended by the Compensation Committee, the Board of Directors may award exceptional compensation to one or more executive officers, subject to the following conditions:

- exceptional compensation may only be awarded in exceptional circumstances (e.g., a transaction that transforms the Group's structure);
- precise details must be given about the underlying principles and characteristics of the exceptional compensation, particularly in terms of how it is in the Group's long-term interests;
- the amount of the exceptional compensation will be included in the cap set for the long-term compensation of the executive officer concerned.

The payment of any such exceptional compensation must be subject to approval by the shareholders in a General Meeting, in accordance with the applicable laws.

To date, no exceptional compensation has ever been allocated or paid to the Company's executive officers.

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 and allocating the cash-settled multi-year compensation, as well as the applicable caps, would be very similar to those applicable to the current share-based incentive system, but adapted where relevant.

Long-term incentive plans

iliad's long-term incentive plans are aimed at encouraging the creation of long-term shareholder value and aligning the executive officers' interests with those of the shareholders. Long-term compensation plans are a fundamental component of the compensation packages of the iliad Group's executive officers and form part of the strong employee stock ownership culture that the Group wants to continue to develop. These plans take the form of performance share grants as provided for in Article L. 225-197-1 of the French Commercial Code.

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 the predominant proportion of executive officers' total compensation as the Board believes this closely aligns their interests with those of the Company's shareholders.

During 2020, based on the recommendation of the Compensation Committee, the Board may decide to set up further long-term incentive plans for the executive officers involving grants of the Company's shares, in order to closely associate them with the Group's performance.

Acting on the advice of the Compensation Committee, the Board could set the following conditions for the share grant plans:

- 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);
- a vesting period lasting an average of 3 years, with no lock-up period;
- performance conditions (with achievement measured over a minimum of two years), combining financial and operating criteria aligned with the Group's strategic objectives. The Board of Directors will verify that the performance conditions used reflect the Group's operational and financial objectives set for the mid and long term;
- an obligation for the beneficiaries to hold at least 10% of their vested performance shares for as long as they are in office.

In accordance with the recommendations of 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 if the shareholders approve the related resolution at the 2020 Annual General Meeting, may not represent more than 40% of the total number of shares that could be awarded under share grant plans (which corresponds to 2% of the Company's capital).

Also pursuant to the AFEP-MEDEF Code, the executive officers have formally undertaken that for as long as they are in office they will not use any instruments to hedge the equity risk on the shares granted to them under the long-term incentive plans.

Other benefits

No supplementary pension plans have been set up by iliad for its executive officers.

The executive officers are not entitled to any benefits-in-kind.

The executive officers are members of the same personal protection and healthcare insurance plans as the Group's employees.

No indemnities are payable to executive officers under non-compete clauses.

Employment contract

As iliad has always favored developing in-house talent, when an employee who has ten years' seniority is promoted to an executive officer's position, his or her employment contract is suspended, as recommended in the AFEP-MEDEF Code. Consequently, all of the Senior Vice-Presidents have a permanent employment contract with the Company that contains termination provisions (including the applicable notice period) that comply with the applicable regulations and collective bargaining agreements.

3.4.2.2 Information concerning each corporate officer

3.4.2.2.1 Executive officers

The tables below provide summarized information on the components of each executive officer's compensation as required by Article R. 225-29-1 of the French Commercial Code.

INFORMATION CONCERNING XAVIER NIEL, CHAIRMAN OF THE COMPANY'S BOARD OF DIRECTORS

Compensation components put to the shareholders' vote	Presentation
Fixed compensation	N/A

INFORMATION CONCERNING THOMAS REYNAUD, CHIEF EXECUTIVE OFFICER AND A DIRECTOR OF THE COMPANY

Compensation components put to the shareholders' vote	Presentation
Fixed compensation	Fixed compensation set by the Board of Directors on March 16, 2020, based on the recommendation of the Compensation Committee. This compensation, which has remained unchanged since 2009, is split between the operational activities that Thomas Reynaud exercises within Holdco II and those he exercises within iliad.
Stock options, performance shares and any other long-term compensation	Proportion described in the section entitled "Structure and allocation of annual compensation". Vesting and lock-up periods described in the section entitled "Long-term incentive plans". Contribution to the objectives of the compensation policy described in section 3.4.2.1, "Main objectives".

INFORMATION CONCERNING RANI ASSAF, SENIOR VICE-PRESIDENT OF THE COMPANY

Compensation components put to the shareholders' vote	Presentation
Fixed compensation	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee.
Stock options, performance shares and any other long-term compensation	Proportion described in the section entitled "Structure and allocation of annual compensation". Vesting and lock-up periods described in the section entitled "Long-term incentive plans". Contribution to the objectives of the compensation policy described in section 3.4.2.1, "Main objectives".

INFORMATION CONCERNING ANTOINE LEVAVASSEUR, SENIOR VICE-PRESIDENT OF THE COMPANY

Compensation components put to the shareholders' vote	Presentation
Fixed compensation	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Compensation Committee.
Stock options, performance shares and any other long-term compensation	Proportion described in the section entitled "Structure and allocation of annual compensation". Vesting and lock-up periods described in the section entitled "Long-term incentive plans". Contribution to the objectives of the compensation policy described in section 3.4.2.1, "Main objectives".

3.4.2.2.2 Directors

It is being recommended that a total annual aggregate amount of €240,000 be paid to the Company's directors for 2020, allocated as follows:

Office held	Fixed portion/variable portion
Chairman	The Chairman of the Board of Directors does not receive any remuneration in his capacity as Chairman.
Vice-Chairman	The Vice-Chairman of the Board of Directors does not receive any remuneration in his capacity as Vice-Chairman.
Independent directors	Fixed portion: €25,000
Other directors	0
Board Committee members	Variable portion: €15,000

No director receives any compensation or benefits other than the remuneration referred to above.

3.4.3 TABLE OF COMPENSATION AND BENEFITS (DISCLOSED IN ACCORDANCE WITH THE AFEP-MEDEF CODE)

SUMMARY OF COMPENSATION PAID AND STOCK OPTIONS AND FREE SHARES GRANTED TO EACH EXECUTIVE OFFICER (BASED ON TABLE 1 OF THE AMF TEMPLATE)

In €	2019	2018
Maxime Lombardini		
Compensation due for the year	384,000	384,000 (1)
Value of multi-year variable compensation allocated 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	926,100	1,804,752
TOTAL	**1,310,100**	**2,188,752**
Thomas Reynaud		
Compensation due for the year	384,000	384,000 (2)
Value of multi-year variable compensation allocated 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	1,955,100	1,804,752
TOTAL	**2,339,100**	**2,188,752**
Rani Assaf		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation allocated 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	926,100	1,804,752
TOTAL	**1,115,100**	**1,993,752**
Alexis Bidinot (3)		
Compensation due for the year	189,075	200,400
Value of multi-year variable compensation allocated 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	0	1,804,752
TOTAL	**189,075**	**2,005,152**
Antoine Levavasseur		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation allocated 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	926,100	1,804,752
TOTAL	**1,115,100**	**1,993,752**

In €	2019	2018
Xavier Niel		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation allocated 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	N/A	70,161 (4)
Value of multi-year variable compensation allocated 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	**N/A**	**70,161**

(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) Alexis Bidinot resigned on December 9, 2019. The compensation shown therefore corresponds to the amount received until December 9, 2019.
(4) Compensation received in 2018 until May 21, 2018, on which date 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 Chairman of the Board of Directors* *(In €)*	2019		2018**	
	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' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**384,000**	**384,000**	**384,000**	**384,000**

* *As of March 16, 2020, Mr. Maxime Lombardi is Vice-Chairman of the Board of Directors of iliad.*
** *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 Chief executive Officer *(In €)*	2019		2018*	
	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' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**384,000**	**384,000**	**384,000**	**384,000**

* *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).*

Rani Assaf Senior Vice-President *(In €)*	2019		2018	
	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' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

Alexis Bidinot (1) Senior Vice-President *(In €)*	2019		2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	189,075	189,075	200,400	200,400
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,075**	**189,075**	**200,400**	**200,400**

(1) Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.

Antoine Levavasseur Senior Vice-President *(In €)*	2019		2018	
	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' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

Xavier Niel Senior Vice-President* *(In €)*	2019		2018	
	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' remuneration	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

* *As of March 16, 2020, Mr. Xavier Niel is Chairman of the Board of Directors of iliad.*

Cyril Poidatz Chairman of the Board of Directors *(In €)*	2019		2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation*	N/A	N/A	70,161	70,161
Annual variable compensation	N/A	N/A	-	-
Multi-year variable compensation	N/A	N/A	-	-
Exceptional compensation	N/A	N/A	-	-
Directors' remuneration	N/A	N/A	-	-
Benefits-in-kind	N/A	N/A	-	-
TOTAL	**N/A**	**N/A**	**70,161**	**70,161**

* *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 2018 AND 2019 (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						
Maxime Lombardini						
Rani Assaf						
Antoine Levavasseur	No stock options were granted to executive officers in either 2018 or 2019.					
Xavier Niel						
Thomas Reynaud						
Alexis Bidinot*						

* *Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

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 2019 (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			
Rani Assaf			
Antoine Levavasseur		None	
Xavier Niel			
Thomas Reynaud			
Alexis Bidinot*			

** Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

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	-	-	-
Alexis Bidinot*	-	-	-

** Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

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 ten 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 2019 (BASED ON TABLE 9 OF THE AMF TEMPLATE)

Stock options granted to and exercised by the ten 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. 7, 2011 plan
Stock options granted during the year to the 10 Group employees who received the largest number of options	None	-	-	-	-
Stock options exercised during the year by the 10 Group employees who exercised the largest number of options	25,976	73.67	-	16,451	9,525

ILIAD STOCK OPTIONS – SITUATION AT DECEMBER 31, 2019 (BASED ON TABLE 8 IN THE TEMPLATE RECOMMENDED BY THE AMF)

	Nov. 5, 2008 plan	Nov. 5, 2008 plan	Aug. 30, 2010 plan	Nov. 7, 2011 plan
Date of Shareholders' Meeting	May 29, 2008	May 29, 2008	May 29, 2008	May 24, 2011
Date of Board meeting	Nov. 5, 2008	Nov. 5, 2008	Aug. 30, 2010	Nov. 7, 2011
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	Nov. 5, 2013	Nov. 5, 2013	1st tranche* Aug. 29, 2014 2nd tranche* Aug. 29, 2015	Nov. 6, 2016
Expiration date	Nov. 4, 2018	Nov. 4, 2018	Aug. 29, 2020	Nov. 6, 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 cancelled or forfeited	0	53,000	131,820	26,400
Outstanding options at year-end	0	0	90,743	174,528
Dilutive impact	0.00%	0.00%	0.15%	0.29%

** 30% exercisable for the 1st tranche and 70% exercisable for the 2nd tranche.*

Share grants

iliad performance share grants

2019

Using the shareholder authorization given at the May 16, 2018 Annual General Meeting, and acting on the recommendation of the Compensation Committee, on November 22, 2019 the Board of Directors authorized a share grant plan involving a total of 282,550 shares (representing approximately 0.5% of the Company's capital) granted free of consideration to 184 Group employees and officers.

These free shares have a two-to-five year vesting period, which is not followed by a lock-up period. The following three vesting dates apply for the following portions of the shares granted:

- November 30, 2021: 30%;
- November 30, 2022: 40%; and
- November 30, 2023: 30%.

The shares under this plan will only vest if the beneficiaries are still with the Group at the respective vesting dates (a "continuing presence condition"), which applies to all beneficiaries except in certain specific cases provided for in the plan rules (notably death or disability).

Out of the total number of shares granted under this plan, 116,000 are subject to performance conditions, including the 46,000 granted to executive officers (Thomas Reynaud, Rani Assaf, Antoine Levavasseur and Maxime Lombardini). The Board of Directors considers that share-based compensation subject to performance conditions is suited to the position of an executive officer and other key positions within the Group, in view of the level of responsibility that such positions entail, as well as the ability of the persons holding the positions to directly contribute to the Group's long-term performance in a way that is aligned with shareholders' interests. The performance shares granted to these four executive officers are subject to the following operational and financial performance conditions:

- for the tranche vesting on November 30, 2021: the difference between the Group's EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2020 must be at least equal to the difference between EBITDAaL and Capex (excluding payments for frequencies) for the year ended December 31, 2019;
- for the tranche vesting on November 30, 2022: (i) for 50% of the shares: the total number of fiber subscribers must be equal to or higher than 3,000,000 at June 30, 2022; and (ii) for 50% of the shares: the Group's EBITDAaL margin for the year ended 31 December 2021 must be equal to or higher than the Group's EBITDAaL margin for the year ended December 31, 2019;
- for the tranche vesting on November 30, 2023: the total number of fiber subscribers must be equal to or higher than 3,700,000 at June 30, 2023.

In addition, the Board of Directors has stipulated that each executive officer must hold at least 10% of his vested shares in registered form until the end of his term of office. In accordance with the AFEP-MEDEF Code, the executive officers have formally undertaken that they will not use any instruments to hedge the performance shares they receive from the Company.

SHARES GRANTED FREE OF CONSIDERATION TO EACH CORPORATE OFFICER IN 2019 (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	Nov. 22, 2019	2,700 3,600 2,700	277,830 370,440 277,830	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	See section above
Thomas Reynaud	Nov. 22, 2019	5,700 7,600 5,700	586,530 782,040 586,530	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	See section above
Rani Assaf	Nov. 22, 2019	2,700 3,600 2,700	277,830 370,440 277,830	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	See section above
Alexis Bidinot*	Nov. 22, 2019	0	0	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	See section above
Antoine Levavasseur	Nov. 22, 2019	2,700 3,600 2,700	277,830 370,440 277,830	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023	See section above
Xavier Niel	N/A	N/A	N/A	N/A	N/A	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	-	-	-	-	-

** Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

2018

Using the shareholder authorization given at the May 16, 2018 Annual General Meeting, and acting on the recommendations 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 executive 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 equal to or higher than €1 billion for the year ended December 31, 2020, and
  - 50% of the shares will vest if the EBITDA margin for France (excluding sales of devices [1] is higher than 40% for the year ended December 31, 2020;
- 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 sales of devices) for the year ended December 31, 2021 is higher than (or equal to) the EBITDA margin for France (excluding sales of devices) 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;

(1) Notably includes sales of boxes and mobile phones.

- 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 CORPORATE 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 5,250 5,250 5,250	451,185 451,185 451,185 451,185	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	See section above
Thomas Reynaud	Dec. 10, 2018	5,250 5,250 5,250 5,250	451,185 451,185 451,185 451,185	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	See section above
Rani Assaf	Dec. 10, 2018	5,250 5,250 5,250 5,250	451,185 451,185 451,185 451,185	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	See section above
Alexis Bidinot*	Dec. 10, 2018	5,250 5,250 5,250 5,250	451,185 451,185 451,185 451,185	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	See section above
Antoine Levavasseur	Dec. 10, 2018	5,250 5,250 5,250 5,250	451,185 451,185 451,185 451,185	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	See section above
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	-	-	-	-	-

** Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

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 executive 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 greater 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 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 CORPORATE 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 2,000 2,000 8,000	1,227,760 306,940 306,940 1,227,760	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	See section above
Maxime Lombardini	Aug. 30, 2017	8,492 2,123 2,123 8,492	1,303,267 325,817 325,816 1,303,267	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	See section above
Rani Assaf	Aug. 30, 2017	8,000 2,000 2,000 8,000	1,227,760 306,940 306,940 1,227,760	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	See section above
Antoine Levavasseur	Aug. 30, 2017	8,000 2,000 2,000 8,000	1,227,760 306,940 306,940 1,227,760	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	See section above
Xavier Niel	N/A	-	-	-	-	-
Thomas Reynaud	Aug. 30, 2017	8,492 2,123 2,123 8,492	1,303,267 325,817 325,816 1,303,267	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	See section 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	-	-	-	-	-

ILIAD SHARE GRANTS – SITUATION AT DECEMBER 31, 2019 (BASED ON TABLE 10 OF THE AMF TEMPLATE)

		Information on free share grants		
		Plan no. 1	Plan no. 2	Plan no. 3
Date of Shareholders' Meeting		May 19, 2016	May 16, 2018	May 16, 2018
Date of Board of Directors' meeting		Aug. 30, 2017	Dec. 10, 2018	Nov. 22, 2019
Total number of shares granted free of consideration		293,360	303,852	282,550
O/w to executive officers		*102,460*	*105,000*	*46,000*
Maxime Lombardini		*21,230*	*21,000*	*9,000*
Thomas Reynaud		*21,230*	*21,000*	*19,000*
Rani Assaf		*20,000*	*21,000*	*9,000*
*Alexis Bidinot**		*N/A*	*21,000*	*0*
Antoine Levavasseur		*20,000*	*21,000*	*9,000*
Xavier Niel		*0*	*0*	*N/A*
Cyril Poidatz		*20,000*	*N/A*	*N/A*
Vesting date of shares	Tranche 1: Tranche 2: Tranche 3: Tranche 4:	Oct. 30, 2020 Oct. 30, 2021 Oct. 30, 2022 Oct. 30, 2023	Sept. 30, 2021 Sept. 30, 2022 Sept. 30, 2023 Sept. 30, 2024	Nov. 30, 2021 Nov. 30, 2022 Nov. 30, 2023 N/A
End of lock-up period	Tranche 1: Tranche 2: Tranche 3: Tranche 4:	N/A N/A N/A N/A	N/A N/A N/A N/A	N/A N/A N/A
Total number of shares vested at December 31, 2019		0	0	0
Total number of shares cancelled or forfeited		0	17,096	0
Unvested shares at December 31, 2019		293,360	286,756	282,550

** Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.*

SHARES GRANTED FREE OF CONSIDERATION TO EACH CORPORATE OFFICER THAT BECAME UNRESTRICTED IN 2019 AND 2018 (BASED ON TABLE 7 OF THE AMF TEMPLATE)

Corporate 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		N/A	
Virginie Calmels			
Marie-Christine Levet			
Orla Noonan			
Pierre Pringuet			
Corinne Vigreux			

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 associate them with 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 executive 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. 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.

As part of the incentive plan, at its meetings on May 3, 2010 and March 6, 2014, the 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.

Several early cash-settlement offers have been authorized by iliad's Board of Directors for the holders of the Free Mobile shares granted free of consideration. These offers resulted in iliad purchasing Free Mobile shares from the Free Mobile shareholders concerned based on a valuation performed by an independent valuation firm (Accuracy), representing a per-share price of between €9.73 (in 2015) and €17.78 (in 2018). At December 31, 2018, executive officers still held 5,385,809 Free Mobile shares and employees still held 4,488,794 (representing 1.47% and 1.22% of Free Mobile's capital respectively).

On June 14, 2019, acting on the recommendation of the Compensation Committee, the Board of Directors authorized the implementation of the liquidity mechanism for Free Mobile shares provided for in the shareholders' agreement signed in 2010, through the exercise of iliad's call option for the shares stipulated in the agreement.

In accordance with the shareholders' agreement, the purchases of the Free Mobile shares concerned were settled solely in iliad shares and the Free Mobile shares were valued by an independent valuation firm (Accuracy) using a multi-criteria approach (including EBITDA multiples, EBITDA - Capex, etc.). Based on a recommendation by its independent directors, the Board appointed a second independent valuation firm (Ledouble) to provide additional assurance to iliad's shareholders. The per-share value of the Free Mobile shares came to €11.70 and the exchange ratio was 8.9 Free Mobile shares for one iliad share. The independent valuers considered that the exchange ratio was fair for iliad's shareholders.

Therefore, in July 2019, iliad exchanged Free Mobile shares for 954,046 iliad shares for nine employees and five executive officers. Out of this total, the executive officers received 545,655 iliad shares in return for the sale of 4,856,356 Free Mobile shares out of the 5,385,809 Free Mobile shares that they held at December 31, 2018.

The liquidity mechanism was implemented using iliad shares acquired under the share buyback program authorized in the eighteenth resolution of the May 21, 2019 Annual General Meeting. Following the transaction, iliad now holds 99.62% of Free Mobile's capital.

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 each executive officer at December 31, 2019*	Vesting conditions
Cyril Poidatz	May 12, 2010	91,285	N/A
Maxime Lombardini	May 12, 2010	127,799	N/A
Rani Assaf	May 12, 2010	91,285	N/A
Antoine Levavasseur	May 12, 2010	91,285	N/A
Xavier Niel	N/A	N/A	N/A
Thomas Reynaud	May 12, 2010	127,799	N/A
TOTAL		**529,453**	

* *Shares vested on May 12, 2012 whose lock-up period ended on May 12, 2014. At December 31, 2019, 0.15% of Free Mobile's capital was held by Free Mobile's executive officers , as part of their obligation to hold a percentage of their vested performance shares for as long as they are in office, and 0.23% by its employees.*

FREE MOBILE SHARE GRANTS – SITUATION AT DECEMBER 31, 2019 (BASED ON TABLE 10 OF THE AMF TEMPLATE)

	Information on free share grants		
	Plan no. 1	Plan no. 2	Plan no. 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, 2019	529,453	0	854,075
Total number of shares cancelled or forfeited	0	365,138	87,633
Unvested shares at December 31, 2019	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
Xavier Niel *Chairman of the Board of Directors*		X		X		X		X
Thomas Reynaud (1) *Chief Executive Officer*	X			X		X		X
Rani Assaf *Senior Vice-President*	X			X		X		X
Alexis Bidinot (2) *Senior Vice-President*	X			X		X		X
Antoine Levavasseur *Senior Vice-President*	X			X		X		X

(1) Employment contract suspended since May 21, 2018.
(2) Alexis Bidinot resigned from his position as Senior Vice-President on December 9, 2019.

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 an executive officer's position, 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.

Consequently, all of the Senior Vice-Presidents have a permanent employment contract with the Company. These contracts do not contain any clauses that affect their compensation (e.g., termination benefits, etc.).

The compensation of the Senior Vice-Presidents presented in this section 3.4.3 includes any components of compensation due or paid to them under their employment contracts.

Lastly, it is hereby disclosed that within the Company there are 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; or
- indemnities payable to executive officers under non-compete clauses.

4

NON-FINANCIAL PERFORMANCE

OUR CORPORATE SOCIAL RESPONSIBILITY POLICY

The Group's success goes hand in hand with a responsible corporate social responsibility ("CSR") strategy that aims to ally financial performance with employee wellbeing, 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. In addition, while accommodating a fast-growing workforce, we must be able to factor into our operations all of the conflicting concerns of today's society, such as reducing costs, combating climate change, improving purchasing power and enhancing employee wellbeing. iliad plays a key role in regional development, and through its investment in its fixed 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, and the current Covid-19 pandemic has given us a clear reminder of our responsibility to ensure that everyone, nationwide, has access to communications.

For iliad, being a responsible company also means building solid, transparent and engaged 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 (*Code de commerce*) on transparency requirements for companies. The Group takes a continuous improvement approach to disclosing its CSR data and information related to human rights, based on a map of risks and opportunities specific to iliad and the Group's internal reporting.

BUSINESS MODEL

The iliad Group is a major player in the French and Italian telecommunications markets. Our presence across these two countries and inside millions of homes makes our corporate social responsibility (CSR) inseparable from our business objectives. iliad uses latest-generation networks, along with significant financial, human, environmental and technical resources, to support its fixed 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.

OUR RESOURCES

Financial capital	Industrial capital	Intellectual capital	Human capital
• At end-2019, **56%** of the capital was held by Xavier Niel, the Group's founder, and management • Net value of licenses: **€3.1 billion** • Net value of network equipment: **€4.1 billion** • Equity of **€5.2 billion**	• **17,000** mobile sites operating in France and over **4,000** equipped sites in Italy • **14 million** connectible fiber sockets (France) • **14,000** unbundled digital local exchanges (France) • **€2.0 billion** in net investments in 2019, excluding licenses • **140,000 km** of fiber backbone (France)	• In 2019, Free was ranked the **second strongest brand in France** by Brand Finance • **Free** was ranked the 42nd most valuable brand in France • Owner of the Freebox and DSLAM operating system • iliad is the **3rd** favorite telecoms brand in Italy and the **no. 1** brand in terms of advocacy (December 2019)	• Over **9,000** employees in France and Italy, **98%** of whom are on permanent contracts • **4,500** employees in our Customer Relations department • **1,000** technicians dedicated to managing the network and **2,500** dedicated to rolling out Fiber in France • **450** employees in our distribution network • Constant growth in employee numbers for 10 years

OUR ACHIEVEMENTS

Strong market position	Commercial success	A quality brand and service	Strong social contributor
• **€4.9 billion** in consolidated revenues **(up 9%)** • EBITDAaL of **€1.65 billion (down 6%)**, of which **€1.9 billion (up 3%)** for France • **25 million** customers in Europe • **1.8 million** Fiber customers in France • **8.2 million** 4G customers in France	• **777,000** new Fiber subscribers (France) • **394,000** new 4G Mobile subscribers (France) • **2.4 million** new mobile subscribers in Italy	• Free voted **best** fixed and mobile customer relations service on the ARCEP website • Free was ranked **no. 1 in 2019** for Fiber Optic performance by nPerf • Free was ranked **no. 2 2019** for the performance of its 4G network in France • More than **13GB/month** of data per 4G subscriber in France	• **1,000** Net adds in 2019 • **€292 million** in payroll costs up 3% in 2019 • Purchasing power restored in France following the launch of Free Mobile: **€7 billion** (UFC Que Choisir, 2014) • Leading taxpayer in France (**€340 million** paid in 2019)

OUR SCOPE	ENERGY
• **97.7%** 3G coverage rate and **95.7%** 4G coverage rate at end-2019 (France) • **9.9 million** connectible fiber sockets outside densely populated areas, an **83%** increase in our footprint year on year • **More than 32 million** xDSL lines with unbundling potential • Fiber offering available across **100%** of *départements* in mainland France	• Energy consumption representing 32k tonnes of CO_2 equivalent (Scopes 1 &2) • Freebox delivery/return system to make recycling easier • **2,357** tonnes of Freebox materials recycled, including **1,002** tonnes of plastic • No air transport used in our supply chain • ISO 50001 certification for the DC3 datacenter, large-scale deployment of adiabatic cooling for our future datacenters • Objective to **continue reducing mobile network CO_2 emissions** per GB used by subscribers

REPORTING AND RISK IDENTIFICATION METHODOLOGY

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 CSR data. 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 2019 and worked on bringing the Group's Non-Financial Performance Statement into compliance with the French Commercial Code, identifying and defining key priorities and significant objectives, and improving the definitions of CSR indicators by ensuring that they 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. Lastly, in 2019 we used the services of a specialized consulting firm to hone our entire environmental reporting system and enhance our low-carbon strategy.

Process for identifying risks and opportunities

As a first stage, the Group identified the significant risks within each scope (HR, the environment and society). Then, by engaging with operations staff and/or using quantitative data analysis, the person responsible for each scope 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 frequency and the severity of potential impacts, as well as the degree of control the Group has over the risk. Lastly the identified risks were checked against the policies implemented in recent years and applicable for the coming years in order to determine whether they should be categorized as a priority or voluntary objective.

This analysis will be conducted again in the future to specify more precise selection criteria and better qualify and quantify impacts wherever possible.

Priority objectives and risks

Telecom operators are key players in a country's economy as the telecom sector is one of the largest investors in national infrastructure and is a major nationwide employer. Fully aware of the virtuous circle that can be created by using a sustainable development policy to underpin its business model, the Group has developed a CSR strategy based on three domains:

Human resources

Ever since the Group was formed, its human resources policy has been rooted in two priorities – recruiting talent and developing skills. Within these two priorities we have identified the following four key risk areas:

- health and safety;
- workplace wellbeing;
- training;
- attracting and retaining talent.

The 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 in this domain. The rollout of our fixed and mobile networks and increased usages by our subscribers have led us to put in place a specific environmental policy in order to contain our environmental impact. We have identified the following three key risk areas in this regard:

- the environmental footprint of Freeboxes;
- our vehicle fleet;
- managing network energy consumption.

Society

In its role as a fixed and mobile telecom operator, iliad has to build solid, transparent and engaged relations with all of the players in its ecosystem: suppliers, subscribers, government agencies in each of its host countries, regulatory authorities and regional authorities, among others. We have analyzed the impacts on climate change of the Group's activities and the use of the goods and services it produces, and we have identified the following five key risk areas:

- business ethics;
- supplier relations;
- respect for our subscribers and citizens' rights;
- respect for human rights;
- commitment to society and the community.

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 the strong corporate culture we have developed and which is embedded in our key values.

This non-financial performance 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

Since the Group's creation, its human resources policy has been underpinned by two priorities – recruiting the best talent and developing its people's skills. Throughout our development, our profitable business growth has gone hand in hand with creating jobs in France, Italy and Morocco and encouraging our people to build their skill sets. This is how we have been able to rapidly grow our headcount while keeping the start-up mindset that shaped our beginnings.

Given the extremely high growth in the workforce over the past five years, the Group has adopted an organizational structure based on its various business lines. Working in conjunction with the Management Committee (comprising the key executives of the Group and its subsidiaries), the Human Resources Departments of the business lines are responsible for overseeing the Group's HR policy and implementing the priorities within their business line.

All the business-line Human Resources Departments are overseen by a Group Chief Human Resources Officer. This post was created in 2018, with the aim of harmonizing the Group's HR practices, improving cross-business working, and implementing a Group-wide human resources policy in order to more effectively attract, develop and retain talent. An HR Management Committee has also been formed, which meets every two months to steer the Group-wide HR policy.

In order to better meet its people's needs and enhance the Group's collective efficiency, in 2018, 24 Group-wide HR projects were launched by the Group Human Resources Department, in close collaboration with the business lines' HR teams. The projects' working groups compiled the Group's best practices and collaboratively drew up consistent internal processes for the following domains:

- recruitment;
- induction courses;
- internal mobility;
- key HR indicators;
- management;
- training;
- workplace wellbeing;
- internal communications.

Some thirty employees worked on these cross-business focus projects in 2018 and 2019, which were initiated by Executive Management and jointly overseen with the HR Management Committee. The Culture and Values project, which involved 60 ambassadors from all of the business lines, revealed the Group's four key values: Boldness, Autonomy, Flexibility and Effectiveness.

There have been many tangible results from these projects, with the project teams being able to see their action plans take shape. For example, for the first time ever a Workplace Wellbeing week was organized at the Group's head office, involving employees from all of its entities. Specific systems and processes have also been put in place to help harmonize Group practices, such as for identifying training needs, recruitment and induction courses. Other project teams looked into how HR processes can help optimize efficiency, for instance by sharing mobility management practices. And iliad signed its first Group-level employment and skills plan ("ESP"). Lastly, project teams were set up to work on making the Group's HR reporting more reliable, by launching systems and methods for ensuring that the same calculations are used for consolidating key HR performance indicators ("KPI"s), for the Group's "Economic and Social Database" provided to employee representatives under French labor law, and for CSR reports.

The projects still under way at the year-end will continue in 2020, and, in view of their nature, some projects will become permanent, such as the project on workplace wellbeing.

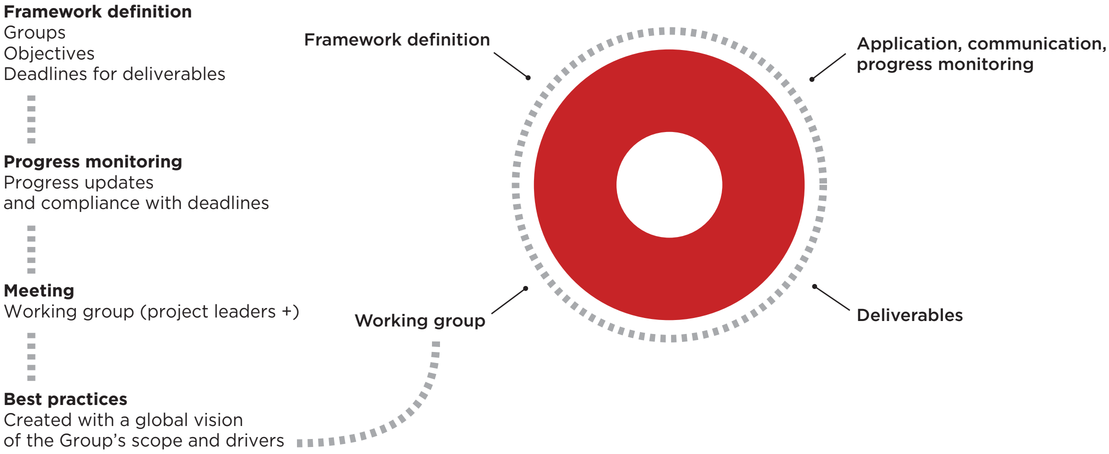
The Group's three main HR goals for 2020 are as follows:

Ongoing transformation of the HR function and building up HR expertise. By using top-of-the-range digital solutions we will be able to save time on less value-added tasks, and give more visibility to the Group's staff, managers and HR teams to better anticipate, and adapt to, change. We will also continue to harmonize practices between the Group's various entities, in order to gain efficiency and more effectively identify innovation drivers;

Service and proximity. Our HR teams will create more local-level contacts within the various business lines and among front-line teams in order to forge high-quality labor-management relations based on an HR service mindset;

Talent retention and skills building. The creation of the Free University will provide additional support to our people for dealing with change within the Group and its environment, thanks to a program of specific training courses adapted to our businesses as well as recognized qualifications. The Free University will also be a way of bringing our talent together to help share our values and ensure that our people take them on board. It will encourage the creation of lasting links between "graduate classes", which result in informal networks that can offer opportunities for mobility.

JOINT CREATION OF A FREE HR POLICY



Four main risk areas were identified in the analysis of HR risks (see Chapter 1 for a breakdown of these risks):

- health and safety;
- workplace wellbeing;
- training;
- attracting and retaining talent.

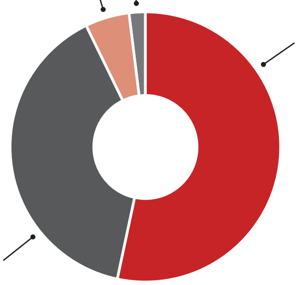
This chapter presents the policies and actions implemented to prevent these risks.

4.1.1 BACKGROUND INFORMATION: GROUP HEADCOUNT IN 2019

BREAKDOWN OF WORKFORCE BY GEOGRAPHICAL AREA

	2019	2018	2017	2016
Number of employees based in France	8,556	7,745	7,731	7,142
Number of employees based outside France	2,496	2,316	1,980	1,758
O/w Italy	*458*	*311*	*76*	-
TOTAL HEADCOUNT	**11,052**	**10,061**	**9,711**	**8,900**

BREAKDOWN OF WORKFORCE BY BUSINESS IN 2019



In general, the Group prefers not to outsource its activities, and to build up its in-house skills and expertise. This is particularly true in its two key operational areas: technical activities and subscriber relations.

On the technical front, it is the Group's own teams who are in charge of rolling out, operating and maintaining its fixed and mobile networks, nationwide. This means that the Network/Technical and IT teams have, and are continuing to develop, extensive expertise in all of the Group's different network activities (Free, Free Infrastructure, Free Réseau, Protelco, Free Mobile, Online, Freebox and iliad Italia).

Similarly, for subscriber relations, the Group has opted to have a majority of its own in-house contact centers so as to ensure best-in-class service. There are seven Group contact centers that handle subscriber relations, with the majority of these centers located in France. Retail operations are covered by the Group's 81 Free Centers (stores).

In 2019, nearly 6,000 employees worked on networks, almost 4,300 in subscriber relations, and some 600 in retail stores.

4.1.2 HEALTH AND SAFETY

The Group invests heavily in rolling out its own fixed and mobile networks. Altogether, around ten thousand base stations have been deployed across France to cover the network's elementary cells and relay calls from users' mobile phones. And some ten thousand digital local exchanges have been unbundled using our own equipment.

The implementation of new technologies results in the network regularly undergoing changes, requiring the installation of new equipment and the replacement or maintenance of existing equipment. Our people travel frequently to different sites, carrying out a wide range of technical interventions, including working underground or at height. The Group is therefore exposed to the risk of work accidents, which it constantly strives to minimize in terms of both number and severity.

4.1.2.1 Policy

The Group has a well-established health and safety policy to protect the physical and mental wellbeing of all employees.

Several employees who are workplace health and safety specialists are tasked with co-defining and implementing Group policy in these domains. Under French labor law, employers are required to complete an occupational risk assessment document (*Document Unique d'Évaluation des Risques*). The workplace health and safety specialists use this document to identify and assess health and safety risks within the Group and draw up action plans for risk prevention and protection measures and resources to mitigate or eliminate identified risks. Examples of such measures and resources include:

(I) awareness-raising measures and training for employees (e.g., training related to certification for working at a height, training on psycho social risks, etc.);

(II) 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 obtain practical recommendations, and second to support employees on a case-by-case basis (for example by improving working conditions for employees experiencing physical or psychological difficulty and adapting working conditions following an accident).

Finally, in line with our overall aim of helping and supporting our people, we take care to provide all of them with the same high-quality coverage for healthcare costs, at competitive prices.

4.1.2.2 Actions implemented

At iliad we adopt a continuous improvement approach to our health and safety performance and implement a wide range of prevention measures. These include awareness-raising and training sessions and constantly improving personal protective equipment, particularly for technicians, who are the most at risk of work accidents.

4.1.2.2.1 Strengthening governance

In 2018, all of the heads of production and maintenance at Free Réseau, Free Infrastructure and Free S.A.S. began meeting monthly or bi-monthly to define prevention and protection measures and monitor their implementation.

To help it carry out its risk-prevention measures the Group has recruited more health and safety team members specifically for the businesses most exposed to the identified risks. In line with this, Free Infrastructure and Free Network now have dedicated health and safety risk-prevention teams.

In September 2019, a Health & Safety working group was set up within F-Distribution, operating in conjunction with the entity's employee representatives, and a new post of Health & Safety Officer was created. A project has also been launched to set up a network of regional health and safety ambassadors, tasked with taking risk-prevention measures out into the field.

4.1.2.2.2 Raising employee awareness about risk prevention

In order to reduce the number of work accidents – especially at Protelco and Free Réseau – we have deployed many specific measures since 2013, including:

- defensive driving lessons;
- training on gestures and postures;
- purchasing additional personal protective equipment for employees;
- safety induction courses for new hires, focused on their specific jobs;
- creating field advisor 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.).

New employees hired at the subsidiaries specialized in network rollouts – i.e., Free Réseau, Free Infrastructure, Free S.A.S. and Free Mobile – attend a two-hour safety training session on their first induction day. Technicians take an additional three-hour module during their first induction week. Similarly, all of Protelco's new roaming technicians are given a safety training session lasting around one hour as part of their induction training, during which all of the risks inherent to their post and the related preventive measures are carefully explained.

In addition to the measures already been implemented, Protelco's technicians have recently been equipped with tool belts, and they are regularly provided with information on driving postures and on how to correctly wear a backpack to balance the load. For office-based workers, information is regularly provided about working on screen.

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 wellbeing. The coordinators are responsible for relaying this information to Protelco's teams of office-based and field technicians. The information was also conveyed through video clips posted on Workplace (Protelco's intranet). And safety alerts are posted daily on Workplace when required due to certain events (epidemics, weather alerts and the relevant preventive measures to take, e.g., in the event of snow, icy roads, etc.).

Generally speaking, all of the Group's entities take measures to inform their office staff about the right postures to adopt for on-screen work in the aim of preventing musculoskeletal disorders. They work in collaboration with the occupational physician to help 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.

Evacuation drills and training sessions on how to handle fire extinguishers are also held on a regular basis.

The various measures used for identifying and preventing risks are set out by each entity in their occupational risk assessment document and accompanying action plan. These documents are updated at least once a year and are sent to employees via their entity's intranet.

Inter-entity awareness-raising actions are also organized from time to time, such as the Workplace Wellbeing Week when staff are reminded about the importance of healthy eating, exercise and sleep. In addition, M.C.R.A. and Scaleway have fitness rooms, and fruit baskets are regularly provided to employees at the Group's head office. All of these measures also contribute to preventing work accidents.

4.1.2.2.3 Health and safety training

Various training courses are delivered within the Group's different entities, which cover topics including:

- certification for electrical work (B2V, BR, BC and H0, B0, BC and BE measurement);
- certification for working at height;
- the CACES® license to operate aerial work platforms;
- PPE inspections for aerial work platforms;
- the authorization required in France to work in proximity to networks (AIPR);
- awareness-raising for managers at Free Réseau, Free Infrastructure and Free S.A.S. about taking occupational risk prevention into account in their work;
- fire prevention;
- psycho social risks;
- occupational first aid;
- the CATEC certificate for working in confined spaces.

In 2018, the heads of production and maintenance from Free Réseau, Free Infrastructure and Free S.A. – the Group's subsidiaries dedicated to network rollouts – began meeting monthly or bi-monthly to put in place prevention and protection measures. These meetings continued throughout 2019.

Also in 2019, several training procedures and other processes were strengthened for the Free Centers, with:

- the creation of a "Free Center incident management" procedure;
- the creation of workshops to teach staff how to react in the event of violence by third parties;
- the creation of a procedure called "Working as a security guard in a Free Center", drawn up in partnership with Falcon Security, a specialized security firm;
- creation of signage reminding Free Center visitors to be courteous on-site visits by the Workplace Wellbeing Officer when required.

The one-day Safety training session organized for Free Center managers for the first time in 2018 took place again in 2019 and covered fire prevention, workstation ergonomics, occupational first aid and handling aggressive behaviour.

4.1.2.2.4 Healthcare and personal protection insurance

The Group provides its employees with various types of healthcare and personal protection benefits. The personal protection plan remained unchanged in 2019 to ensure the best continuity of coverage for employees.

The components of the healthcare and personal protection coverage in force for 2018, 2019 and 2020 are described below.

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 by the applicable collective bargaining agreements, and employees can also choose to have an optional individual plan for additional coverage. This optional plan has been specially negotiated by the Group for its employees and offers very good, yet affordable, coverage.

The Group has also set up a personal protection insurance plan that is open to all employees and provides 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.

4.1.2.2.5 Working with our service providers on health and safety

Our actions on health and safety are not restricted to our employees. For example, Free Réseau and Free Infrastrucure 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 Key performance indicators (KPIs)

A total of 318 work accidents leading to lost time were identified across the Group in 2019, compared with 532 in 2018 and 336 in 2017. The figure for 2019 represented 3% of the Group's workforce. The accidents mainly took place in France, where 77% of the workforce is based.

In Free Centers, 60% of accidents are related to altercations with visitors (subscribers). A specific procedure for preventing and managing these incidents has been put in place, and each incident is individually monitored by the Workplace Wellbeing Officer.

Free Mobile recorded a very low number of accidents in 2019 (just five). Most of these accidents occurred on commutes in the Greater Paris area, on public transport or in the street. At Free Réseau, the number of accidents decreased slightly, with 22 fewer than in 2018. Protelco also saw fewer accidents in 2019, notably thanks to better weather conditions than in 2018 when there was much more snow during the year. 41% of the accidents recorded in 2019 were due to wrong body movements.

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 2019:

	Frequency rate (Group) (1)	Frequency rate (France) (1)	Severity rate (France) (2)
2019	17.15	22.26	0.96
2018	31.40	41.03	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 × 1,000 /Actual number of hours worked.

For the first time since iliad was formed, there was tragically a fatal accident within the Group in 2019. An investigation is under way, which will help to identify the causes of the accident in order to further reinforce the prevention measures in place.

In line with its corporate culture, and to maintain the technical skills of its staff, iliad has always favored in-house expertise. As a result, it decided to employ its own roaming technicians and FTTH rollout/connection personnel, who are grouped within Protelco, Free Infrastructure and Free Réseau. These three 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. In view of the above, the Group has chosen to present its accident frequency rate both including and excluding Protelco and Free Réseau, in order to provide more meaningful comparisons with other operators in its industry.

4.1.3 WORKPLACE WELLBEING

In line with our corporate values, ensuring the wellbeing of our people is an absolute priority. Working conditions are a key factor in employee engagement and therefore the Group's overall performance.

4.1.3.1 Policy

For many years the Group has had a pro-active strategy of continuously improving its employees' working conditions, with a view to creating an environment that is propitious to wellbeing at work. This strategy focuses on three key areas:

Organizing working time

Our aim at iliad is to continuously improve our work organization methods and encourage flexible working arrangements. We have made it a policy to let employees organize their working time with a large degree of flexibility and independence.

In addition, with this same aim of giving employees the best work/life balance, each Group entity has adopted measures concerning the right for workers to "disconnect" – i.e., not to engage in work-related electronic communications – outside working hours. These measures, implemented following talks with employee representatives, take the form of collective agreements that not only set out best practices but also encourage rest and recuperation, vigilance over workloads, and reasonable and proper use of communication tools (professional messaging and chat systems and/or a company telephone).

Enhancing physical working conditions

We seek to provide all of our employees with optimal working conditions. To that end, we have been refurbishing both our head office and regional sites since 2018, to improve workspaces and adapt them to suit employees' needs and enhance their wellbeing.

Employee assistance services

We place great importance on giving everyday support to our employees. This takes various forms, such as helping employees experiencing financial or psycho-social difficulties, providing stress prevention programs, and regularly launching information campaigns, with contributions from a range of different people (HR representatives, the occupational physician, trainers, health & safety officers, managers, etc.).

In 2018, for example, HR launched a special communication campaign over several months to prepare employees for the "pay-as-you-go" income tax system came into effect on January 1, 2019.

4.1.3.2 Actions implemented

4.1.3.2.1 The "Workplace Wellbeing" HR project

Launched in 2018, the Workplace Wellbeing project has encouraged a more shared and cross-business approach to wellbeing within the Group. A number of Group-wide events have now been held, such as iliad's first Workplace Wellbeing week that took place in 2019.

In view of the positive feedback from this project, the working group in charge of it has now become a permanent task force responsible for jointly drawing up a Workplace Wellbeing policy tailored to the Group's needs. Its remit for creating this policy includes bringing together all stakeholders involved in the overall issue of workplace wellbeing.

In addition to addressing general aspects, the project team is looking into more specific issues, including helping entities to reach out to one other and share skills and expertise, jointly develop skill sets, create employee meet-up spaces, and pool resources.

The project team's work involves several phases:

(I) developing interpersonal trust and group cohesiveness;

(II) creating a shared vision of workplace wellbeing;

(III) observing and analyzing existing workplace wellbeing practices, leading to a diagnostic report and recommendations;

(IV) based on these recommendations, drawing up a Group Workplace Wellbeing policy;

(V) implementing and monitoring this Workplace Wellbeing policy at the Group's head office and regional sites.

Various events that boost employee wellbeing are now regularly held within the Group, either in individual entities or across the organization as a whole. As well as being sociable and fun, wherever possible these events are organized with the help of partners from the sheltered employment sector, which was the case for most of the events in 2019.

The events and initiatives organized in 2019 included:

- the Workplace Wellbeing Week, from June 17 to 21, with photo exhibitions, a music show organized and performed by Group employees, healthy breakfasts served by a company from the sheltered employment sector, an employee survey about employees' vision and expectations of workplace wellbeing, and round table discussions – particularly on psychosocial risks organized in partnership with our service provider, Alliance – but also on sport, nutrition and other subjects;
- events organized for European Disability Employment Week from November 18 through 24, including a specific communications campaign, a presentation of the Group's disability correspondents, round table discussions, sporting tournaments and more. Several interns with disabilities were also taken on by the Group;
- "Three Kings' Cake" and "Pancake Day" events organized in conjunction with a partner from the sheltered employment sector;
- children's Christmas party as well as special "FreeMousse" and "FreeKids" days;
- at the contact centers: Freedays, F2days and Fiberdays, the Free Race, the Best Performers days, and annual conferences with prestigious speakers such as Christian Clot, Raymond Domenech, Professor Saldmann, Philippe Gabilliet, and Michel Podolak;
- at F-Distribution: launch of a newsletter called "One Team Mag", sent to the teams at the Group's head office and Free Centers;
- manager Days, organized twice a year, bringing together Free Center managers. One is held in the winter, to which Free Center deputy managers are also invited, and the other is held in the summer, with the best sales person from each Free Center invited. These Manager Days are an opportunity for managers to connect directly with iliad's executive team about the Group's results and objectives as well as to share knowledge and create inter-store links. And they are also times for building skills thanks to special theme-based workshops;
- a call for projects launched by the Free Foundation in May, concerning the non-profit organizations employees wished to see being supported. A total of 34 projects were proposed, 11 of which were short-listed by the Free Foundation and put to the employees' vote. The three projects that received the most votes were then given financial support from the Foundation;
- a monthly induction breakfast organized and led by the Group's executive team for new recruits. Xavier Niel is present at these breakfasts, enthusiastically leading question and answer sessions with the new starters.

4.1.3.2.2 Employee surveys

HR survey

This recurring survey on employee sentiment and workplace wellbeing is designed to gain insight into the employee experience and measure the employee satisfaction and engagement rates. The feedback from the survey enables the Group to assess its workplace wellbeing policy.

Launched in late 2017 (for the first surveyed entity), it was continued until the summer of 2019, and covered 7,960 employees from 13 Group entities, with an overall response rate of 68%. The findings were reported in 2019 and formed the basis of action plans that will continue into 2020, involving managers, human resources teams, other staff members and employee representative bodies. The contact centers – which accounted for five of the 13 entities surveyed – responded to the survey via the "Great Place to Work" contest. The responses from the call centers were then aggregated with those of the eight other entities.

This survey gives us detailed information from the operational front-line about numerous key areas, such as:

- employee commitment and engagement;
- job interest and 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 each employee's entity and the Group as a whole;
- management practices;
- work relationships in general;
- independence, participation and trust of coworkers;
- inter-team relations and ability to have in-depth discussions;
- dissemination of information and internal and external communication.

The overall satisfaction rate is 70%, with especially good results for certain areas such as "Workplace safety" (81% satisfaction), "Independence, participation and trust of co-workers" (77% satisfaction), and "Feeling of belonging" (76% satisfaction).

Areas identified for improvement particularly include "Effectiveness of procedures and tools made available to me" (60% satisfaction), "Inter-team relations within my entity" (57% satisfaction), and "Compensation policy" (56% satisfaction).

4.1.3.2.3 Actions to prevent absenteeism

Concrete processes are in place to prevent absenteeism, with particular focus on absenteeism related to psycho-social risks and stress.

For example, iliad organizes stress prevention and management training for line managers and HR 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 preventing these risks and mitigating any impacts that may materialize.

Steps have been taken to identify under-staffed teams. This approach has enabled the Group to forward plan job and skills requirements, and put in place a proactive recruitment strategy.

In addition, a specific procedure has been implemented 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 they can come back to work in the best possible conditions.

Lastly, the Group's workplace wellbeing policy also helps to reduce absenteeism as members of the various HR teams are specifically tasked with listening to employees who are experiencing difficulties, supporting and partnering managers, and identifying and training designated members of staff to deal with situations of sexual harassment and sexist behaviour.

4.1.3.2.4 Labor agreement on the right to disconnect

Some of the Group's entities – including Protelco, Free Réseau, Scaleway, and the iliad UES – have signed an agreement with their representative trade unions which sets out employees' rights to disconnect outside working hours and highlights best 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 behaviour 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

Several Group entities have adopted measures aimed at offering expectant mothers more flexible working hours. For instance:

- 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 any impact on her working conditions;
- each working day is reduced by 30 minutes as from the third month of pregnancy and by one hour as from the sixth month;
- work schedules for expectant mothers are prepared carefully, making sure they take a lunch-break, and line managers are asked to generally take a 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 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 back-to-work conditions.

Early childhood services

The Group has 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, our employees in Morocco have benefited from Group-funded measures to help with their daily working lives, with access to a nursery that can take up to 88 children. The Group pays for two thirds of the running costs of the nursery, which it also furnished and fitted out.

4.1.3.3 KPIs

The Group's overall absenteeism rate (excluding for long-term illnesses, work accidents, authorized absences and maternity leave) decreased once again in 2019, coming in at 5.2% versus 5.5% in 2018. 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.

	2019	2018	2017
Total absenteeism rate within the Group	5.20%	5.50%	5.70%

The absenteeism rate is traditionally higher for subscriber relations teams than for iliad's *Unité Economique et Sociale* (UES). For example, in 2019 the rate was over 6% at contact centers in France whereas it was only 4.7% for iliad S.A. and 2.1% for Free Mobile. The rate increased slightly at Free Réseau in 2019 (up 0.2 points), due to sharp year-on-year growth in headcount. As in 2018, the rise in headcount at Free Réseau was accompanied by additional measures related to team-building, manager assessments and training. And its absenteeism rate was also helped by the work carried out by the HR manager appointed in 2018 to deal specifically with hiring, team monitoring and manager support at Free Réseau.

4.1.4 TRAINING

New technologies are constantly emerging and taking root in companies. This means that employees need to adapt and be given appropriate training. In the digital age, ensuring that our people can build their skill sets, and that their capabilities are adapted to market needs, is vital – not only for their individual motivation but also for the future of the Group as a whole.

4.1.4.1 Policy

The Group has set up a continuing professional development system that helps to further employees' skills and expertise and enhance their employability (notably internally), while maintaining high levels of engagement among teams.

Training also has to be structured around the strategic, social and environmental goals of our businesses. The Group has developed a wide range of training in the following areas:

- technical domains specifically related to our businesses;
- health and safety;
- subscriber relations;
- management skills training and support.

Training plans are continuously updated and expanded based on findings from employee surveys in order to align our training courses with the needs identified by front-line operations staff.

The Talent Support Unit – comprising a team of experts in training and instructional design –, create and deploy a full 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 based on the particular skills that need to be developed and each employee's pace and ways of learning.

The different systems and processes put in place by the Group – including the induction training for new recruits and the Leadership Academy – all contribute to the Group's continuous professional development strategy.

4.1.4.2 Actions implemented

4.1.4.2.1 Professional training reforms

The Group kept a very close eye on the introduction and impacts of France's recent reforms to professional training. For example, specific training was provided to HR Departments and all managers throughout the Group in December 2018, in the presence of professional training experts and representatives from the Group's various partner agencies that manage training taxes (OPCA). Full and clear explanations were given of the operational implications resulting from the reforms. The training content was relayed internally to regional managers through information documents and a video recording of the training session.

4.1.4.2.2 HR projects on training

The project begun in 2018 to create a Free University, drawing on the expertise of all of the Group's training specialists, is expected to complete in 2020, with the University opening its doors during the year.

We have also decided to create a new position of "Group Training Officer" to accompany this project.

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 starters for carrying out their future duties as well as they possibly can by ensuring that each and every one of them has the skills and knowledge they require.

The induction courses are given by in-house staff who have on-the-job knowledge and have followed a "train the trainer" program. These trainers are assisted by Training Managers who are responsible for monitoring the courses given and their overall quality, and they are provided with training material that is regularly renewed and updated in line with trends and developments in each business. This training process has been officially recognized as a vocational training program.

The induction courses in the Free Centers are followed by an initial training program carried out in three phases: rapid learning, classroom-based learning and immersion sessions. Thirty-nine of these initial training programs took place in 2019.

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 training sessions dedicated to certain functions (such as business support training and specific training for team leaders and platform managers), which are led by specialized external trainers. This approach helps enhance the quality of the service provided.

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 female employees in order to help talented women move up to the top 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. In view of the success of the first program in 2017, a second one was set up in 2018, which was also offered to male employees. New educational resources continued to be devoted to the program in 2019.

In the Free Centers, a managerial training program has been put in place specifically for Store managers, aimed at developing their managerial skills. A total of 42 managers followed this training in 2019, which consists of three two-day modules with specific work scheduled between sessions.

4.1.4.2.5 Training in ethical and regulatory matters

In order to train people who are particularly exposed to risks of unethical business conduct and to raise all of our employees' awareness about the latest ethics issues, for the past 24 months, we have organized specific classroom-based training courses and e-learning campaigns. Two of the main themes covered are combating corruption and protecting personal data.

4.1.4.3 KPIs

In 2019, the Group provided over 530,000 hours of training, equivalent to 51 hours per employee and up sharply on 2018.

Managerial training courses set up by Executive Management in 2018 continued to be rolled out in 2019 in all of the Group's entities and businesses.

	Number of training hours in 2019	Number of training hours in 2018	Number of training hours in 2017	Average monthly headcount in 2019	Average monthly headcount in 2018	Average monthly headcount in 2017	Number of training hours/ average annual headcount in 2019	Number of training hours/ average annual headcount in 2018	Number of training hours/ average annual headcount in 2017
Total – France	356,200	243,054	260,500	8,273	7,587	7,464	46	32	35
Total – Outside France	175,491	198,489	187,970	2,241	2,091	1,788	69	104	105
TOTAL	**531,691**	**441,543**	**448,470**	**10,514**	**9,678**	**9,252**	**51**	**46**	**48**

4.1.5 ATTRACTING AND RETAINING TALENT

Innovation cycles are becoming increasingly short in the digital field, which is why we need to constantly demonstrate our ability to adapt. Having the right skills at the right time and in the right place is essential to keep up our top-class innovative services that stand out from the crowd.

4.1.5.1 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, recognizing and rewarding individual input, and building up a strong employer brand.

4.1.5.1.1 Employing young people

Our recruitment efforts are primarily focused on young talent, who we support with an onboarding program (induction week, ambassador program, etc.) and development initiatives. We use professional training contracts and apprenticeships to help young people get onto the job ladder and prepare them for work in the Group's businesses. We also plan to develop our high school internship program to teach young students about the different jobs we have to offer.

For networks, subscriber relations and support services, the Group has a proactive training policy for new hires which goes hand in hand with its recruitment policy. The consistency between these two policies lays the foundations for motivating employees and building their loyalty right from when they first join the Group.

4.1.5.1.2 Providing career development opportunities

As well as providing training, we also take care to regularly offer employees the opportunity to change tasks and responsibilities during their career or even move to a different job altogether. Various initiatives are put in place to encourage this internal mobility (job forums, etc.).

We also offer employees skills assessments to help them with their mobility objectives.

This overall approach encourages employees to develop their expertise and strengthens their commitment to our subscribers, making it an excellent way of fostering loyalty.

4.1.5.1.3 Employer brand

The Group's markets are changing rapidly and it faces fierce competition. At the same time, the expectations of new generations of workers are changing, with a much greater focus on meaningful employment. This means that being seen as an attractive employer is extremely important for the Group.

Against this backdrop, we have launched a project in connection with our 2024 Odyssey Plan based on corporate culture and values. Among the project's objectives are to raise the Group's appeal to potential hires, make it more attractive as a potential employer, and therefore ultimately to push up the quality of its recruitments.

The Group's culture is firmly rooted in the entrepreneurial mindset of its founder as well as the very positive brand image that Free conveys as part of the Group. This gives our people a strong feeling of pride and belonging, and unites them around a shared mission and the same corporate values.

4.1.5.1.4 Compensation

Employee compensation is a strategic issue for the Group, and in 2019 the Executive Management team introduced several new measures:

- in order to involve employees more closely in iliad's corporate mission and reward them for their contribution to the Group's performance, the first employee share ownership program "Up2Share" was set up in early 2019. Over 8,000 employees in two countries were invited to purchase iliad shares on preferential terms, and the take-up rate was high, with some 3,000 employees becoming shareholders;

- nearly €11 million before tax was paid out in 2019 for 2018 under incentive and profit-sharing plans, versus €8.5 million in 2018. The profit-sharing paid in 2020 (a significant €25 million) reflected the Group's strong 2019 results;
- the Group is continuing to increase the number of beneficiaries of share grant plans, with a total of 184 beneficiaries for the 2019 plan.

4.1.5.1.5 Giving everyone a chance

Diversity, equal opportunities and non-discrimination are the focal points of our recruitment policy, and of our HR policy in general throughout employees' careers with the Group. This approach is reflected in:

- the development of aptitude testing in recruitment;
- training recruitment staff on the social and professional integration of people with disabilities.

4.1.5.2 Actions implemented

4.1.5.2.1 HR projects to increase the Group's employer appeal

In order to help with these HR projects, in late 2019 we decided to strengthen our HR teams by creating a Group HR Development Officer.

Various HR projects were launched in 2018 to increase the Group's employer appeal, some of which were completed in 2019, whereas others were continued or turned into permanent task forces depending on the findings of the initial projects.

The Culture and Values project

Working groups were set up towards the end of 2018, comprising members from the Group's various entities, in order to work on a cross-business basis on the Group's corporate culture and values. Their work involved using projective methods to pinpoint the implicit and explicit fundamentals of culture and values. The following values were identified when the work was completed: Boldness, Autonomy, Flexibility and Effectiveness.

Recruitment and integration projects Free's careers website, external job forum, work on the Groups recruitment and onboarding processes, and an ambassador experience program.

The main results of these projects were:

- the various recruitment and onboarding practices used by the Group's entities and partners were identified, with a full status report drawn up to serve as a basis for future action plans in this domain and for negotiations of any related framework agreements;
- an Applicant Tracking System software was set up in all of the Group's entities in France and Morocco, which will considerably improve recruitment processes, particularly by giving people within the Group more visibility about available posts;
- contacts have been made with various colleges and universities, with digital as a priority. Two platforms are being used for these contacts:
  - one for explaining and discussing the different job pathways that the Group offers, with meet-ups between our ambassadors and the students. 214 such meet-ups have taken place on this platform;
  - the other platform is used for posting available internships, work-study placements and first-time jobs.

The Mobility & Talent project

The Group's first agreement on employment and skills planning was signed in July 2019. This marks an important step in creating shared bases for encouraging mobility within iliad.

We have decided to use an external system to help us identify existing in-house skills and draw up our "employment and skills" guidelines. This system – which will be rolled out in 2020 – will (i) help HR managers to more effectively partner employees in their career development plans, (ii) help managers to forward-plan and manage their skills requirements, and (iii) help employees to be the driving force of their own career trajectories.

4.1.5.2.2 Professional training contracts and apprenticeships

Professional training contracts are used at contact centers to train employees of all ages while adapting to each center's planning constraints. Work-study programs are also in place, mainly aimed at people taking certification training courses (technicians, computer programmers, developers, etc.).

In 2019, the Group hosted 336 work-study placements, mainly in the contact centers and network operations. Of these, 288 were on professional training contracts.

In 2020, the contact centers of the M.C.R.A. UES will all be able to hire new multimedia advisors under professional training contracts. The training partner agencies, Atlas and Afdas, will support these centers in this experimental program, which leads to a vocational high-school diploma (Bac Pro) and whose content has been wholly designed by M.C.R.A.'s Talent Support unit.

F Distribution and Free Mobile are planning to introduce special job assistance training programs (POE) in partnership with the French national unemployment agency and partner training organizations. Under this system, the number of training hours can be increased without any additional costs to the employer, which means that employers can offer jobs to people who have never had a job or who have been unemployed for a long time. The POE programs can cover up to 400 hours of training.

Free Réseau/Infrastructure intends to continue working in conjunction with the professional training center, AFPA, and the GRETA network of continuous training centers in order to hire new people through POE-type training programs. Additionally, the Group intends to pursue its partnership with the CFA Ducretet apprentice training center in view of the good results achieved in 2019.

Individual job assistance program (POEI)

The POEI job assistance program is another way of helping disadvantaged job-seekers enter, or get back to, employment. A total of 87 interns were taken on by the Group under a POEI-type program in 2019.

4.1.5.2.3 Retaining talent by recognizing expertise and encouraging internal mobility

Over half of the heads of the Group's contact centers and its other entities, such as Certicall, Qualipel, Mobipel and Resolution Call, started their career with the Group as contact center agents more than a decade ago. These employees – who now oversee more than 3,000 people – 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 currently holding strategic executive positions.

A total of 805 Group employees were promoted in 2019. This mobility clearly shows how effectively the Group passes on its expertise internally, and serves as a strong symbol of its culture.

In order to ensure that the mobility process is properly respected, the ESP agreement signed in July 2019 sets out the rules applicable within the Group. In addition, employees can access and apply for internal job vacancies through the intranet

4.1.5.2.4 Training on non-discriminatory hiring practices

In 2018, Human Resources staff were given training on the risks of discrimination during the recruitment process, so that they can advocate best practices in this domain.

In addition, the Group uses simulation-based recruitment, which involve carrying out professional ability tests so that recruitment decisions can be based on applicants' actual capacities for performing a job, therefore ruling out any risk of discriminatory decisions.

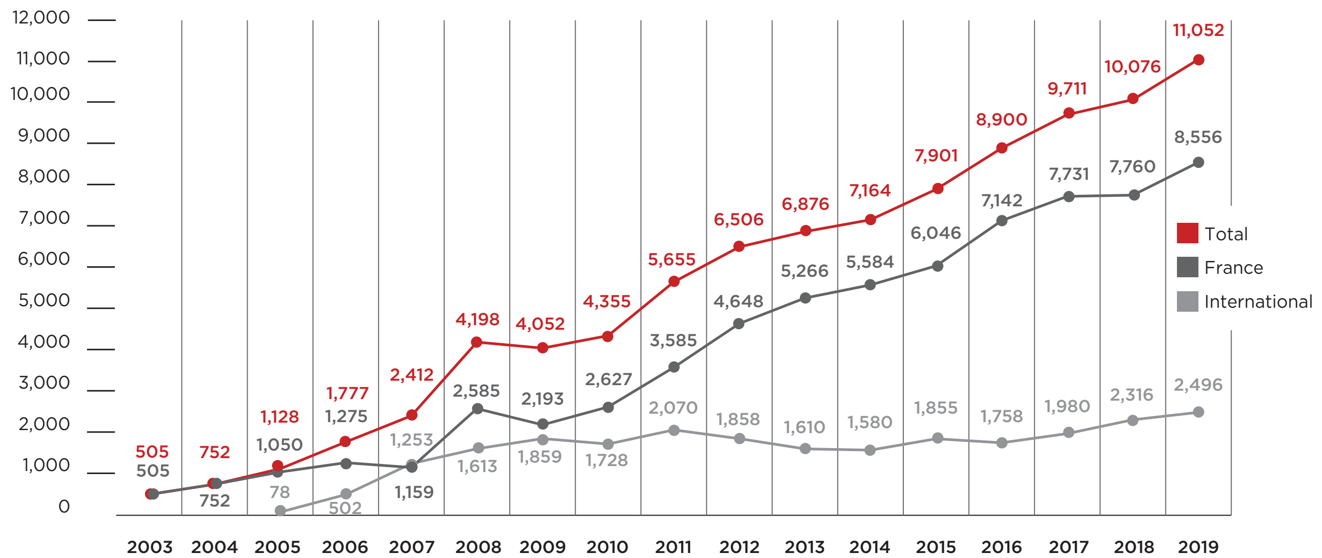
Recruitment staff have also followed a specific training course on hiring people with disabilities, led by a specialized organization in France (ADAPT). In line with the same objective of promoting employment opportunities for the disabled, the Group regularly participates in disabled workers' recruitment forums.

Firmly convinced that diversity is an opportunity and makes a vital contribution to broadening our talent pool, we have also built up partnerships with specialized recruitment firms, such as Mozaïk RH, a non-profit organization that supports and promotes diversity in recruitment.

4.1.5.3 KPIs

During 2019 the Group created some 811 jobs on permanent contracts. At the year-end, employees based in France made up almost 80% of the Group's total workforce (unchanged from one year earlier).

The Group's strong 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 fixed and mobile networks has led to a large number of recruitments under permanent contracts.



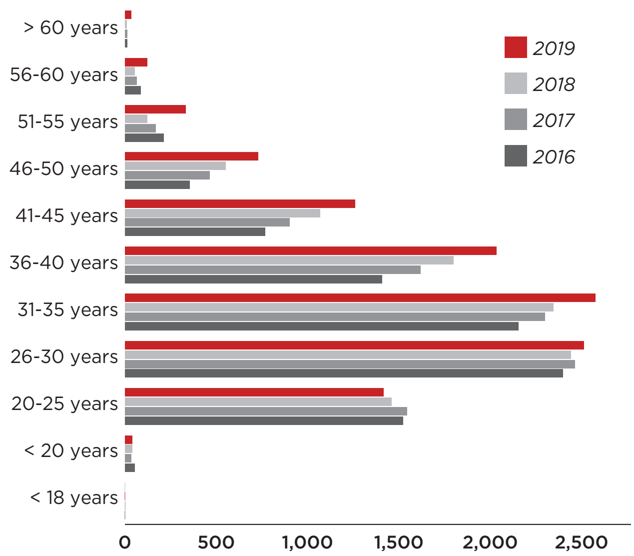
At December 31, 2019, 96% of the Group's total employment contracts were permanent. We take great care over our recruitments for all employee categories and we favor permanent rather than fixed-term contracts. This demonstrates our commitment to forging long-term relations with our employees and providing them with a stable employment situation.

In 2019 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.

4.1.5.3.1 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, the possibility of developing their skill sets, and real prospects for in-house promotion and internal mobility. At end-2019, over 1,400 of the Group's employees (i.e., almost 13% of its workforce) were aged under 26, and 60% of the workforce was under 35.

Most of these young recruits left school at eighteen or after two years of higher education, and were taken on above all for their motivation, skills and ability to perform a particular job. Once they have joined the Group they are then given in-house training so they can upskill in their particular field.



4.1.5.3.2 Breakdown of workforce by gender

Women represented 26% of the Group's workforce in 2019. 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, 2019.

4.1.6 VOLUNTARY OBJECTIVES

As well as the strict measures it has implemented to ensure that all of its entities comply with the applicable laws and regulations, iliad places great importance on employee relations, which it views as a major driver of its overall performance. The Group's Executive Management team therefore takes care to create a constant dialog with its people in order to establish employee buy-in.

In the same vein, we believe that diversity is a real strength for the Group and can only be developed if our working environment is totally free from discrimination.

4.1.6.1 Diversity, anti-discrimination and equal opportunities – Policy

4.1.6.1.1 Diversity

Thanks to the wide diversity of its profiles and the 67 nationalities of its 11,052 people, the Group has a strong corporate culture built up around a shared passion – technological innovation.

We have put in place measures to encourage recruitment in regions where jobs are hard to find, including participating in the "job bus" campaigns launched in underprivileged areas. We work closely with the French national unemployment agency, notably as part of the POEI individual job assistance program described above. And we regularly open our doors to people from the *Ecole de la deuxième chance*, which offers opportunities to young people who had difficulties at school. These events allow the students to meet and talk to our people, who can explain their own career paths to offer inspiration, and our HR teams can give them advice and assistance through role play recruitment interviews.

4.1.6.1.2 Respecting 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 compliance with local regulations in the different countries where iliad operates.

We are also vigilant about respecting the principles of equality, diversity and non-discrimination, both within our Group and in our wider stakeholder ecosystem.

The Code of Ethics distributed to all employees and available on the Group intranet lists our commitments to human rights.

4.1.6.1.3 Disability

The Group pro-actively seeks to recruit people with disabilities.

In 2018, a project focused on this policy was launched in the Human Resources Department, overseen by a specific project coordinator. The underlying aim of the project is to identify all of the disability initiatives taken throughout the Group, suggest local or Group-wide actions and implement monitoring and support systems for Workplace Wellbeing Committees.

Since 2019, the people working on this project, and particularly those responsible for the Group's *mission handicap* disability support unit, regularly hold meetings to share information about the different projects and events under way and the disability-related agreements entered into within the Group.

Specific examples of the measures we have put in place are described below:

- **raising awareness among our employees through training, events and other initiatives;**
- **encouraging the recruitment of people with disabilities and supporting them in their jobs.**

  The Company-level agreements signed within the Group have also led to specific measures designed to help our disabled workers. For example, we adapt workstations and use flexible working hours to facilitate working life for employees with disabilities;
- **broadening the ways in which we work with people with disabilities.**

  As part of our continuous efforts to enhance our services and make them available to as many people as possible, we have worked with a group of visually impaired people 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 now, 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. When the platform was first set up, the people working on it contributed to a project to translate some of the Group's specific terms into French Sign Language, which involved creating new signs;

At Protelco, a company-level agreement on disability was first signed in 2015 and renewed three years later. Through this agreement, Protelco has turned disability into a "non-issue" by fully integrating it into its everyday operations, recruiting people with disabilities, and adapting workstations accordingly, all of which has totally changed the Company's perception of disability in general. The number of people with disabilities working at Protelco has gradually increased, with the proportion of disabled workers representing 3% of the total workforce at end-2019. This is the result both of recruitments and information communicated to existing employees about what actually constitutes a disability.

In 2020, the entities making up the iliad UES began negotiations about an agreement on disability issues, which could be presented to the French Labor Inspectorate in March 2020.

4.1.6.1.4 Gender equality

The Group respects the principle of gender equality by applying a fair policy in terms of recruitment, access to training, compensation and promotion. In line with our corporate values, we have always sought to reward employees equally, and we take 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.

4

4.1.6.2 Actions implemented

In 2018, several initiatives were launched to promote gender equality:

- an ethics platform was created for reporting cases of harassment;
- anti-sexist behaviour and anti-discrimination representatives were appointed in all Group employee representative bodies and HR teams.
- as required under the applicable regulations, the names of these representatives were posted at company sites, and they were given training in 2019.

4.1.6.3 KPIs

On February 28, 2020, the Group reported its results on differences between pay for men and women. All entities achieved a score of over 77 points out of 100, except for Jaguar Network, which has only recently joined the Group. This performance demonstrates the success of our equal pay policy, with most entities scoring higher than in 2018.

We will pursue this policy in the coming years and will continue to ensure that pay is totally fair and not dependent on people's gender or personal situation.

	2019	2018
iliad UES	77 points	76 points
Protelco	94 points	76 points
M.C.R.A. UES	89 points	84 points
Jaguar Network	41 points	-
Online	92 points	-
F-Distribution	97 points	-

4.2 ENVIRONMENT

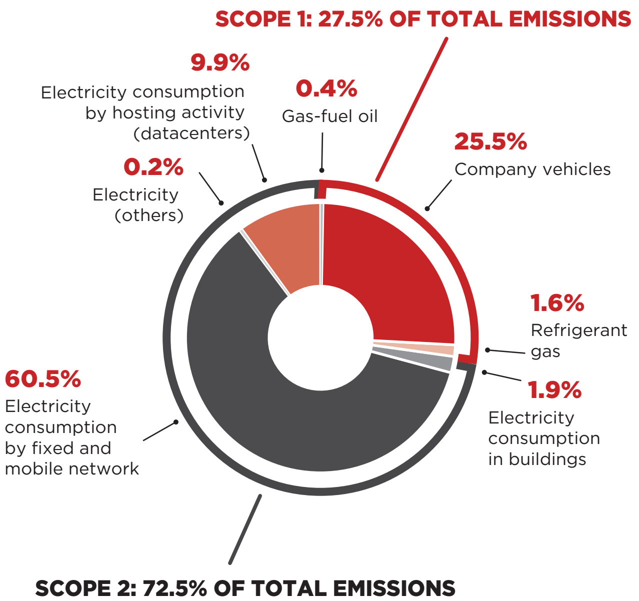
With a view to making constant progress in containing the environmental impact of our activities, we have set up a continuous improvement program, which has three main objectives: (i) reducing the direct and indirect environmental footprint of Freeboxes; (ii) lowering the amount of fine particles emitted by our vehicle fleet; and (iii) optimizing our energy consumption – for our networks (mobile, FTTH, datacenters, etc.) and buildings – which goes hand in hand with our policy of partial use of clean energy sources.

The Environmental and Sustainable Development Committee is responsible for overseeing this policy, under the aegis of Executive Management.

The Group is continuing its energy efficiency efforts and in view of the changes and diversification in our business, we have put in place a new method for tracking our emissions, developed with the help of an expert firm specializing in the energy transition. The comparative data for 2018 have been restated to reflect the changes introduced in 2019. The year-on-year differences presented in the following sections take into account this change in method.

The Group's Scope 1 and 2 emissions totalled 56,800 tonnes of CO_2 equivalent in 2019, up 30% on 2018 due to changes in the Group's structure, with the inclusion of iliad Italia's results, which represented 9,000 tonnes of CO_2 equivalent. Based on a comparable scope with 2018, emissions for the Group's activities in France rose by a reasonable 11% to 47,860 tonnes of CO_2 equivalent in 2019, due to the intensive rollout of the mobile network, a larger vehicle fleet and growth in the hosting business.

THE GROUP'S CO_2 EMISSIONS: BREAKDOWN OF SCOPE 1 & 2 EMISSIONS (IN %)



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 fixed and mobile networks, our datacenters and Group buildings.

4.2.1 THE ENVIRONMENTAL FOOTPRINT OF FREEBOXES

To reduce the environmental footprint of Freeboxes, action has to be taken right across the value chain, from design, through each production phase, and up to shipment to the subscriber. The direct environmental impacts of Freeboxes relate to (i) their manufacture and reconditioning, (ii) upstream and downstream logistics, and (iii) management of Waste Electrical and Electronic Equipment (WEEE). The indirect impacts correspond to the energy consumed by subscribers when using their Freeboxes.

4.2.1.1 Policy

The Group is focusing on two main areas in its drive to reduce the environmental footprint of its Freeboxes, namely managing the circular economy and lowering the emissions from upstream and downstream logistics operations.

Managing the circular economy

Design and production

The Group has its own R&D center which helps it ensure end-to-end management of eco-design and production processes. The use of recycled materials is included in its production specifications as well as reducing the amount of raw materials used in packaging.

Extending the useful life of products and reconditioning equipment

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. This means that electronic equipment from old Freeboxes can be used to make new ones, and many Freeboxes are now reconditioned to be used by other subscribers.

Waste recycling

The Group ensures compliance with the applicable regulations on recycling the waste generated by its activities. All waste generated by the Group's manufacturing operations – which make up the largest proportion of its total waste by volume – is sent to waste disposal providers, where it is fully recovered and/or recycled in accordance with the applicable European standards and regulations.

Reducing emissions from upstream and downstream logistics operations

Multimodal transport

The Group has opted to use the most environmentally-friendly means of transport for its logistics operations. Consequently, air freight is only used in exceptional circumstances and we are working on massively reducing our use of road transport.

Optimizing deliveries

The Group's supply-chain objective is to avoid small, fragmented deliveries, which push up its carbon footprint. That is why we are increasingly pooling deliveries of Freeboxes at pick-up points near subscribers' homes. These new solutions have led to a larger number of retail partners being incorporated into the Group's CSR strategy.

4.2.1.2 Actions implemented

4.2.1.2.1 Eco-design of Freeboxes and waste recycling

The current generation of Freeboxes are more multi-functional than their predecessors and can be used instead of several other devices (e.g., DVD and Blu-Ray™ players, speakers and hard drives). Therefore, thanks to our innovation strategy and the numerous capabilities integrated into our products, we are helping to scale back the overall amount of equipment used by consumers, which in turn lowers the carbon impact of all devices employed by end-users.

Since 2015, when it launched the Freebox mini 4K, Free has been shifting towards smaller Freebox formats. The release in December 2018 of the Freebox One, which combines the functions of two boxes in one, is a perfect illustration of this strategy. 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 sold to other industries that can use the material for their own purposes, such as garden or street furniture. And as part of our responsible corporate citizenship strategy, we have set up three-way 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 cables that are then quality controlled by the Group's plants.

The Group also pays particular attention to reducing subscribers' electricity consumption from the use of its products so as to minimize its indirect environmental impact and also lower subscribers' energy bills. 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. We are currently working with our suppliers to cut down the time it takes for the Freebox to re-start from the deep-sleep mode (which would enable it to automatically go into deep-sleep mode as soon as it is switched off) or to program when the Freebox switches into deep-sleep mode depending on the subscriber's usage patterns.

For managing its waste, the Group uses registered waste disposal providers to recover its WEEE, which is collected and recycled in accordance with the applicable legislation. The Group also works with ESAT organizations 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, particularly metals (copper, etc.)

4.2.1.2.2 Optimizing packaging

Our research teams have designed packaging made only of biodegradable materials and recycled paper. It is shaped and sized in line with the boxes it contains, which reduces both empty space and the amount of paper required. Freebox packaging is also optimized in terms of weight and volume and is designed to be resistant throughout the boxes' life cycle and ensure its primary function of maintaining quality standards in transport.

From a logistics 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 encourage users to keep and return it. 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

Optimizing transportation

Loads are optimized by packing more into containers and trucks. The format of the loading pallets used has been standardized in order to enhance the surface area/energy ratio. The Group also strives to eliminate empty running, with only full trucks going out on the roads. We now use reusable plastic shipping pallets which has increased the truck fill rate by about 30% and at the same time reduces waste by minimizing the use of wooden pallets and cardboard packaging.

In order to reduce inventories, costs and CO_2 emissions, multiservice platforms have been set up from which 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 shipped directly from the logistics platform to the Free Centers.

Multimodal transport

Multimodal transport – which combines road, rail, sea and, very occasionally, air transport – helps contain energy consumption and greenhouse gas emissions.

Despite longer timeframes and more complex tracking processes, sea freight is the Group's standard form of transport for its Freeboxes as it is less polluting than other means of transport. This has meant that the teams at Freebox have had to develop highly efficient systems for anticipating order levels.

For overland and inter-site transport requirements, Freebox was a pioneer in its industry by using rail for part of the freight journey, as this is less polluting than road transport. Our aim is for trucks to be used only for the few legs of the journey where rail transport is impossible.

Optimizing deliveries

The Group is pursuing its efforts to reduce the number of deliveries to subscribers' homes and encourage the use of pick-up points. 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.

Our network of Free Centers also has good nationwide coverage, comprising 81 stores at end-2019 and offering another effective way of pooling shipments of Freeboxes and accessories.

The Group has also continued its partnership with a specialized transport company that can deliver to subscribers' homes at a pre-agreed time. The transporter notifies the subscriber of a two-hour delivery window in order to avoid repeated delivery attempts. If the subscriber knows they will not be at home, they can give the driver another delivery date and time slot. The Group also delivers small, low-value parcels in mailboxes to reduce the rate of failed first attempts.

We have started to involve our main business partners in our CSR approach. For example, our main supply-chain partners are now required to provide us with greenhouse gas emissions reports.

4.2.1.3 KPIs

4.2.1.3.1 Waste production and 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 2019:

- 1,022 tonnes of plastic;
- 1,075 tonnes of electronic waste;
- 38 tonnes of scrap metal;
- 222 tonnes of cables and wires.

The tonnage of industrial waste recycled for Freebox, which generates the most waste by volume, was 19% higher than in 2018, demonstrating the Group's focus on giving its equipment a second life. The recycled waste represented 41% of Freebox's total waste production, attesting to Group staff's effective management of industrial waste.

4.2.1.3.2 Logistics

iliad has more control over upstream freight (from the supplier to the Group) than over downstream freight (from the Group to the subscriber), which is mostly based on road transport, for lack of alternatives. The Group makes it a rule to minimize air freight, which accounted for less than 1% of total shipment volume in 2019. This was 0.8% lower than in 2018, clearly showing how we have enhanced our supply management processes. As a result, the CO_2 emissions generated by transport between Freebox production or reconditioning plants and the Group's logistics platform fell by 13% in 2019, despite higher transport volumes. 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

In 2019, growth in business levels due to network rollouts and call-outs to subscribers' homes led to an increase in the Group's vehicle fleet. At the year-end it stood at almost 4,200 vehicles, over 200 higher than one year earlier. Optimizing the automobile fleet is one of the Group's key priorities as it accounts for a third of its total CO_2 emissions.

4.2.2.1 Policy

The Group's policy for its automobile fleet focuses on three main areas:

- 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: the Group seeks 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 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

Four years ago, the Group launched 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 fuel consumption. In order to reduce the quantity of fine particulate emissions (nitrogen oxide) we decided to migrate our entire diesel-powered fleet to vehicles that meet Euro 6 standards and have start-stop technology.

Currently, the average fuel consumption of the automobile fleet is less than 5 liters per 100km.

The Group also uses electric vehicles and had about 17 within its fleet at end-2019, all of which were allocated to datacenters. They are available to employees and are primarily intended for short journeys given their lower mileage range than traditional vehicles.

We are looking into the possibility of increasing the proportion of electric vehicles in the coming years and of replacing SUV-type vehicles by vehicles with lower CO_2 emissions.

Lastly, as part of our green driving program, eco-driving lessons have been made available to employees who use their car for work.

4.2.2.2.2 Optimizing travel for roaming technicians

The IT system for scheduling the appointments and journeys of roaming technicians aims to reduce energy consumption and CO_2 emissions by minimizing the distances between each appointment. The table below lists the system'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 4,200 vehicles at end-2019, over 200 more than one year earlier.

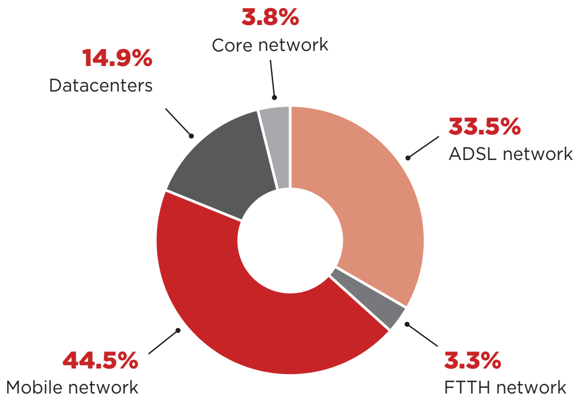
The higher proportion of gasoline-powered vehicles and utility vehicles within the fleet led to a slight increase in average CO_2 emissions per vehicle between 2017 and 2018, from 113g of CO_2/km to 115g of CO_2/km. In 2019, however, the figure remained unchanged year on year, at 115g of CO_2/km per vehicle.

4.2.3 NETWORK ENERGY CONSUMPTION

The Group's business activities (fixed and mobile electronic communications) have a relatively limited environmental impact compared with other industrial activities. However, the infrastructure deployed by the Group, which is at the heart of the digital economy, is fairly energy-hungry.

With the current strong growth in usages and rollouts, network energy consumption rose in 2019 and will continue to do so in the coming years, due notably 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 (IN %)



Network electricity consumption for 2019 totalled 827 GWh, up 108 GWh compared with 2018 due to the Group's FTTH and mobile network rollouts and growth in hosting activities.

The energy consumed by the Group's networks accounts for two-thirds of its 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;
- consumption of fuel oil (in very small quantities) to power electricity generators in the event of electricity outages in the above-mentioned infrastructure.

4.2.3.1 Policy

As part of its overall approach to reducing energy consumption, the Group has broken down electricity consumption by business and identified improvement areas for each of those businesses.

Fixed 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

With a view to 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. In addition, staff at our hosting subsidiaries are educated about environmental issues and take measures to optimize and reduce energy consumption.

4.2.3.2 Actions implemented

4.2.3.2.1 Fixed and mobile networks

The radioelectric equipment installed by Free Mobile is new generation, 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. Free Mobile's teams are currently looking into the possibility of switching off the high frequency bands at sites in targeted geographic areas in order to reduce the mobile network's overall energy consumption without affecting service quality. We are also managing to contain, and even decrease, the electricity consumption of our fixed networks, thanks to sharp growth in the number of subscribers using FTTH – which is a much less energy-hungry technology than ADSL – combined with the effect of upgrading and reducing the size of equipment, such as frames.

4.2.3.2.2 Datacenters

The datacenter activities carried out by Online – Scaleway are ISO 50001 certified, demonstrating Online's commitment to energy management. Its most recent certification was obtained in 2018, following a renewal audit, clearly illustrating Online's high-quality energy management system.

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.

In 2018, all of the electricity used by our datacenters was certified as from hydropower sources.

The Group is continuing with its measures to boost the energy efficiency of its datacenters. The DC2, DC3 and DC4 datacenters, 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 upgrading 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 tonnes 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 recourse to 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%.

The Group has developed an innovative technology capable of recovering and reusing the excess heat generated from the cooling of its datacenters. One practical example of this approach is an energy recycling mechanism designed by the Group for its DC4 datacenter that will ultimately use a heat exchanger to supply heating for social housing.

In line with the Kyoto Protocol and EU Directive 2003/87/EC, Online has launched a plan to gradually replace sulfur hexafluoride (SF6). 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 by 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

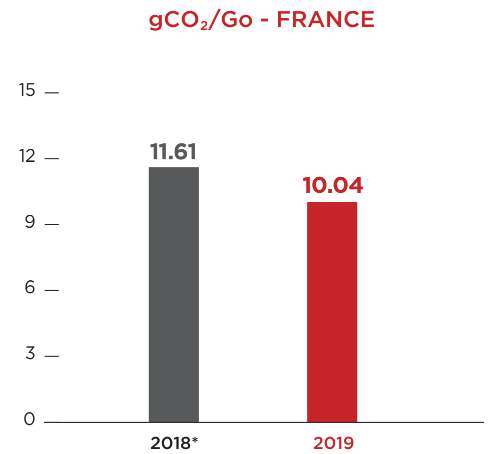
The Group's fixed and mobile networks, along with its datacenters, account for two-thirds of its total CO_2 emissions, and that proportion is likely to increase over the next few years.

Due to the forecast intensive rollout of FTTH and mobile networks and datacenters in the coming years, as well as the robust and rapid growth in demand for new usages (which is expected to continue with the arrival of 5G), the Group is aware of the difficulty of making any commitment to reduce its future energy consumption and CO_2 emissions in absolute value terms.

However, the Group strives to keep its energy efficiency index low, and in 2019 it was 0.53 terajoules per euro of revenue, relatively stable compared with the 2018 figure of 0.50 terajoules per euro of revenue. The Group expects this indicator to rise in the coming years due to continued network rollouts, but is taking steps to keep it as low as possible.

Similarly, for CO_2 emissions, the Group considers that it is important to use a KPI that is appropriate for the emissions related to its mobile network. It has therefore decided to use the amount of CO_2 emissions of its mobile network per gigabyte used by its subscribers, which is a figure that it is taking steps to reduce. In France, this indicator was 10g of CO_2/GB for 2019, versus 11.6g of CO_2/GB for 2018. The Group has set itself the objective of continuing to improve this indicator over the coming years.

CO_2 EMISSIONS OF THE MOBILE NETWORK PER GB USED (gCO_2/GB)



2018 on a comparable basis

4.3 THE GROUP'S ROLE IN SOCIETY

4.3.1 BUSINESS ETHICS AND DUTY OF CARE PLAN

The business environment is constantly changing, with ever-more vigilance over ethics and compliance. Over and above regulatory compliance, our stakeholders themselves (including subscribers, suppliers and employees) are becoming increasingly aware and mindful of these issues.

At iliad, ethical conduct and compliance are absolute prerequisites, throughout our organization and at all levels. We have adopted a strict ethics and compliance policy, not only to meet the requirements of increasingly stringent regulations, but also to prevent any reputational risk, especially in terms of corruption.

4.3.1.1 Our ethics and compliance policy

With a view to making the Group and its subsidiaries standard-setters in ethics and compliance, iliad's Executive Management plays a driving role in defining and implementing a strict ethics and compliance policy.

The Group Corporate Secretary set up an ethics and compliance program tailored to the Group's operational challenges, and in 2018 appointed a Chief Ethics & Compliance Officer to develop, implement and monitor the effectiveness of the measures taken. The Corporate Secretary ensures that sufficient resources are allocated to this program.

The fact that Executive Management is directly involved in ethics and compliance demonstrates its commitment to those issues. An Ethics Committee has been created on the same footing as the other Committees reporting to Executive Management. Made up of members from the Group's various support functions, this Committee is tasked with defining the main tenets of the Group's ethics policy and reviewing its compliance program.

4.3.1.2 Actions implemented

The Group's commitments are put into practice through actions tailored to its goals and challenges, with the overall aim of preventing, mitigating and eliminating any risks of non-compliance.

4.3.1.2.1 Code of Ethics

The Code of Ethics forms the cornerstone of our ethics and compliance program. This document sets out the Group's ethics policy and the principles and behaviour required in order to act ethically and in full compliance with the applicable laws. Its aim is to avoid any ethics or non-compliance risks for our employees, the Group or any other stakeholders.

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 Group's intranet and its dedicated ethics and compliance website: https://compliance.iliad.fr.

The principles laid down in the Code of Ethics are relayed through in-house information campaigns and specific training plans.

In order to continuously improve our compliance program and factor in any changes in regulations or new expectations from our stakeholders, the Code of Ethics is reviewed and updated every year. Now two years old, the Code of Ethics is due to undergo a complete overhaul in 2020 with a view to further embedding the Group's compliance culture.

4.3.1.2.2 Risk mapping

The risks and uncertainties of which the Group is currently aware and which it considers to be significant are described in Chapter 2 of this Universal 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 their probability of occurrence are defined based on criteria adapted to our operations, such as business sector or geographic 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 based on the revenue generated by the various Group companies concerned;
- existing formal or non-standard procedures are analyzed, along with the impact of mitigation measures planned for implementation in the following year, in order to estimate the Group's residual risk;
- this assessment is reviewed annually unless it needs to be reviewed in the course of the year due to exceptional events or circumstances.

4.3.1.2.3 Awareness-raising and training

An awareness-raising and training plan has been developed on preventing ethics and compliance risks, which includes both a classroom and an e-learning module.

Over 300 Group employees in France and Morocco have taken the classroom training courses since 2018, and nearly 2,000 employees have already followed the e-learning module since it was launched in 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.

As well as being annually updated, the modules are revised whenever there is a substantial change in Group policy or the legal and regulatory context.

4.3.1.2.4 Gifts and invitations

Although giving and accepting gifts, invitations and signs of hospitality may be commonplace in the world of business, the practice may carry risks that all of our staff members know how to identify and avoid. This awareness is supported by iliad's system for reporting and monitoring gifts and invitations, and large-scale communication of best practices to be adopted, to ensure that everyone makes the right choices.

After being compiled and analyzed, reported gifts and invitations are used in the annual review of iliad's risk map to update operational factors.

4.3.1.2.5 Whistle-blowing procedure

The Group has implemented a whistle-blowing procedure in accordance with the French Sapin II Act on anti-corruption measures, 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 viewed on the Group's compliance website.

In practice, valid cases are verified following the steps described in the whistle-blowing procedure, making sure to protect the whistle-blower. Statistical monitoring about how cases are handled is also performed in order to determine where improvements can be made.

4.3.1.3 KPIs

All new employment contracts entered into in 2019 referred to the Code of Ethics, which is annexed to the Board of Directors' Internal Rules. This indicator was unchanged from 2018.

4.3.2 RESPONSIBLE RELATIONS WITH OUR SUPPLIERS

In view of our activities as a telecoms operator and a supplier of data hosting solutions, we work with many different suppliers. In order to ensure that we have responsible relations with our suppliers and to secure our supply chain, we strive to build solid, lasting partnerships with the companies we work with, underpinned by a shared aim of continuous improvement.

However, changes in environmental regulations can sometimes result in us no longer being able to use the technical or technological solutions offered by certain suppliers or sub-contractors. This means that we need to approve alternative solutions and be ready to implement them if needed. And we also need to be ready to change our supply chain and upgrade our manufacturing resources where required, with the ensuing costs and delays that such changes can entail.

4.3.2.1 Our responsible purchasing policy

While we take great care to provide our subscribers with quality products and services, we also take into careful consideration the CSR performance of our partners and all of the links in our supply chain. We have put in place a responsible purchasing policy to help us meet these aims while at the same time ensuring full regulatory compliance.

Sustainable development is an essential component of our purchasing policy, on par with price and quality. In practice, this policy involves:

- integrating CSR into the purchasing process;
- taking steps to reduce CO_2 emissions in a number of different ways, such as by adapting needs, incorporating eco-design principles into Freeboxes, optimizing logistics and replacing part of the automobile fleet with electric vehicles;
- 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 principles;
- constantly striving to protect the health and safety of end-consumers;
- guarding against obsolescence.

4.3.2.2 Actions implemented

Sharing common values is essential to building and maintaining lasting partnerships and business relations. That is why our policy is to involve our stakeholders in an assessment and continuous improvement approach which 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 the purchase of devices to network rollouts.

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

In 2018, the Group carried out its first selection of strategic suppliers, drew up the relevant criteria and set up the assessment platform.

In 2019, the first assessments were performed on a panel of suppliers representing over 50% of the Group's expenses. The results of the assessments showed that 64% of the respondents have ISO 14001 certification and 96% obtained scores higher than their respective industries' average.

In 2020, the selection criteria will be revised to increase the number of partners assessed.

Suppliers are selected for the assessment based on a map of ethics and non-compliance risks. This map combines criteria such as business sector, geographic area, business volume and indices defined by recognized NGOs such as Transparency International's Corruption Perceptions Index.

Assessment results are used at several stages in iliad's business relations: during the supplier approval process, calls for tenders, purchasing decision-making, and the annual review of the Group's 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 the supplier 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 was launched in 2019 with the support of a specialized sustainability ratings platform, EcoVadis, which bases its rating methodology on ISO 26000.

4.3.2.3 KPIs

The service providers selected for the 2019 CSR assessment campaign account for over 50% of the Group's expenses.

4.3.3 RESPECT FOR OUR SUBSCRIBERS AND CITIZENS' RIGHTS

Digital technology is playing an increasingly important role in all aspects of everyday life. It is affecting our lives in multiple areas, at home and in family life, at school or university, or at work. And it is leading to changes in our lifestyle, especially entertainment and well being. It is also creating new paths for an increasing number of economic sectors - automotive, home automation, healthcare, financial services, energy, retail and many more. The business model of major Internet companies is based on monetizing data that they collect and cross-reference using new solutions such as Big Data and, increasingly, artificial intelligence. Against this backdrop, users, i.e., citizens, have very high expectations in terms of the quality and reliability of telecom networks and the protection of their personal data, all of which means they need to have a relationship of trust with their operator.

4.3.3.1 Our policy for protecting users' rights and personal data

Our CSR goals include transparently informing consumers about our business activities. That is why we make sure that we act as a responsible operator on a daily basis, both for our customers and our prospects, by implementing policies and actions in the following two key areas:

- protecting personal data;
- informing and protecting vulnerable populations.

4.3.3.1.1 Protecting personal data

Technological progress goes hand in hand with data protection requirements that are becoming more and more challenging. In order to keep up with, and adapt to, these changes, the Group has put in place a governance system specifically dedicated to protecting personal data. This system is coordinated by a network of personal data protection officers, appointed for each of the Group's businesses and entities.

By sharing expertise among multi-disciplinary teams we can obtain a 360° view of how data is being processed in practice and can see where action plans are needed.

We are also committed to fostering an environment of trust and security rooted in the following:

- ensuring that every data processing transaction is compliant;
- ensuring we have our subscribers' consent to process their data;
- transparently informing our subscribers of how their personal data is processed;
- ensuring that our subscribers can verify their personal data and can effectively and easily exercise their rights.

To make sure that its employees fully understand these issues, the Group has set up a specific training plan and provides them with appropriate support systems.

Respecting the Group's values concerning personal data protection is also an essential criterion when it comes to selecting which partners to work with.

Protecting personal data is an absolute priority for the Group as a whole, with each and every one of our people sharing the same objective of setting the highest standards in terms of protecting subscriber privacy.

4.3.3.2 Actions implemented

The Group attaches great importance to guaranteeing security for its subscribers and protecting their personal data. This is a major preoccupation that has led us to make a number of strategic choices for our fixed and mobile telephony services and Internet access activities, as well as for our subscriber management platforms.

Our exacting standards are clearly illustrated in the fact that:

- the Group's strategic equipment manufacturers are all based in Europe or form part of the Group (Freebox);
- wireless connections (WiFi, mobile) are always encrypted using the latest algorithms;
- oversight and operation of equipment is carried out in-house with secure, authentication-based access control;
- subscriber relations platforms are managed internally at Group level by dedicated structures to ensure that personal data is not relayed to external parties;
- the Group prefers to develop its information systems in-house;
- access to data bases containing subscribers' personal information systematically requires authentication, with hierarchical access levels and archived authentication logs to ensure traceability.

4.3.3.2.1 Security solutions for all subscribers

Free offers all of its subscribers (both for fixed 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 after identification (user name/password) – 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.

4.3.3.2.2 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, it 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 user name and password.

Concerning Internet access, the FreeboxOS (for computers) or the Freebox Compagnon application (for mobile phones) provides subscribers with a parental control service that can be set up and configured remotely and in real time.

This service enables subscribers to allocate specific rules to each of the peripheral devices connected to their network, such as 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 at specified times.

4.3.3.3 KPIs

In 2019, almost 1,200 executives and managers (i.e., 60% of the Group total) followed advanced-level training on personal data protection.

This is a new KPI.

4.3.5 OUR COMMITMENTS TO SOCIETY AND COMMUNITIES, AND RESPECTING HUMAN RIGHTS

Promoting equal rights and opportunities is one of our key commitments as a corporate citizen. Not only is this a regulatory requirement but it is also becoming an increasingly strong expectation from society at large and is clearly reflected in the Group's corporate values.

4.3.5.1 Our community outreach policy

The Group's community outreach 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 its mission since its formation in 2006 is by helping to bridge the digital divide, and promoting the development of open-source software. Its objective is to enable as many people as possible to have access to technology by providing several different forms of support.

4.3.5.2 Actions implemented

4.3.5.2.1 The Free Foundation

(I) Financial support for charities and other non-profit organizations

With a €250,000 budget allocated each year, the Free Foundation helps vulnerable populations access digital skills and technology 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 2019, 12 projects were co-financed by the Foundation, including:

FRÉQUENCE ÉCOLES

This organization acts as a support for dealing with changes in media and digital usages, helping to build digital skills for everyone. The Free Foundation particularly supported the *Super Demain* and *Super Demain hors-les-murs* programs – two major events organized in the Lyon region of France that involved talks, workshops and entertaining ways of helping a wide audience learn about digital media.

SPORT DANS LA VILLE

Sport dans la Ville is France's largest sport-based professional inclusion organization. It has created a program called *Job dans la Ville* – supported by the Free Foundation – that organizes training, workshops, work-study placements and so on for people from as young as 14. The aim is to help young people gain access to qualifications and ultimately long-term employment. Digital technology is a key part of the training provided.

TÉLÉCOMS SANS FRONTIÈRES (TSF)

Télécoms Sans Frontières (TSF) was founded in 1998 as the world's first NGO focusing on emergency-response technologies. During humanitarian crises it gives affected people the possibility to contact their loved ones and begin to regain control of their lives, as well as building rapid-response communications centers for local and international responders.

LA MAISON DU LIBRE ET DES COMMUNS

La Maison du Libre et des Communs is a space in the heart of Paris that is open to all and designed to encourage innovation and knowledge-sharing. It hosts free and open tech communities who come together to share resources and create high-impact projects.

ASSOCIATION DU 8ÈME JOUR

L'Association du 8ème jour set itself the mission of creating, managing and coordinating a non-medical residential structure intended to promote educational and social interaction for people with mental disabilities. Its objective is to help its residents be as independent as possible in an environment that is structured to reflect "ordinary" life. The association also has a project called *Lutte contre illectronisme* aimed at helping professional caregivers incorporate digital technology into their jobs and adapt their practices accordingly.

The Free Foundation also hosts and provides servers and donates equipment, particularly to non-profit organizations and community associations such as VLC and OpenFoodFacts.

(II) Change in the Foundation's missions in 2019

The most significant events of 2019 were as follows: Firstly, the Free Foundation's website was completely overhauled. There were several underlying objectives of this project, which was carried out with the utmost thoroughness. The website is the Foundation's showcase, a way of communicating its missions and a vehicle via which charities, non-profit organizations and other interested parties can find out about the Foundation and get in touch. All the necessary information is now available on the website and it is easier to lodge application files.

Employee commitment to the Foundation was a key priority for the Group in 2019, so we launched a call for projects during the year. Consequently, it was the Group's employees who acted as the sponsors, putting forward the projects and non-profit organizations for the Foundation to fund, and who undertook to monitor developments in those projects.

After the applications were collected, all of the Group's employees were invited to vote on the project(s) they wanted the Foundation to support, and three projects were selected.

Various different tools were put in place to facilitate this call for projects, including an internally-created voting platform, so that all of the Group's employees could participate.

(III) 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 collections, 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

  The Group 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 and suggestions about this issue and encourage discussions.

- blood donations

  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.

4.3.5.3 KPIs

The funding that the Free Foundation gives varies significantly from project to project, reflecting the widely different needs of the organizations concerned. The Free Foundation funded a total of 12 projects in 2019 compared with 23 in 2018.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE GROUP'S MANAGEMENT REPORT

(For the year ended December 31, 2019)

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.

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 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2019 (hereinafter the "Statement"), included in the Group's management report pursuant to the legal and regulatory provisions of 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;
- 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 the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in 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 human resources and environmental risks associated with their activities, and 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 human resources and environmental information set out in Article L. 225-102-1 III;
- 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/subsidiaries – Free Réseaux, Free Mobile, F Distribution, Equaline and Resolution Call – and covers between 53% 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 2019 and March 2020 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 consolidated 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.

Neuilly-sur-Seine, April 3, 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Thierry Leroux	Pascal Baranger
Partner	Sustainable Development Partner

Appendix: List of Information that we considered to be the most important

Key performance indicators:

Risk 1: Health and safety

- 2019 work/commuting accident frequency rate
- 2019 work/commuting accident severity rate

Risk 2: Workplace wellbeing

- 2019 absenteeism rate

Risk 3: Training

- Change in the number of training hours per employee between 2018 and 2019

Risk 4: Attracting and retaining talent

- Percentage of permanent employment contracts in the workforce in 2019

Risk 5: Voluntary objectives

- Score achieved for differences between pay for men and women in 2019

Risk 6: The environmental footprint of Freeboxes

- Change in tonnage of industrial waste generated by Freebox between 2018 and 2019

Risk 7: Automobile fleet

- Average CO_2 emissions of the automobile fleet in 2019

Risk 8: Network energy consumption

- Change in CO_2 emissions between 2018 and 2019

Risk 9: Business ethics and duty of care plan

- Percentage of employment contracts entered into in 2019 that refer to the Code of Ethics, which is annexed to the Board of Directors' Internal Rules

Risk 10: Responsible relations with our suppliers

- Percentage of service providers selected for the 2019 CSR assessment campaign

Risk 11: Respect for our subscribers and citizens' rights

- Change in number of Group employees who received training on personal data protection in 2019

Risk 12: Our commitments to society and communities, and respecting human rights

- Change in the number of projects that received financial support from the Free Foundation between 2018 and 2019

Qualitative information (measures and outcomes):

Risk 1: Health and safety

- Strengthening governance
- Occupational risk assessment document (Document Unique «Évaluation des Risques Professionnels")
- Carrying out safety audits

Risk 2: Workplace wellbeing

- Workplace Wellbeing week
- Manager accountability training and regular staff monitoring

Risk 3: Training

- Posture coach training in Morocco
- Anti-corruption training

Risk 4: Attracting and retaining talent

- Agreement on the right to disconnect
- Social and Economic Committees
- Group agreement on employment and skills planning

Risk 5: Voluntary objectives

- Disability project
- Equal pay policy

Risk 6: The environmental footprint of Freeboxes

- Greenhouse gas emissions reporting

Risk 7: Automobile fleet

- Travel optimization system

Risk 8: Network energy consumption

- Energy consumption reduction (switch to fiber)

Risk 9: Business ethics and duty of care plan

- Distribution of the Code of Ethics to all employees
- Corruption risk mapping

Risk 10: Responsible relations with our suppliers

- Supplier assessments

Risk 11: Respect for our subscribers and citizens' rights

- Fixed Internet connection survey in France

Risk 12: Our commitments to society and communities, and respecting human rights

- Changes to the Foundation in 2019

Quantitative information (measures and outcomes):

Risk 1: Health and safety

- 318 work/commuting accidents

Risk 2: Workplace wellbeing

- 70% iliad employee satisfaction rate

Risk 3: Training

- 530,000 hours of training provided in 2019

Risk 4: Attracting and retaining talent

- 96% of contracts were permanent in 2019

Risk 5: Voluntary objectives

- 69 nationalities

Risk 6: The environmental footprint of Freeboxes

- 80% of recycled plastic used

Risk 7: Automobile fleet

- 16 electric vehicles

Risk 8: Network energy consumption

- Network electricity consumption for 2019 totaled 827 GWh

Risk 9: Business ethics and duty of care plan

- 1,756 employees received ethics risk training

Risk 10: Responsible relations with our suppliers

- 64% of respondents have ISO 14001 certification

Risk 11: Respect for our subscribers and citizens' rights

- 6,460 fixed Broadband and Ultra-Fast Broadband subscribers (in thousands)

Risk 12: Our commitments to society and communities, and respecting human rights

- 12 projects funded in 2019

ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS

5

KEY CONSOLIDATED FINANCIAL DATA

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

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

The Group has applied IFRS 16, Leases, since January 1, 2019 using the retrospective approach, without restating comparative prior periods. The income statement, balance sheet and segment information have been adjusted accordingly.

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

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

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

- **France**

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

- **Italy**

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

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

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

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

5.1.1 BREAKDOWN OF REVENUES

France

Fixed offerings (Broadband and Ultra-Fast Broadband)

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

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

	Freebox Crystal	Freebox mini 4K	Freebox Revolution	Freebox One	Freebox Delta S	Freebox Delta
INTERNET						
Optical Fiber		✓	✓	✓	✓ (10 GB EPON Fiber)	✓ (10 GB EPON Fiber)
xDSL+4G					✓	✓
ADSL2+	✓	✓	✓	✓	✓	✓
VDSL2		✓	✓	✓	✓	✓
WI-FI	✓	✓	✓	✓	✓	✓
TV						
Freebox TV (more than 220 channels)	Optional	✓	✓	✓	✓	✓
Netflix Option		Optional	Optional	✓	✓	✓
Amazon Prime					✓	✓
TV by CANAL Panorama (& myCANAL)			✓		✓	✓
4K-compatible		✓	Optional	4K HDR	4K HDR	4K HDR
250 GB storage			250 GB	1 TB (optional)	1 TB (optional)	1 TB (optional)
Blu-Ray™ player			✓			
Catch-up TV	Optional	✓	✓	✓	✓	✓
VOD access option	Optional	✓	✓	✓	✓	✓

(1) + 5 hours to Algeria and Tunisia

	Freebox Crystal	Freebox mini 4K	Freebox Revolution	Freebox One	Freebox Delta S	Freebox Delta
SOUND						
Devialet sound system						✓
VOICE ASSISTANT						
Amazon Alexa					✓	✓
OK Freebox					✓	✓
Google Assistant		✓				
CONNECTED HOME						
Home automation system				✓	✓	✓
Security package option					Optional	Optional
UNLIMITED CALLS						
To more than 110 fixed-line destinations	✓	✓	✓ (1)	✓ (1)	✓ (1)	✓ (1)
To mobiles in Metropolitan France and the overseas departments Option	Optional					
BOOKS, NEWSPAPERS AND MAGAZINES						
Bouquet Cafeyn by LeKiosk						
Youboox One (free until Jan. 31, 2020)	x					
MONTHLY PRICE						
First 12 months	€9.99	€14.99	€19.99	€29.99	€39.99	€49.99
After 12 months	€24.99	€34.99	€44.99	€39.99	€39.99	€49.99

(1) + 5 hours to Algeria and Tunisia

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 speeds of up to 100 Mbps download and 40 Mbps upload;
- xDSL/4G which enables the xDSL signal to be bonded with a 4G signal in areas with low speeds, so subscribers can have up to 10 times faster speeds than when using ADSL alone.

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

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

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

B2B offerings

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

- **hosting services**, which correspond to providing dedicated servers to SMEs that wish to secure their data. This service is invoiced based on a monthly or annual subscription depending on the type of offer;
- **colocation services**, which consist of providing physical space in a data center, as well as the associated electrical capacity, in order to house bays and servers that generally belong to end-customers;
- **cloud computing**, which is a model enabling convenient, on-demand network access to a shared pool of configurable computing resources. The Scaleway offering provides such access, with small virtual servers that can be scaled up to dedicated physical servers.

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

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

Mobile offerings

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

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

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

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

Sales of devices (mobile phones and Delta Players)

- **Mobile phones:**

  The Group offers a selection of the latest mobile phones on the market. With a view to being as transparent as possible, Free offers phones separately from its subscriptions, which means that subscribers can opt for whichever plan and phone they prefer, or can choose not to purchase a phone at all. Several different solutions are available for subscribers who choose to obtain their phone from Free:

  - purchasing a phone and paying for it upfront,
  - purchasing a phone and spreading the payments (four interest-free installments or 24 installments, depending on the model),
  - renting a phone: subscribers can rent high-end smartphones for a minimum of 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €89 and €399 and then pays a monthly rental fee of between €12 and €30 (again, depending on the phone) over a period of 24 months. At the end of this period, subscribers can either return their phone and get a latest-generation phone under a new rental agreement, or extend the rental period for their existing phone.

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

- **Delta Players:**

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

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

Italy

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

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

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

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

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

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

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

5.1.2 THE GROUP'S MAIN OPERATING COSTS

France

Main operating costs of the Group's fixed offerings

(i) Costs related to DSL offerings

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

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

(ii) Costs related to Fiber offerings

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

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

Main operating costs of the Group's Mobile offerings

(i) Mobile call and text message termination charges

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

(ii) Roaming charges

The Group has to pay roaming charges for the 2G and 3G roaming services provided to it in France, which are defined in a roaming agreement signed with the country's incumbent operator (Orange) in 2011. This agreement was extended in June 2016 to enable Free Mobile to gradually stop using the Orange network for 2G/3G roaming services, notably by progressively and substantially reducing the maximum Internet speeds provided to roaming subscribers (currently capped at 384 kbps). The extension of the agreement with the gradual reduction of Internet speeds is intended to provide for an organized termination of the roaming services, notably for subscribers who have 2G devices and for the residual areas where Free Mobile's network is still in the rollout phase. In this gradual termination mode, the costs of the roaming agreement are no longer material in relation to the Group's overall financial position.

Italy

MOCN (Multi-Operator Core Network) roaming agreement

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

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

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

Mobile call and text message termination charges

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

5.1.3 CAPITAL EXPENDITURE AND DEPRECIATION

France

Broadband (DSL offerings)

(i) Transmission network and unbundling the local loop

Having laid over 139,000 km of fiber, the Group has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. The Group draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In 2019, it continued to extend its unbundled coverage by opening 1,300 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to 14,600 throughout France at the year-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with 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.

Rollout of a Fiber network

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

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

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

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

In decision no. 2013-1475 dated December 10, 2013, ARCEP (the French regulatory authority for electronic and postal communications) issued a list of 106 municipalities that it classified as "very densely populated areas". In these areas, each operator is responsible for rolling out its own network up to shared access points, which are generally located inside buildings. The in-building cabling is then shared by the operators.

The Group is rolling out its own infrastructure in very densely populated areas, which requires:

- acquiring and fitting out premises to house optical nodes (ONs);
- carrying out horizontal rollouts, which consist of laying optical fiber cables between the ONs and the shared access points. The Group's horizontal rollout phase is being undertaken using (i) the accessible galleries of the underground wastewater network in Paris, and (ii) the incumbent operator's access offer under which third parties can access its existing cable ducts in other areas of France;
- connecting the horizontal network to the shared access points;
- carrying out the final connection phase, which entails fitting an optical fiber socket in the subscriber's home and connecting it to the building's vertical fiber cables through the floor distribution box.

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

(ii) Outside very densely populated areas

Outside very densely populated areas, in order to optimize Fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP decision 2010-1312 dated December 14, 2010), provides for more extensive infrastructure sharing as it requires operators that roll out networks to create shared access points located outside private property boundaries which can each be used for around 1,000 lines.

A. PRIVATE CO-FINANCED AREAS (APPROXIMATELY 14 MILLION LINES)

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

B. PUBLIC INITIATIVE NETWORKS – PINS (REST OF FRANCE)

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

Partnership with InfraVia

The Group was the first operator, as of August 2012, to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. Since 2017, it has also entered into several framework agreements in areas covered by PINs, with the operators marketing FTTH lines in those areas (Axione, Orange and Covage, for example) as well as directly with a number of public bodies (including Auvergne Très Haut Debit, Vendée Numérique and others).

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

(iii) Fiber progress report at December 31, 2019

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

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

The strong acceleration in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. With 777,000 new FTTH subscribers in 2019, the target of topping the 500,000 adds mark for the year as a whole was already reached by the third quarter. In view of this, the Group is standing by its objectives of :

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

A comprehensive and enriched frequency portfolio

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

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

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

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

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

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

Rollout of a network of mobile masts

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

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

- **the opening of over 2,500 new 3G sites,** bringing the Group's total number of 3G sites to 17,000 at end-2019 and giving it a coverage rate of 97.7% of the French population;
- **ongoing deployment of 4G technology.** This has been a priority for the Group ever since it launched its mobile business. And 2019 was no exception, with (i) new 1,800 MHz frequencies made available at over 3,100 additional sites, and (ii) the deployment of 700 MHz frequencies at some 8,800 additional sites across France. The continued deployment of these new frequencies during 2019 enabled the Group to increase its 4G coverage to 95.7% at the year-end and to strengthen its 4G indoor quality. At December 31, 2019, the Group had more than 14,800 4G sites;
- **continued investment in the fiber backhaul network for mobile sites.** In view of ever-faster Internet speeds and the growing number of 4G users, the interconnection capacity of mobile sites is of critical importance to operators. In order to be able to offer its subscribers the best possible speeds, the Group has decided to prioritize the use of fiber for connecting its sites. As a result, at December 31, 2019, 93% of the Group's sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds;
- **further efforts to develop the shared passive mobile infrastructure offering** with other operators (see the section on the strategic industrial partnership with Cellnex).

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

The depreciation/amortization periods applied for the main assets brought into service in 2019 are as follows:

- licenses: between 15 and 19 years;
- general equipment: 10 years;
- mobile technical equipment: 6 and 18 years;
- other equipment: 3 to 5 years;
- other assets: 2 to 10 years.

Strategic industrial partnership with Cellnex

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

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

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

Rollout of the distribution network: stores and kiosks

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

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

Italy

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

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

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

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

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

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

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

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

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

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

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

Rollout of a mobile network in Italy

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

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

Strategic industrial partnership with Cellnex

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

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

Rollout of a distribution network in Italy

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

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

5.2 SIGNIFICANT EVENTS OF 2019

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

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

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

5.2.1 GROUP

- **Consolidated revenues up 9.0% to €5.33 billion.**
- **Return to growth for revenues in France (+3.0%), led by a good performance from Mobile** (revenues invoiced to subscribers up more than 9% year on year).
- **Revenues in Italy up almost 3.5-fold in the space of a year, coming in at €427 million.**
- **Higher profitability in France, with EBITDAaL up 5.5% to €1.9 billion.** EBITDAaL for the Group as a whole contracted 5.8% to €1.65 billion due to start-up losses in Italy.
- **€1.73 billion in profit for the period, up sharply on 2018** thanks to a good performance from France and the capital gain generated by the tower deals in France and Italy with Cellnex.
- **Capex up to €1.98 billion,** reflecting (i) the Group's major drive to increase its mobile coverage and bring fiber to all areas of France, and (ii) the fact that 2019 was the Group's first full year of operations in Italy, with a faster pace of mobile network rollouts.
- **A solid balance sheet structure, with a Leverage ratio of 2.18x at end-2019 (€3.6 billion in Net debt).**
- **A new dividend policy with a dividend per share set at €2.60 per share.**

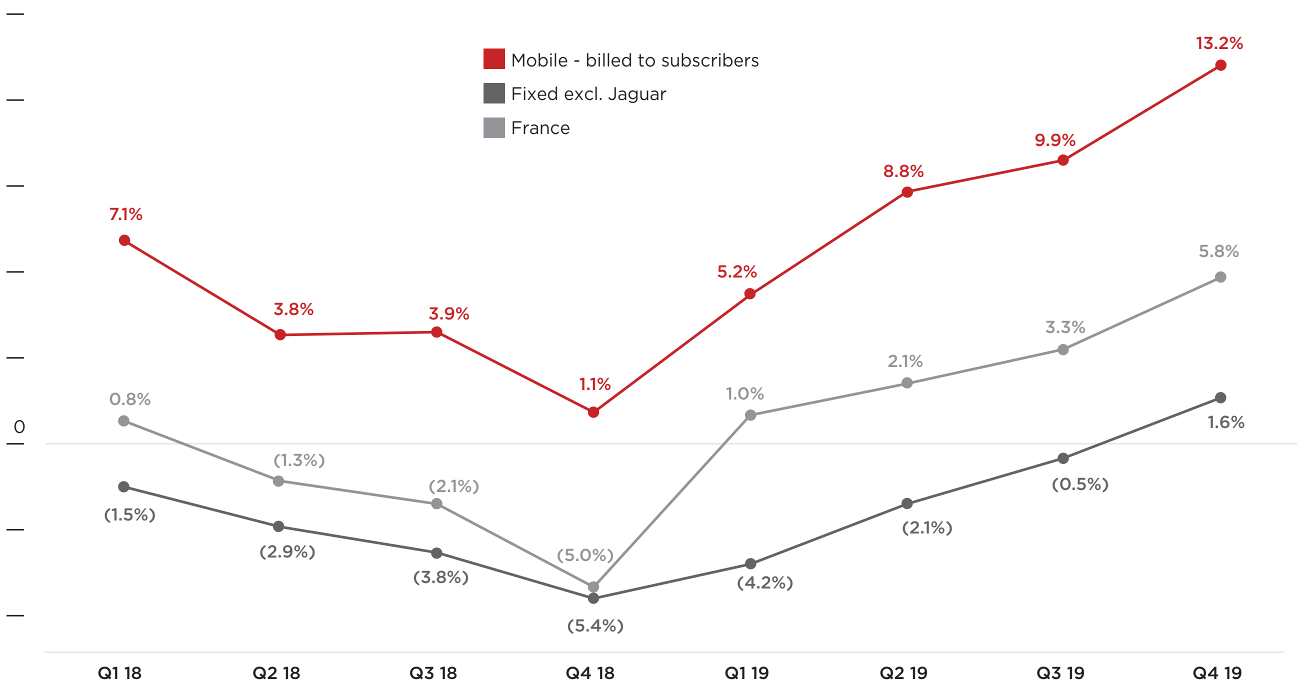
5.2.2 FRANCE

2019 operational information:

- **tangible results for the Group's transformation plan launched in 2018:**
  - **a record year for Fiber, with 777,000 new subscribers signed up to the Group's Fiber plans, giving it the highest number of Fiber Net adds in France in 2019.** At end-December 2019, the Group's Fiber subscriber base totaled 1.76 million, a rise of nearly 80% in the space of 12 months,
  - **a 33,000 increase in the total Fixed subscriber base in 2019.** The recovery in broadband subscriber numbers was particularly marked in the second half of the year, with a 64,000 gain compared with a 31,000 loss in the first half,
  - **394,000 Net adds for 4G** offerings, pushing the total 4G subscriber base up to almost 8.2 million at end-December – **ARPU invoiced to subscribers rose 11% year on year to an average of €10.2 in 2019**, demonstrating the success of the Group's strategy to gradually upscale its subscriber base. The loss of 128,000 subscribers in 2019 mainly concerned lower added-value plans, and the fourth quarter saw a return to Net adds of mobile subscribers (+17,000);
- **pursuit of the marked acceleration begun a year ago in rollouts of Fiber and mobile networks**, in line with the Group's aim of being the Alternative operator of choice for latest-generation networks:
  - **fixed:**
    - **largest Fiber network out of France's three Alternative operators, with 13.9 million connectible sockets**,
    - **intensified marketing of the Group's Fiber plans in less densely populated areas**, with an acceleration in commercial launches on France's public initiative networks (PINs). The Group's Fiber offerings are now available in all regions of Metropolitan France,
    - **best Fiber speeds**, with average speeds of more than 460 Mbps download and 289 Mbps upload according to nPerf. In addition, the Group is the only operator in France to offer 10G Fiber technology and was the first to provide all of its subscribers with a theoretical average upload speed of up to 600 Mbps;
  - **mobile:**
    - **intensified, large-scale deployment of 700 MHz frequencies, enhancing the 4G experience.** Some 8,800 sites were newly equipped to use 700 MHz frequencies in 2019, compared with 2,300 in 2018. At the same time, Free kept up its brisk pace of new mobile site rollouts, which was even faster than in 2018, with 2,535 new 3G sites added in 2019 (versus 2,354 the previous year), bringing the total number of sites in Metropolitan France to over 17,000 at the year-end. The Group's mobile network now covers more than 97.7% of the French population with 3G, and the 4G coverage rate is 95.7%,
    - **best 4G speed out of France's three Alternative operators**, with an average download speed of 44 Mbps, according to nPerf. The strong performance of the Group's 4G network is reflected in the average monthly data usage per 4G subscriber, which was 13.9 GB in 2019.

2019 financial information:

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

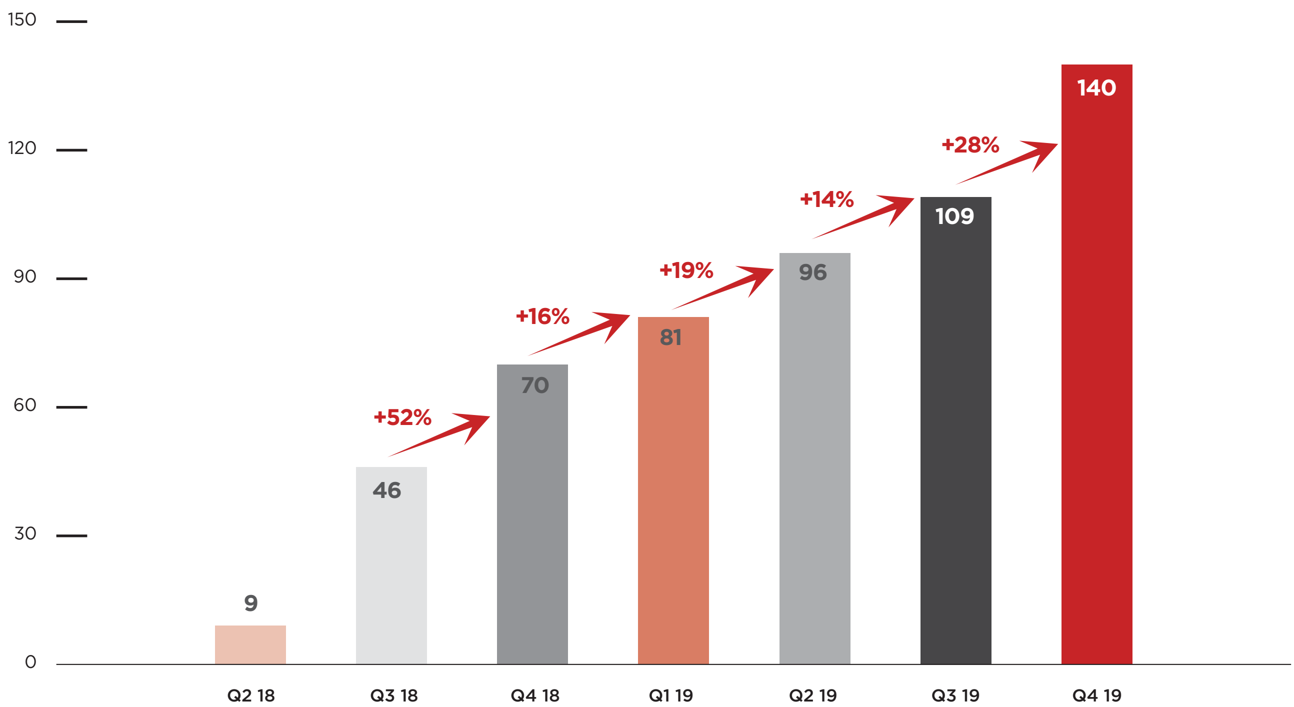


- **better trends for Fixed services revenues (up 0.4% for the year as a whole, and 3.4% in the fourth quarter).** This reflects the Group's new sales and marketing strategy, the fact that it is no longer dependent on price-slashed deals, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings,
- **an excellent performance from the mobile business, with a 9% year-on-year rise in revenues invoiced to subscribers (13.2% in the fourth quarter)**, stemming from a better subscriber mix, the fact that the Group is no longer dependent on price-slashed deals, automatic switches to standard pricing after a 12-month deal period on mobile plans, and, to a lesser extent, the temporary positive effect of including access to digital books in certain offerings,
- **sales of devices up 9.4% to €229 million**, due to the combined impact of a sharp decrease in sales of mobile phones offset by sales of the Freebox Delta Player;

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

5.2.3 ITALY

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



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

5.3 COMPARISON OF RESULTS FOR 2019 AND 2018

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

5.3.1 ANALYSIS OF CONSOLIDATED RESULTS

(a) Key indicators

France	2019	2018	Year-on-year change
Total mobile subscribers	13,313k	13,441k	-1.0%
• Of which on the Free Mobile Unlimited 4G Plan *	8,177k	7,783k	+5.1%
• Of which on the voice-based plan	5,136k	5,658k	-9.2%
Average 4G data usage (in GB per month per subscriber) **	13.9	10.9	+27.5%
Total Broadband and Ultra-Fast Broadband subscribers	6,460k	6,427k	+0.5%
• Of which Fiber	1,760k	983k	+79.0%
TOTAL NUMBER OF SUBSCRIBERS – FRANCE	**19,773K**	**19,868K**	**-0.5%**
Number of connectible Fiber sockets	13,900k	9,600k	+44.8%

	2019	2018	
Broadband and Ultra-Fast Broadband ARPU ** (in €)	32.6	31.8	+2.5%
Mobile ARPU invoiced to subscribers ** (in €)	10.6	9.3	+14.0%

* *50/100 GB for non-Freebox subscribers.*
** *See glossary for definition.*

Italy	2019	2018	Year-on-year change
Total mobile subscribers	5,281k	2,837k	+86.1%

(b) Analysis of results for France

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

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

(i) Revenues

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

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

Fixed services revenues

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

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

Mobile services revenues

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

- **a return to positive Net adds in the fourth quarter, with 17,000 net new subscribers**;
- **a further improvement in the subscriber mix, despite an intensely competitive environment, with 394,000 new subscribers signing up to the Free Mobile Unlimited 4G Plan** (50/100 GB for non-Freebox subscribers). The number of subscribers on the €2/month plan (€0/month for Freebox subscribers) decreased in 2019 due to subscribers switching to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), and the effect of market competition. Overall, the mobile subscriber base saw a reduction of 128,000 subscribers during the year. At December 31, 2019, the Group had a total of 13.3 million mobile subscribers, of which 8.2 million were on the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers);
- **an excellent level of revenues invoiced to subscribers, with 9.2% growth for the year as a whole, and 13.2% in the fourth quarter.** The number of subscribers on price-slashed deals has been reduced seven-fold in the space of a year, mechanically pushing up ARPU, which rose 14% in the fourth quarter to €10.6. This strong performance was due to the Group's decision to restrict its use of flash sales and to its successful strategy of encouraging subscribers to switch from the voice-based plan to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers). The increase in revenues invoiced to subscribers was also partly driven by the positive effects of including e-book offerings in certain plans;
- **a further contraction in other Mobile services revenues, which were down 4.7% year on year** at €417 million. Primarily stemming from interconnections between operators for voice and text message services, these revenues generate low margins and have been adversely affected from a structural standpoint by a decreasing use of text messages as mobile data usage rises;

- **rapid deployment of 700 MHz frequencies for the 4G network, with some 8,800 sites newly equipped to use these frequencies, significantly enhancing the subscriber experience.** Free Mobile has the best 4G speeds out of France's three Alternative operators according to nPerf (average download speed of 44 Mbps), and is the operator that is deploying its 700 MHz frequencies across France at the fastest pace. The average monthly 4G data usage of a Free Mobile subscriber is now 13.9 GB. In line with the development of its 4G network, the Group is continuing to roll out its mobile network across France and at end-2019 had over 17,000 mobile sites altogether.

Devices

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

(ii) Gross profit

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

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

(iii) Payroll costs

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

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

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

(iv) External charges

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

(v) Taxes other than on income

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

(vi) Additions to provisions

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

(vii) Other income and expenses from operations, net

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

(viii) Depreciation of right-of-use assets

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

(ix) EBITDAaL

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

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

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

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

- **positive factors:**
  - **a significant operating leverage effect** stemming from the €138 million year-on-year increase in mobile services revenues invoiced to subscribers,
  - **large-scale opening of sites newly equipped for 700 MHz frequencies and continued rollouts of new sites, giving the Group better mobile coverage**. This enabled the Group to use roaming services less and switch more subscribers to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers),
  - **an increase in the total number of Fiber subscribers** to 1.76 million, resulting in operating cost savings in very densely populated areas. This positive effect is beginning to feed through to Gross profit and therefore to EBITDAaL,
  - **the inclusion of digital books in some of the Group's fixed and mobile plans in February 2019**, which pushed up ARPU and EBITDAaL;

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

(x) Profit from ordinary activities

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

(c) Analysis of results for Italy

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

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

(1) Seven months of operations in 2018.

(i) Revenues

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

- **an excellent sales performance throughout the year, with over 2.4 million Net adds, including 740,000 in the fourth quarter**. The Group had a total of 5.3 million subscribers in Italy at end-December 2019, just 18 months after launching its mobile operations there;
- **an even faster pace of Net adds in the fourth quarter, which was achieved despite competitors launching targeted and more aggressively-priced offerings, clearly demonstrating the strength of the iliad Italia brand**. The Group has seen its popularity soar in Italy, and in a number of surveys it is ranked as the country's favorite telecom brand;
- **continued rollout of the mobile network, with the pace particularly stepped up in the second half of the year. Over 2,500 new sites were equipped in 2019, bringing the total number of equipped sites in Italy to 4,000 at December 31**, well above the Group's objective of having 3,500 by that date. The Group also started carrying some of its mobile traffic on its own network, thanks to the 1,200 sites it activated during the second half;
- **further expansion of the Italian distribution network.** At December 31, 2019, the Group's Italian business had a total of 14 stores and more than 800 Simboxes located in 300 busy catchment areas.

(ii) EBITDAaL

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

This operating loss was due to the following factors:

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

(iii) Profit/(loss) from ordinary activities

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

5.3.2 CONSOLIDATED CASH FLOWS AND CAPITAL EXPENDITURE

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

Consolidated Free Cash Flow

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

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

- €2.19 billion in consolidated cash flows from operations, before €585 million in lease payments and interest expense on lease liabilities recognized on the first-time application of IFRS 16. Adjusted for the impact of IFRS 16, consolidated cash flow from operations contracted by 13%, with the year-on-year increase in France offset by operating losses in Italy;
- a €106 million negative change in working capital requirement, primarily due to the increase in revenues in Italy as well as to Italy's VAT repayment schedule;
- a 3% increase in capital expenditure for France to €1.61 billion, slightly higher than the Group's objective of a figure on par with 2018. In 2019, the Group broadened its Fiber footprint, deploying over 4.3 million new connectible sockets and connecting up more than 777,000 new Fiber subscribers. It also opened over 8,800 sites equipped for 700 MHz frequencies and extended its mobile network, which comprised over 17,000 sites at December 31, 2019;
- €369 million invested in the Italian network and MOCN agreement and €225 million paid for the purchase of frequencies from Wind/Tre as part of the EU remedy package. At end-2019, the Group had paid the full amount of approximately €450 million due for the frequencies purchased from Wind/Tre;
- €340 million in income tax paid;
- other: including (i) an inflow from the deals in France and Italy with Cellnex (net of outflows and fees related to the transaction), (ii) the outflow for the Group's acquisition of a stake in Jaguar Network, and (iii) outflows for the Group's purchase of iliad shares on the market.

NET CHANGE IN CASH AND CASH EQUIVALENTS

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

5.3.3 CONSOLIDATED DEBT

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

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

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

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

(a) Borrowings due within one year

- A €1.4 billion NEU CP program

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

- Loans granted by the European Investment Bank (EIB)

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

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

(b) Borrowings due beyond one year

Bank borrowings:

- loans granted by the European Investment Bank (EIB)

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

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

- loans granted by KFW IPEX-Bank

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

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

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

- a €500 million syndicated credit facility maturing in 2023

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

- a €1,650 million syndicated revolving credit facility maturing in 2025

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

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

- a €50 million bilateral credit facility maturing in 2023

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

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

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

Bonds:

- €650 million worth of bonds maturing in 2022

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

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

- €650 million worth of bonds maturing in 2024

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

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

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

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

  - a first tranche of €500 million, paying interest at 0.625% per year and redeemable at face value at maturity on November 25, 2021,
  - a second tranche of €650 million, paying interest at 1.875% per year and redeemable at face value at maturity on April 25, 2025.

Schuldschein notes

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

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

Summary of the Group's borrowings due beyond one year

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

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

5.3.4 OWNERSHIP STRUCTURE AT DECEMBER 31, 2019

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

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

At December 31, 2019 there were:

- two iliad stock option plans in place with a total of 265,271 shares under option;
- three share grant plans in place representing a potential 869,310 new iliad shares.

5.4 ADDITIONAL INFORMATION

5.4.1 STRATEGIC OBJECTIVES

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

France

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

Italy

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

5.4.2 EVENTS AFTER THE BALANCE SHEET DATE

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

  The share issue – which was launched on January 20, 2020 and represented the same amount as the share buyback offer – was open to all iliad shareholders and was fully guaranteed by Xavier Niel (via a company wholly controlled by Xavier Niel). The results of the share issue – which were published on January 27, 2020 – were that 10.7 million new shares were purchased directly and indirectly by Xavier Niel, and the remaining 940,888 new shares were purchased by other shareholders.
- On February 28, 2020, iliad S.A. announced that in accordance with the agreement announced on September 3, 2019, it had closed its strategic partnership deal with InfraVia (a French private equity firm specialized in infrastructure) through the sale to InfraVia of 51% of Investissement dans la Fibre des Territoires (IFT), based on a full enterprise value for IFT of €600 million. Formed specifically for the purpose of this partnership, IFT is a company dedicated to actively managing fiber lines. In particular, it is tasked with acquiring and operating the Group's co-financed FTTH tranches outside very densely populated areas of France. Under a very long-term service agreement, IFT provides Free with all access and information services for the co-financed sockets concerned and will also be able to offer the same services to third-party operators.

(1) 50/100 GB for non-Freebox subscribers.

CONSOLIDATED FINANCIAL STATEMENTS

6

In accordance with Article 19 of EU Regulation 2017/1129, the following information is incorporated by reference in this Universal Registration Document:

- the management report, the consolidated financial statements for the year ended December 31, 2018 and the associated Statutory Auditors' report presented in Chapter 20, Section 20.1 of the 2018 Registration Document filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on April 16, 2019 under no. D.19-0348;
- the management report, the parent company financial statements and the consolidated financial statements for the year ended December 31, 2017 and the associated Statutory Auditors' reports presented in Chapter 20, 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.

These documents are available on iliad's website at www.iliad.fr, under "Regulatory Information".

DETAILED SUMMARY OF THE NOTES

CONSOLIDATED INCOME STATEMENT

In € millions	Note	2019	2018*
Revenues	4	**5,332**	**4,891**
Purchases used in production	6	(2,083)	(2,129)
Payroll costs	7	(292)	(285)
External charges	6	(526)	(579)
Taxes other than on income		(104)	(97)
Additions to provisions	10	(109)	(26)
Other income and expenses from operations, net	9	(36)	(20)
Depreciation of right-of-use assets	9	(528)	0
EBITDAaL*	1	**1,654**	**1,755**
Share-based payment expense	29	(27)	(14)
Depreciation, amortization and provisions for impairment	10	(1,183)	(1,051)
PROFIT FROM ORDINARY ACTIVITIES		**444**	**690**
Other operating income and expense, net	11	1,683	(10)
OPERATING PROFIT		**2,127**	**680**
Income from cash and cash equivalents	12	1	1
Finance costs, gross	12	(69)	(47)
FINANCE COSTS, NET		**(68)**	**(46)**
Other financial income and expense, net	12	(40)	(42)
Interest on lease liabilities	12	(35)	0
Corporate income tax	13	(245)	(239)
Share of profit/(loss) of equity-accounted investees	21	(13)	(23)
PROFIT FOR THE PERIOD		**1,726**	**330**
Profit for the period attributable to:			
• Owners of the Company		1,719	323
• Minority interests		7	7
Earnings per share attributable to owners of the Company (in €):			
• Basic earnings per share	14	29.59	5.51
• Diluted earnings per share	14	29.35	5.38

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	2019	2018*
PROFIT FOR THE PERIOD	**1,726**	**330**
• Items that may be subsequently reclassified to profit:		
Fair value remeasurement of interest rate and currency hedging instruments	(3)	6
Tax effect	1	(2)
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT	**(2)**	**4**
• Items that will not be reclassified to profit:		
Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	(5)	4
Tax effect	1	(1)
• Items of OCI arising from equity-accounted investments that will not be reclassified to profit	87	29
Tax effect	(11)	(4)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT	**72**	**28**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**70**	**32**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,796**	**362**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
• Owners of the Company	1,789	355
• Minority interests	7	7

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

CONSOLIDATED BALANCE SHEET – ASSETS

In € millions	Note	December 31, 2019	December 31, 2018*
Goodwill	16	294	215
Intangible assets	17	3,729	3,938
Right-of-use assets	19	2,873	0
Property, plant and equipment	20	5,240	5,358
Investments in equity-accounted investees	21	982	318
Other long-term financial assets	22	61	50
Deferred income tax assets	13	185	65
Other non-current assets	24	20	16
TOTAL NON-CURRENT ASSETS		**13,384**	**9,960**
Inventories	23	86	90
Current income tax assets		14	28
Trade and other receivables	24	1,114	972
Other short-term financial assets	22	2	6
Cash and cash equivalents	25	1,593	181
Receivable related to the share buyback offer	26	1,400	
TOTAL CURRENT ASSETS		**4,209**	**1,277**
	27		
ASSETS HELD FOR SALE		**563**	**15**
TOTAL ASSETS		**18,156**	**11,252**

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € millions	Note	December 31, 2019	December 31, 2018*
Share capital	28	13	13
Additional paid-in capital	28	464	439
Retained earnings and other reserves	28	4,754	3,154
TOTAL EQUITY		**5,231**	**3,606**
Attributable to:			
• Owners of the Company		***5,222***	***3,591***
• Minority interests		***9***	***15***
Long-term provisions	30	164	2
Long-term financial liabilities	31	3,518	3,407
Non-current lease liabilities	19	2,291	0
Deferred income tax liabilities	13	9	2
Other non-current liabilities	32	1,333	1,563
TOTAL NON-CURRENT LIABILITIES		**7,315**	**4,974**
Short-term provisions	30	156	35
Taxes payable		0	0
Trade and other payables	32	1,854	1,880
Short-term financial liabilities	31	1,685	757
Current lease liabilities	19	515	0
Liability related to the share buyback offer	26	1,400	0
TOTAL CURRENT LIABILITIES		**5,610**	**2,672**
TOTAL EQUITY AND LIABILITIES		**18,156**	**11,252**

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

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, 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								0
• 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)
• Other								
BALANCE AT DECEMBER 31, 2018	**13**	**439**	**(29)**	**(17)**	**3,185**	**3,591**	**15**	**3,606**
BALANCE AT JANUARY 1, 2019*	**13**	**439**	**(29)**	**(17)**	**3,185**	**3,591**	**15**	**3,606**
Movements in 2019								
• Profit for the period					1,720	1,720	7	1,726
• Other comprehensive income for the period, net of tax:						0		
Impact of interest rate and currency hedges				(3)		(3)		(3)
Impact of post-employment benefit obligations				73		73	0	73
Total comprehensive income for the period				**69**	**1,720**	**1,789**	**7**	**1,796**
• Change in share capital of iliad S.A.	0	25	35	(35)		25		25
• Dividends paid by iliad S.A.					(52)	(52)		(52)
• Dividends paid by subsidiaries						0	(7)	(7)
• Purchases/sales of own shares			(66)	0		(66)		(66)
• Impact of stock options				22		22	0	22
• Impact of changes in minority interests in subsidiaries				(87)	0	(87)	(5)	(92)
• Other				0		0	(1)	(1)
BALANCE AT DECEMBER 31, 2019	**13**	**464**	**(60)**	**(48)**	**4,853**	**5,222**	**9**	**5,231**

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions	Note	2019	2018*
PROFIT FOR THE PERIOD (INCLUDING MINORITY INTERESTS)		**1,726**	**330**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		1,983	1,044
-/+ Unrealized gains and losses on changes in fair value		(1)	(2)
+/- Expenses and income related to stock options and other share-based payments		22	12
-/+ Other income and expenses, net		99	2
-/+ Gains and losses on disposals of assets		(1,969)	(1)
-/+ Dilution gains and losses		0	0
+/- Share of profit/(loss) of equity-accounted investees	21	13	23
- Dividends (investments in non-consolidated undertakings)		0	0
CASH FLOWS FROM OPERATIONS AFTER FINANCE COSTS, NET, AND INCOME TAX		**1,873**	**1,408**
+ Finance costs, net	12	68	46
+/- Income tax expense (including deferred taxes)	13	245	239
CASH FLOWS FROM OPERATIONS BEFORE FINANCE COSTS, NET, AND INCOME TAX (A)		**2,186**	**1,693**
- Income tax paid (B)		(340)	(306)
+/- Change in operating working capital requirement (including employee benefit obligations) (C)	15	(106)	31
= NET CASH GENERATED FROM OPERATING ACTIVITIES (E) = (A) + (B) + (C)		**1,740**	**1,418**
- Acquisitions of property, plant and equipment and intangible assets	15	(2,243)	(2,447)
+ Disposals of property, plant and equipment and intangible assets		16	21
- 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		(179)	(392)
+/- Effect of changes in scope of consolidation – disposals		0	0
+/- Change in outstanding loans and advances		(11)	10
- Cash outflows for leasehold rights		(4)	0
+/- Cash inflows/outflows related to assets held for sale		1,791	5
= NET CASH USED IN INVESTING ACTIVITIES (F)		**(630)**	**(2,803)**
+ 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		25	6
-/+ Own-share transactions		(66)	(35)
- Dividends paid during the period:		0	0
Dividends paid to owners of the Company		(52)	(40)
Dividends paid to minority shareholders of consolidated companies		(7)	0
+ Proceeds from new borrowings	31	1,135	1,528
- Repayments of borrowings	31	(68)	(86)
- Repayments of lease liabilities		(590)	0
- Net interest paid		(55)	(30)
- Interest paid on lease liabilities		(15)	0
= NET CASH GENERATED FROM FINANCING ACTIVITIES (G)		**307**	**1,343**
+/- Effect of exchange-rate movements on cash and cash equivalents **(H)**		0	0
= NET CHANGE IN CASH AND CASH EQUIVALENTS (E + F + G + H)		**1,417**	**(42)**
Cash and cash equivalents at beginning of year		173	215
Cash and cash equivalents at year-end	15	1,591	173

** The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.*

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, 2019 and their publication date was set for March 17, 2020. 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 20, 2020.

1.2 Applicable accounting standards and policies

The main 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 Standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2019

- **Annual improvements to IFRSs (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.

  The Group has applied these amendments.
- **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.

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

  The Group has applied these amendments.
- **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).

  The Group has applied these amendments.
- **IFRS 16, Leases, applicable as from January 1, 2019.** IFRS 16 specifies how both lessors and lessees should recognize, measure, present and disclose leases.

  The Group has applied this standard and the impacts of its first-time application are described in Note 1.2.5 below.
- **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 applied this interpretation.

1.2.3 Standards, amendments and interpretations available for early adoption in 2019

- **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.
- **Amendments to IAS 39, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform.** These amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). They modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group has not early adopted any of the above amendments.

1.2.4 New standards, amendments and interpretations that were not applicable in 2019 (as not yet endorsed by the European Union)

- **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 reqirements 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.
- **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 16, Leases

The Group has applied IFRS 16, Leases since January 1, 2019.

IFRS 16 requires lessees to recognize a lease liability in the balance sheet representing the present value of future lease payments, with a corresponding right-of-use asset recognized and depreciated over the lease term. Lease payments corresponding to the payment of lease liabilities are recognized in the statement of cash flows under cash flows from financing activities. In accordance with this new standard, wherever possible, the Group has separated out the non-lease components (including service components) of its lease contracts in order to only include the lease components for measuring its lease liabilities.

In view of its business as a network operator, the Group is significantly affected by IFRS 16.

As well as the balance-sheet impacts of IFRS 16 (increase in assets due to the recognition of right-of-use assets, and increase in liabilities due to the recognition of lease liabilities), the presentation of the Group's income statement has also been affected. Operating expenses and purchases used in production associated with leases have been replaced by depreciation of right-of-use assets and interest expense on lease liabilities.

The lease term used to measure lease liabilities generally corresponds to the initial negotiated term of the lease, without taking into account any early termination or extension options, except for specific cases.

The accounting method used for leases when the Group is a lessor is the same as under IAS 17.

The Group elected to use the modified retrospective approach for its first-time application of IFRS 16, under which lease liabilities are measured as the present value of lease payments that have not been paid at the transition date (i.e. January 1, 2019). Accordingly, data for the comparative period of 2018 have not been restated.

The Group did not elect to apply the exemptions available in IFRS 16 relating to leases with terms of 12 months or less or for which the underlying asset is of low value.

In accordance with IFRS 16, assets and liabilities relating to finance leases under IAS 17 have been reclassified as right-of-use assets and lease liabilities for the same carrying amounts.

The discount rate used for each lease is determined based on the yield on government bonds in the lessee's home country with a maturity similar to the lease term, plus the Group's credit spread.

The weighted average incremental borrowing rate at January 1, 2019 for all of the Group's lease liabilities was 2.44%, based on the residual terms of the Group's lease contracts at the transition date.

The Group has identified three main types of leases, which relate to:

- networks, corresponding mainly to rentals of the local loop for Landline subscribers, (ii) dark fiber, and (iii) sites (land, building roofs, pylons, etc.) used for setting up the Group's active and passive mobile network infrastructure.

  In most cases, the lease term corresponds to the remaining contractual duration, except for leases of local loops, for which the lease term under IFRS 16 corresponds to the estimated life of the subscriber on said local loop;
- real estate (land and buildings), corresponding to leases for the Group's head office, stores and technical premises.

The lease term is compliant with the recommendations of France's accounting standards-setter, the ANC (nine years for commercial leases);

- Other (including vehicles).

  In most cases, the lease term corresponds to the remaining contractual duration.

The Group decided to apply the initial recognition exemption, permitted under IAS 12, for deferred taxes arising on recognition of right-of-use assets and lease liabilities.

In November 2019, the IFRS Interpretations Committee (IFRS IC) issued an opinion on the basis for determining the lease term to be used to calculate lease liabilities in the event the lease agreement includes an option to renew the lease. The Group has begun to analyze the potential impact of this agenda decision (which will only affect the balance sheet). As at the date its 2019 financial statements were approved for issue, it considered that the impact would not be material. A more detailed analysis will be carried out in 2020.

A breakdown of the impacts of IFRS 16 in 2019 is provided in Note 19, "Right-of-use assets and lease liabilities".

IMPACTS ON THE CONSOLIDATED FINANCIAL STATEMENTS:

In € millions	Reported figures December 31, 2018	Impacts of applying IFRS 16	Restated figures January 1, 2019
Property, plant and equipment	5,358	(162)	5,196
O/w finance leases	*149*	*(149)*	*0*
Right-of-use assets	0	2,096	2,096
Deferred income tax assets	65	0	65
TOTAL NON-CURRENT ASSETS	**9,960**	**1,934**	**11,894**
Trade and other receivables	972	(6)	966
TOTAL CURRENT ASSETS	**1,277**	**(6)**	**1,271**
TOTAL ASSETS	**11,252**	**1,928**	**13,180**
TOTAL EQUITY	**3,606**	**0**	**3,606**
Long-term financial liabilities	3,407	(37)	3,370
O/w finance lease liabilities	*37*	*(37)*	*0*
Non-current lease liabilities	0	1,471	1,471
Deferred income tax liabilities	2	0	2
TOTAL NON-CURRENT LIABILITIES	**4,974**	**1,434**	**6,408**
Short-term financial liabilities	757	(23)	734
O/w finance lease liabilities	*23*	*(23)*	*0*
Current lease liabilities	0	542	542
Trade and other payables	1,880	(25)	1,855
TOTAL CURRENT LIABILITIES	**2,672**	**494**	**3,166**
TOTAL EQUITY AND LIABILITIES	**11,252**	**1,928**	**13,180**

Reconciliation of off-balance sheet commitments relating to operating leases at December 31, 2018 and lease liabilities at January 1, 2019:

In € millions	Amount
Off-balance sheet commitments relating to operating leases at December 31, 2018	1,528
Lease term measurement differences (1)	784
Lease payment measurement differences (2)	(292)
Finance lease liabilities at December 31, 2018 (3)	60
Effects of discounting	(82)
Other	15
LEASE LIABILITIES AT JANUARY 1, 2019	**2,013**

(1) Lease term measurement differences primarily concern leases of local loops for Landline subscribers, for which the term used under IFRS 16 corresponds to the subscriber's estimated lifetime on said local loop.
(2) Lease payment measurement differences mainly relate to non-lease components of certain contracts not included in the calculation of lease liabilities at January 1, 2019.
(3) Lease liabilities at January 1, 2019 include finance lease liabilities recognized in accordance with IAS 17 at December 31, 2018.

1.3 Consolidation

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the Group. They are fully consolidated in the Group's financial statements.

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 intragroup 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 acquisition date.

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;
- 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 that year.

The Group has elected to present an additional indicator of earnings performance in its income statement:

EBITDAaL

EBITDAal 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 IFRS 16 when recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IFRS 16, 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 IFRS 16.

The application of IFRS 15 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 recognized 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 colocation 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.

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 held

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 34 and 35. 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

List of consolidated companies and consolidation methods

The list of consolidated companies and the consolidation methods used is provided in Note 38.

Changes in scope of consolidation in 2019

On January 18, 2019, the Group announced that it had entered into a strategic alliance with Jaguar Network by acquiring a 75.9% majority stake in the Company for €99 million. Jaguar Network's long-standing shareholder and founder has retained the remaining 24.1% interest in the Company and continues to serve as its Chief Executive Officer.

A new company – Investissement dans la Fibre des Territoires (IFT) – was created in 2019, and in October the Group transferred to IFT its co-financed fiber assets which were previously held by Free and Free Infrastructure.

This transaction did not have any impact on consolidated profit for 2019. On February 28, 2020, the Group sold a majority interest in IFT to a third party.

In accordance with IFRS 5, the corresponding assets have been reclassified as assets held for sale in the consolidated financial statements at December 31, 2019.

In December 2019, Free Mobile transferred its passive mobile infrastructure business to On Tower France. Following this transfer, 70% of the shares in On Tower France were sold to a third party for €1,403 million. The impact of this transaction on consolidated profit for 2019 is described in Note 11.

At end (2019,) the Group held a 30% stake in On Tower France, which has been consolidated by the equity method since the Group sold its majority interest in the Company.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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 judgement 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;
- determining the non-cancellable term of leases, separating the lease and service components, and determining the incremental borrowing rate when the rate implicit in the lease cannot be readily determined for the purpose of applying IFRS 16.

NOTE 4 REVENUES

Consolidated revenues rose 9.1% to €5.3 billion in 2019.

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

The Group has two operating segments, effective since the launch of its business in Italy:

- France;
- Italy.

2019 REVENUES

In € millions	France	Italy	Total
Revenues			
Landline	2,709	0	**2,709**
Mobile	2,202	427	**2,629**
Intra-group sales	(6)	0	**(6)**
Total	4,905	427	**5,332**

2019 EARNINGS

In € millions	France	Italy	Total
Earnings			
EBITDAaL	1,907	(253)	**1,654**
Share-based payment expense	(26)	(1)	**(27)**
Depreciation, amortization and provisions for impairment of non-current assets	(1,020)	(163)	**(1,183)**
Profit/(loss) from ordinary activities	861	(417)	**444**
Profit/(loss) for the period	1,787	(61)	**1,726**

ASSETS, EXCLUDING INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AND RELATED OPTIONS

In € millions	France	Italy	Total
Non-current assets			
Intangible assets (carrying amount)	1,411	2,318	**3,729**
Right-of-use assets (carrying amount)	2,500	373	**2,873**
Property, plant and equipment (carrying amount)	5,034	206	**5,240**
Current assets (excluding cash and cash equivalents, financial assets and tax assets)	907	293	**1,200**
Cash and cash equivalents	1,592	1	**1,593**

LIABILITIES, EXCLUDING FINANCIAL LIABILITIES AND TAXES PAYABLE

In € millions	France	Italy	Total
Non-current liabilities			
Other non-current liabilities	134	1,199	**1,333**
Current liabilities			
Trade and other payables	1,147	707	**1,854**

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	2019	2018
• Wages and salaries	(224)	(213)
• Payroll taxes	(68)	(72)
TOTAL	**(292)**	**(285)**

Number of employees at year-end

The Group's headcount can be analyzed as follows by category:

Number of employees at year-end	2019	2018
• Management	1,930	1,573
• Other	9,153	8,503
TOTAL	**11,083**	**10,076**

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, 2019 and 2018:

In € millions	2019	2018
Present value of obligation at beginning of year:	19	19
• Current service cost	3	3
• Loss/(gain) from changes in assumptions	5	(4)
• Experience (gains)/losses	0	1
TOTAL	**27**	**19**

Movements in the Group's post-employment benefit obligations in 2019 and 2018 can be analyzed as follows:

	2019	2018
• Discount rate	1.00%	1.90%
• Long-term inflation rate	2%	2%
• Mortality table	Insee TD/TV 2013-2015	Insee 2012-2014
• Type of retirement	Voluntary	Voluntary
• Retirement age		
Management	Statutory retirement age post 2014 French pension reform and the 2015 French Social Security Financing Act	Statutory retirement age post 2014 French pension reform and the 2015 French Social Security Financing Act
Other		

The impact on equity of the Group's post-employment benefit obligations was a negative €4,775 thousand (before tax) at December 31, 2019 and the amount recognized in the income statement for the year then ended corresponded to a €3,637 thousand 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 2019 are presented net of any related research tax credits.

In € millions	2019	2018
• Capitalized development costs	(13)	(10)
• Development costs recognized directly in the income statement	(1)	(1)
TOTAL	**(14)**	**(11)**

NOTE 9 | OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € millions	2019	2018
• Proceeds from sales of non-current assets	6	36
• Customer contract termination fees	8	9
• Other revenues	4	18
TOTAL OTHER INCOME FROM OPERATIONS	**18**	**63**

"Other expenses from operations" can be analyzed as follows:

In € millions	2019	2018
• Carrying amount of divested non-current assets	(5)	(32)
• Royalties and similar fees	(44)	(42)
• Bad debts	0	0
• Other	(5)	(9)
TOTAL OTHER EXPENSES FROM OPERATIONS	**(54)**	**(83)**

In € millions	2019	2018
OTHER INCOME AND EXPENSES FROM OPERATIONS, NET	**(36)**	**(20)**

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	2019	2018
• Depreciation and amortization expense:		
Intangible assets	(370)	(287)
Property, plant and equipment	(814)	(765)
• Additions to provisions for impairment of non-current assets:		
Property, plant and equipment	(2)	(1)
• Depreciation/amortization of investment grants:		
Intangible assets	2	1
Property, plant and equipment	1	1
TOTAL	**(1,183)**	**(1,051)**

ADDITIONS TO PROVISIONS FOR CONTINGENCIES AND CHARGES AND IMPAIRMENT OF CURRENT ASSETS

In € millions	2019	2018
• Provisions for contingencies and charges	(44)	6
• Provisions for impairment of inventories and trade receivables	(65)	(32)
TOTAL	**(109)**	**(26)**

NOTE 11 | OTHER OPERATING INCOME AND EXPENSE, NET

In € millions	2019	2018
• Acquisitions and sales of real estate held for sale	(1)	(10)
• Gains on asset disposals	1,968	0
• Other operating expenses	(284)	0
TOTAL	**1,683**	**(10)**

The €1 million net expense recognized in 2019 under "Acquisitions and sales of real estate held for sale" mainly related to IRE and IMI.

Gains on asset disposals

On May 7, 2019, the Group announced that it had entered into a strategic partnership with Cellnex concerning its passive mobile infrastructure in France and Italy. The partnership deal was finalized on December 3, 2019 for Italy and December 23, 2019 for France.

In France, iliad sold to Cellnex 70% of the Company that manages its French passive mobile telecommunications infrastructure ("On Tower France"), comprising 5,700 sites at end (2019.)

Prior to the sale of this 70% stake, the Group had transferred to On Tower France all of the assets and liabilities related to its passive mobile telecommunications infrastructure activities for almost €2 billion.

In Italy, this partnership concerned the sale of around 2,200 sites. The partnership deal was completed by iliad Italia on December 3, 2019 and a total amount of €600 million was paid to iliad.

The total gain recognized on these two disposals represented €1,968 million in 2019.

Other operating expenses

This caption includes miscellaneous costs and other expenses incurred by the Group in connection with operations initiated in 2019, including mainly the partnership with Cellnex.

It also includes impairment losses recognized against long-term contracts that have become onerous following the Group's strategic repositioning or due to changes in economic circumstances or market conditions since the contracts were signed.

NOTE 12 FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € millions	2019	2018
• Income from cash and cash equivalents	1	1
• Finance costs, gross:		
Interest on borrowings	(69)	(47)
Finance costs, net	**(68)**	**(46)**
• Other financial income	3	2
Sub-total – Other financial income	3	2
• Other financial expenses		
Translation adjustments/Hedging expense	(2)	(4)
Discounting expense	(41)	(40)
Other	0	0
Sub-total – Other financial expenses	(43)	(44)
Other financial expense, net	**(40)**	**(42)**
Interest on lease liabilities	**(35)**	**0**
NET FINANCIAL EXPENSE	**(143)**	**(88)**

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 31) as well as discounting expense.

Finance costs, gross, mainly comprise interest on borrowings.

Discounting expense mainly concerns trade payables with maturities of more than one year.

Interest on lease liabilities recognized in 2019 relates to the Group's application of IFRS 16.

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	2019	2018
Current taxes		
• on income	(341)	(253)
• on value added (CVAE)	(38)	(33)
CURRENT INCOME TAX CHARGE	**(379)**	**(286)**
Deferred taxes		
• on income	134	47
• on value added (CVAE)	0	0
DEFERRED INCOME TAX BENEFIT/(CHARGE)	**134**	**47**
TOTAL TAX CHARGE	**(245)**	**(239)**

Tax group

iliad has set up a tax group, which at end (2019) included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is located outside France.

Description of deferred tax assets/liabilities and tax loss carryforwards

The iliad Group's deferred tax assets and liabilities mainly arise on non-current assets and on tax loss carryforwards.

At December 31, 2019, deferred tax assets arising on tax loss carryforwards related solely to Italy and amounted to €44 million compared to €45 million at December 31, 2018. The tax loss carryforwards were recognized in full at December 31, 2019 in view of the resounding commercial success of the launch of the Group's Italian subsidiary and based on the Group's five-year forecasts for this subsidiary.

The tax losses in Italy can be carried forward indefinitely.

The iliad Group expects these losses to be absorbed within a period of approximately five years.

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	2019	2018
PROFIT FOR THE PERIOD	**1,726**	**330**
• Corporate income tax	245	239
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	**1,971**	**569**
THEORETICAL TAX RATE	**32.02%**	**34.43%**
• Net impact of permanent differences	-22.04%	+2.96%
• Impact of unrecognized tax loss carryforwards	-0.09%	-0.16%
• Impact of different tax rates	+2.53%	+4.75%
• Other impacts	0.00%	+0.02%
EFFECTIVE TAX RATE	**12.42%**	**42.00%**

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 totalled €1,573 thousand at December 31, 2019 versus €899 thousand at December 31, 2018.

NOTE 14 BASIC AND DILUTED EARNINGS PER SHARE

BASIC EARNINGS PER SHARE:

Basic earnings per share	2019	2018
• Number of shares at the year-end	59,162,081	59,045,555
• Weighted average number of shares	58,092,463	58,602,699

DILUTED EARNINGS PER SHARE

	2019	2018
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,719**	**323**
Interest expense on OCEANE convertible bonds	0	0
DILUTED PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,719	323
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (AFTER DILUTION)		
• Weighted average number of shares outstanding (see above)	58,092,463	58,602,699
• Number of share equivalents:		
Stock options and free share grants	470,803	1,358,337
MAXIMUM WEIGHTED AVERAGE NUMBER OF SHARES AFTER DILUTION	**58,563,266**	**59,961,036**
DILUTED EARNINGS PER SHARE *(in €)*	**29.35**	**5.38**

Dilutive instruments

As iliad's average share price in 2019 was €97.64, all of the Group's stock option and free share plans were considered to be dilutive during the year except for the iliad free share plan set up in 2019.

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 2019 and 2018 can be analyzed as follows:

2019	Note	Balance at Jan. 1, 2019	Net debits	Net credits	Impact of changes in scope of consolidation	Other	Balance at Dec. 31, 2019
• Net inventories	23	90		(4)			86
• Net trade receivables	24	641		(83)	(1)	4	561
• Other net receivables	24	320	257		(24)		553
• Trade payables (suppliers of goods and services)	32	(712)	45		4		(663)
• Other payables		(449)		(138)	(4)	(4)	(595)
TOTAL		**(110)**	**302**	**(225)**	**(25)**	**0**	**(58)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT IN 2019				**77**			

2018	Note	Balance at Jan. 1, 2018	Net debits	Net credits	Impact of changes in scope of consolidation	Other	Balance at Dec. 31, 2018
• Net inventories	23	31	59		0	0	90
• Net trade receivables	24	492	149		0	0	641
• Other net receivables	24	233	87		0	0	320
• Trade payables (suppliers of goods and services)	32	(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)**			

OTHER RECEIVABLES

	Note	December 31, 2019	December 31, 2018
Trade and other receivables:	24	1,114	972
• Net trade receivables (incl. VAT)	24	(561)	(641)
• Receivables on sales of non-current assets (excl. VAT)	24	0	(11)
OTHER RECEIVABLES		**553**	**320**

OTHER PAYABLES

	Note	December 31, 2019	December 31, 2018
Trade and other payables:	32	3,187	3,443
• Suppliers of goods and services (incl. VAT)	32	(664)	(712)
• Suppliers of non-current assets (excl. VAT)		(1,812)	(2,282)
OTHER PAYABLES		**711**	**449**

Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

	Note	December 31, 2019	December 31, 2018
• Acquisition of intangible assets	17	155	1,513
• Acquisition of property, plant and equipment	20	1,732	1,702
• Suppliers of non-current assets (excl. VAT):			
at January 1		2,282	1,487
impact of first-time application of IFRS 16		(20)	0
at December 31		(1,796)	(2,282)
• Other		(110)	27
TOTAL		**2,243**	**2,447**

CASH AND CASH EQUIVALENTS

	Note	Cash and cash equivalents at December 31, 2019	Cash and cash equivalents at December 31, 2018
Cash (including currency hedges)	25	259	68
Marketable securities	25	1,334	113
SUB-TOTAL		**1,593**	**181**
Bank overdrafts	31	(2)	(8)
TOTAL		**1,591**	**173**

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	2019	2018
• Acquisitions of assets under finance leases	0	39

These contracts were reclassified in 2019 and are now recognized under “Right-of-use assets” in accordance with IFRS 16.

NOTE 16 | GOODWILL

In € millions	2019	2018
Carrying amount at January 1	294	215
CARRYING AMOUNT AT DECEMBER 31	**294**	**215**

The €79 million year-on-year increase in goodwill reflects the acquisition of Jaguar Network on January 18, 2019.

The table below shows a breakdown of the goodwill calculation for this acquisition:

Purchase price of Jaguar Network	**99**
• Jaguar equity at the acquisition date	4
• Valuation of the Jaguar brand	3
• Valuation of Jaguar customer relationships	25
• Impact of deferred tax	(8)
• Other allocations	3
Remeasured Jaguar equity at the acquisition date	27
Share of remeasured equity acquired by iliad	**20**
GOODWILL ARISING ON THE JAGUAR NETWORK ACQUISITION	**79**

NOTE 17 | INTANGIBLE ASSETS

Intangible assets break down as follows:

	December 31, 2019			December 31, 2018		
In € millions	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
• 3G licenses - France	323	143	180	323	125	198
• 4G licenses - France	1,296	228	1,068	1,284	163	1,121
• Licenses - French overseas départements and collectivités	11	0	11	8	0	8
• Licenses - Italy	2,052	212	1,840	2,050	75	1,975
• Alice customer base	25	24	1	25	22	3
• Other intangible assets	1,864	1,252	621	1,726	1,105	621
Internally-generated intangible assets:						
• Development costs	28	11	8	22	10	12
TOTAL	**5,599**	**1,870**	**3,729**	**5,438**	**1,500**	**3,938**

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 spectrum auction in France, in November 2015 the Group was allocated 10 MHz (duplex) in the 700 MHz (4G) band for €933 million.

This frequency band was gradually brought into service between 2016 and 2019 as it became available.

The first tranche of the 700 MHz band (20.66%) was brought into service in 2016. New tranches were subsequently brought into service throughout 2018 (representing 34.03% of the band) and in 2019 (45.31%).

At December 31, 2019, the entire 700 MHz (4G) frequency band had therefore been brought into service.

In November 2016, the Group was allocated 3G and 4G spectrum in the following French overseas territories: 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.

Following ARCEP's final decision issued on November 15, 2018 concerning the reallocation of frequencies, 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 the Group certain long-term rights.

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 (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 and 2 x 10 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. At December 31, 2019, the Group had paid all of the amounts due for these frequencies.

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.

Part of this frequency portfolio was used by Wind/H3G during a transition period that expired at the end of 2019.

In accordance with IAS 38, the Group recognized an €895.9 million intangible asset, 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.

At December 31, 2019, the Group had paid a total of €152 million for these frequencies and the balance will be paid by end (2022.)

In accordance with IAS 38, the Group recognized a €1,128.8 million intangible asset, 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 as a payable.

Group:

Borrowing costs capitalized in previous years relating to the Group's licenses represented a gross amount of €87 million at December 31, 2019. The amount capitalized during the year was €7 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	December 31, 2019	December 31, 2018
Net at January 1	3,938	2,705
Additions:		
• acquisitions	155	1,513
• asset remeasurement	0	0
• internally-generated intangible assets	12	8
Reclassifications	0	0
Other	(6)	(1)
Amortization and impairment	(370)	(287)
NET AT DECEMBER 31	**3,729**	**3,938**

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	December 31, 2019	December 31, 2018
• Licenses	1,620	2,470
• Other	2	1
TOTAL	**1,622**	**2,471**

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.

Impairment tests

At December 31, 2019 the Group carried out its annual impairment test on its France Retail Telecom CGU and Italy Retail Telecom CGU. The test was performed by comparing each CGU's recoverable amount against its carrying amount.

The recoverable amounts were calculated using the discounted cash flow method based on in-house Business Plans drawn up by the Group.

Consequently, on the basis of these impairment tests, no impairment losses were recognized against any of the assets allocated to the two CGUs.

The assumptions used for calculating the recoverable amounts of the France and Italy CGUs were as follows at December 31, 2019:

	France CGU	Italy CGU
Post-tax discount rate	6.4%	10.0%
Perpetuity growth rate	1.0%	1.5%

Sensitivity of recoverable amounts

At December 31, 2019, the Group performed a sensitivity test on its Italy Retail Telecom CGU. No material impairment loss came to light as a result of this test.

The test measured sensitivity to each of the following variables:

- an increase of 0.5% in the discount rate;
- a decrease of 0.5% in the perpetual growth rate;
- a decrease of 5% in cash in the last year of the business plan.

NOTE 19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's three main types of leases are as follows:

	Networks	Real estate	Other
January 1, 2019	89.7%	9.8%	0.5%
December 31, 2019	91.99%	7.4%	0.7%

The carrying amount of right-of-use assets breaks down as follows:

In € millions	Networks	Real estate	Other	Total
Carrying amount at January 1, 2019	**1,881**	**205**	**10**	**2,096**
Acquisitions (new assets)	1,676	33	17	**1,726**
Disposals	(407)	(1)	0	**(408)**
Reclassification of assets held for sale	0	0	0	**0**
Impact of changes in scope of consolidation	4	6	0	**10**
Other	(28)	5	0	**(23)**
Depreciation	(489)	(31)	(8)	**(528)**
Carrying amount at December 31, 2019	**2,637**	**217**	**19**	**2,873**

Lease liabilities break down as follows:

In € millions		Networks	Real estate	Other	Total
January 1, 2019	Non-current	1,299	169	3	1,471
January 1, 2019	Current	506	30	6	542
Total carrying amount of lease liabilities at January 1, 2019		**1,805**	**199**	**9**	**2,013**
December 31, 2019	Non-current	2,089	193	9	2,291
December 31, 2019	Current	481	26	8	515
Total carrying amount of lease liabilities at December 31, 2019		**2,570**	**219**	**17**	**2,806**

Breakdown of the Group's undiscounted lease liabilities at December 31, 2019:

In € millions	December 31, 2019	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Due beyond 5 years
Undiscounted lease liabilities	3,845	592	441	367	294	230	1,921

NOTE 20 | PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

	December 31, 2019			December 31, 2018		
In € millions	Gross	Depreciation	Net	Gross	Depreciation	Net
• Land and buildings [(1)]	79	5	74	154	13	141
• Network usage rights	191	114	77	189	105	84
• Service access fees	750	413	337	763	396	367
• Network equipment [(2)]	7,570	3,424	4,146	7,277	3,129	4,148
• Other	772	166	606	753	135	618
TOTAL	**9,362**	**4,122**	**5,240**	**9,136**	**3,778**	**5,358**
(1) of which finance leases	0	0	0	85	9	76
(2) of which finance leases	0	0	0	224	150	74

In accordance with IFRS 16, assets relating to finance leases were reclassified to "Right-of-use assets" at January 1, 2019.

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	2019	2018
Net at January 1	**5,358**	**4,417**
Impact of applying IFRS 16	(125)	
Net at January 1 after applying IFRS 16	**5,233**	**4,417**
Acquisitions*	1,732	1,740
Disposals	(414)	(32)
Reclassifications	(534)	0
Impact of changes in scope of consolidation	21	(1)
Other	(13)	(1)
Depreciation and impairment	(785)	(765)
NET AT DECEMBER 31	**5,240**	**5,358**
** Acquisitions excluding assets acquired under finance leases*	0	1,702

During 2019, 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 fixed 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 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 2019, 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	December 31, 2019	December 31, 2018
• Land and buildings	28	29
• Network usage rights	3	3
• Network equipment	926	772
TOTAL	**957**	**804**

NOTE 21 EQUITY-ACCOUNTED INVESTEES

The Group has three 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.
- The Group therefore holds 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 22);
- On December 23, 2019, iliad sold to Cellnex 70% of On Tower France's shares for €1,404 million. During 2019 all of Free Mobile's passive mobile telecommunications infrastructure was transferred to On Tower France. At December 31, 2019, the Group still held a 30% stake in On Tower France.

Share of profit/(loss) of equity-accounted investees:

In € millions	2019	2018
Share of profit/(loss) of equity-accounted investees before tax	(11)	(19)
Share of tax of equity-accounted investees	(2)	(4)
SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED INVESTEES AFTER TAX	**(13)**	**(23)**

The Group's share of profit/(loss) of equity-accounted investees in 2018 and 2019 was affected by non-recurring items, as follows:

- a negative €26 million in 2018, primarily corresponding to acquisition-related costs for the eir transaction and the impact of the restructuring plan undertaken by eir after the transaction;
- a negative €28 million in 2019, mainly attributable to non-recurring costs incurred by eir (for renegotiating its debt and leaving its long-standing head office).

Movements in the Group's investments in equity-accounted investees were as follows in 2019 and 2018:

In € millions	2019	2018
At January 1	318	16
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT JANUARY 1	**318**	**16**
Movements		
Share of profit/(loss) of equity-accounted investees (1)	(13)	(23)
Share of OCI of equity-accounted investees	76	25
Dividends paid	0	0
Translation adjustments	0	0
Capital reductions	0	0
Acquisitions and changes in scope of consolidation	601	300
Other	0	0
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT DECEMBER 31	**982**	**318**

(1) Including the share of NJJ Boru's loss: €25 million in 2018 and €16 million in 2019.

The main changes in scope of consolidation concern (i) NJJ Boru's acquisition of eir in 2018 and (ii) the first-time equity accounting of On Tower France in 2019 (following the Group's sale of a 70% majority stake in that company on December 23, 2019).

The following table sets out the key financial information of the TRM sub-group, based on its most recent consolidated financial statements prepared in accordance with IFRS:

In € millions	2019	2018
Revenues	**64**	**62**
Profit for the period	6	5
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME	**6**	**5**
Non-current assets	101	94
Current assets	31	24
Non-current liabilities	(61)	(51)
Current liabilities	(25)	(32)
TOTAL NET ASSETS	**46**	**35**

The following table sets out the key financial information of the NJJ Boru sub-group, based on its most recent consolidated financial statements prepared in accordance with IFRS:

In € millions	2019	2018
Revenues	**1,198**	**935**
Profit/(loss) for the period	(52)	(73)
Other comprehensive income	240	77
TOTAL COMPREHENSIVE INCOME	**188**	**4**
Non-current assets	4,312	4,133
Current assets	549	483
Non-current liabilities	(3,030)	(2,978)
Current liabilities	(644)	(639)
TOTAL NET ASSETS	**1,187**	**999**

The following table sets out the key financial information of On Tower France, based on its most recent financial statements prepared in accordance with IFRS:

In € millions	2019
REVENUES	**5**
Profit for the period	2
Other comprehensive income	0
TOTAL COMPREHENSIVE INCOME	**2**
Non-current assets	2,007
Current assets	26
Non-current liabilities	(10)
Current liabilities	(17)
TOTAL NET ASSETS	**2,006**

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 22 | OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € millions	December 31, 2019	December 31, 2018
Other long-term financial assets:		
• Other investment securities	35	25
• Loans, receivables and other	2	18
• Guarantee deposits	24	7
TOTAL OTHER LONG-TERM FINANCIAL ASSETS	**61**	**50**
Other short-term financial assets:		
• Loans and receivables	2	6
TOTAL OTHER SHORT-TERM FINANCIAL ASSETS	**2**	**6**
TOTAL OTHER FINANCIAL ASSETS	**63**	**56**

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	December 31, 2019	December 31, 2018
• Financial assets carried at fair value through profit or loss	18	22
• Financial assets carried at fair value through OCI	35	25
• Financial assets carried at amortized cost	10	9
TOTAL OTHER FINANCIAL ASSETS	**63**	**56**

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 was recognized as a non-current financial asset in an amount of €16 million in the Group's consolidated financial statements at December 31, 2019 (see Note 21).

Movements in net other financial assets can be analyzed as follows:

In € millions	2019	2018
Carrying amount at January 1	56	37
Acquisitions	11	13
Fair value adjustments	0	5
Redemptions and repayments	0	0
Impact of changes in scope of consolidation	0	16
Disposals	(4)	(15)
Additions to provisions	0	0
CARRYING AMOUNT AT DECEMBER 31	**63**	**56**

Acquisitions and redemptions and repayments in 2018 and 2019 primarily concerned movements in guarantee deposits paid and receivables due in more than one year.

NOTE 23 INVENTORIES

Inventories break down as follows:

In € millions	December 31, 2019	December 31, 2018
Raw materials	23	57
Work-in-progress		0
Finished products	73	35
INVENTORIES – GROSS	**96**	**92**
Provisions:		
• raw materials	(3)	0
• finished products	(7)	(2)
TOTAL PROVISIONS	**(10)**	**(2)**
INVENTORIES – NET	**86**	**90**

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 of finished products 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 24 | OTHER ASSETS

Other non-current assets break down as follows:

In € millions	December 31, 2019	December 31, 2018
Other receivables recorded under other non-current assets:		
• Other receivables	64	32
TOTAL – GROSS	**64**	**32**
Amortization and provisions for other receivables	(44)	(16)
NET OTHER RECEIVABLES (OTHER NON-CURRENT ASSETS)	**20**	**(16)**

Other receivables recorded under other non-current assets solely relate to contract assets (customer acquisition costs) recognized in accordance with IFRS 15.

Trade and other receivables break down as follows:

In € millions	December 31, 2019	December 31, 2018
Trade and other receivables recorded under current assets		
Trade receivables	643	769
Advances and prepayments	8	7
Tax receivables (VAT)	399	191
Sundry receivables	72	54
Prepaid expenses	75	70
Total – gross	1,197	1,091
Provisions for trade receivables	(83)	(117)
Provisions for other receivables	0	(2)
Net trade and other receivables (current assets)	1,114	972
Net trade receivables	560	652
Net other receivables	554	320

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

In € millions	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
MUTUAL FUNDS (UCITS)				
Net value	1,334	1,334	113	113
Cash (excluding bank overdrafts)	259	259	68	68
TOTAL – NET	**1,593**	**1,593**	**181**	**181**

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 26 RECEIVABLE AND LIABILITY RELATED TO THE SHARE BUYBACK OFFER

On November 12, 2019, iliad S.A. filed a draft share buyback offer with the AMF covering 11,666,666 iliad shares with a view to reducing the Company's capital by a maximum gross amount of €1.4 billion.

The AMF issued its compliance decision on December 3, 2019 and on the same date approved the offering circular under (visa) no. 19–557. At the end of the offer period – which ran from December 23, 2019 through January 13, 2020 – a total of 11,666,666 shares had been repurchased for a total gross amount of €1,399,999,920. The settlement date for the buyback offer was January 31, 2020 and the repurchased shares were cancelled on that date.

The buyback offer was fully financed by a capital increase carried out through the issue of 11,666,666 new shares. Existing shareholders were not given a pre-emptive right to subscribe for the shares, but were given a priority subscription period. The prospectus for this issue (comprising an offer circular, a summary and the Universal Registration Document) was filed on January 17, 2020 and was approved by the AMF under no. 20–013. Based on the certificate issued by the custodian, on January 29, 2020, the Company's Chief Executive Officer placed on record the completion of the capital increase through the issue of 11,666,666 new shares. Out of this total, 10,725,778 new shares were subscribed by iliad's majority shareholder, Xavier Niel, through Holdco II, a company that he wholly controls.

On November 11, 2019, Xavier Niel, through Holdco II, had undertaken to take up the entire share issue by placing an order covering the full amount of the open market offer, thereby guaranteeing the success of the issue.

The share buyback followed by the capital increase have enabled iliad to retain its investment capacity and are a clear sign of Xavier Niel's confidence in the Group's growth prospects.

These transactions had no impact on the number of Company shares or the amount of its share capital.

In accordance with IAS 32, as the Company had made a firm commitment at December 31, 2019 to buy back its shares and the majority shareholder had given a firm commitment to subscribe for the shares to be issued under the above-mentioned capital increase, a liability and a corresponding asset of €1.4 billion were recognized in the 2019 financial statements.

NOTE 27 | ASSETS HELD FOR SALE

Assets held for sale break down as follows:

In € millions	December 31, 2019	December 31, 2018
Real estate held for sale	13	15
Other assets held for sale	550	0
TOTAL	**563**	**15**

Two major transactions were launched in 2019 and will be pursued in 2020.

- Sale of co-financed fiber assets

  At December 31, 2019, IFT held the Group's co-financed fiber assets, which were previously owned by Free and Free Infrastructure. On February 28, 2020, a majority stake in IFT was sold to a third party.

- Sale of passive mobile telecommunications infrastructure

  iliad Italia sold 80% of its mobile infrastructure to Cellnex in 2019 and the remaining 20% will be sold in 2020.

At December 31, 2019, assets held for sale primarily related to (i) the finalization of the above-mentioned transactions, and (ii) the sale of mobile sites under construction as part of the partnership with Cellnex.

In addition, in line with its strategy of acquiring premises where required for rolling out its FTTH network, the Group has purchased certain buildings that it only intends to keep part of 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.

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 28 | EQUITY

Share capital

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

During 2019, 33,130 options were exercised for the same number of new shares.

Combined with Up2Share, this transaction led to an increase of €70 thousand in the share capital.

Following a subsequent €44 thousand capital reduction due to the cancellation of treasury shares, the Company's share capital amounted to €13,110 thousand at December 31, 2019 versus €13,085 thousand at December 31, 2018.

At December 31, 2019 the Group held 771,542 iliad shares.

At that date, iliad's ownership structure was as follows:

Shareholder	Number of shares	%
Executive Management	33,316,649	56.31
Public	25,845,432	43.69
TOTAL	**59,162,081**	**100**

Dividends

At the Annual General Meeting held on May 21, 2019, the Company's shareholders resolved to pay a dividend of €0.90 per share, representing a total payout of €53,230 thousand. The dividend was paid on June 24, 2019.

At the next Annual General Meeting, shareholders will be asked to approve a dividend payment of €2.60 per share.

Employee share issue

At its meeting on May 21, 2019, the Board of Directors decided to carry out an employee share issue – called Up2Share – which involved offering iliad shares to Group employees who are members of a Group Employee Savings Plan or an International Group Employee Savings Plan. The concept of this employee share issue – which was carried out via a capital increase for iliad S.A. – was approved by the Board on December 10, 2018.

The Up2Share issue resulted in 283,396 new iliad shares being subscribed by Group employees.

NOTE 29 STOCK OPTION AND SHARE GRANT PLANS

Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2019 and prior years, and outstanding at the year-end. No expense was recorded for these plans in either 2019 or 2018.

At December 31, 2019

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2019	Number of options granted in 2019	Number of options forfeited in 2019	Number of options exercised in 2019	Number of exercisable options outstanding at Dec. 31, 2019	Number of non-exercisable options outstanding at Dec. 31, 2019
iliad								
May 29, 2008	Aug. 30, 2010	67.67	112,128	0	0	21,385	90,743	0
May 24, 2011	Nov. 7, 2011	84.03	186,273	0	0	11,745	174,528	0

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

Exercise dates of options

The exercise dates for the outstanding stock options are as follows:

Date of plan launch	**Exercise dates**
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.

On June 14, 2019, acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the implementation of the liquidity mechanism for Free Mobile shares provided for in the shareholders' agreement signed in 2010, through the exercise of iliad's call option for the shares stipulated in the agreement.

In accordance with the above-mentioned shareholders' agreement, the purchases of the Free Mobile shares concerned were settled solely in iliad shares and the Free Mobile shares were valued by an independent valuation firm using a multi-criteria approach (including EBITDA and EBITDA-CAPEX multiples, etc.). Based on a recommendation by its independent directors, the Board appointed a second independent valuation firm in order to provide additional reassurance to iliad's shareholders. The value of the Free Mobile shares came to €11.7 and the exchange ratio was 8.9 Free Mobile shares for one iliad share. In July 2019, iliad exchanged the Free Mobile shares for 954,046 of its own shares for the purpose of remitting these shares to the employees and executive officers concerned. Following this transaction, iliad held 99.62% of Free Mobile's capital.

The expense recorded in relation to these plans totalled €508 thousand in 2018 and €349 thousand in 2019.

iliad

Following an authorization given at the May 19, 2016 Annual General Meeting, 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 for 2019 (excluding sales of devices) 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 sales of devices) 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 €10,877 thousand in both 2018 and 2019.

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 sales of devices) 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 sales of devices) 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 for this plan amounted to €368 thousand in 2018 and €6,687 thousand in 2019.

During 2019, the Company set up another share grant plan representing almost 0.5% of its share capital and covering 184 Group employees and executive officers.

The vesting of these shares – which will take place in three unequal tranches between 2021 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:

- November 30, 2021 - end of the vesting period for Tranche 1 (representing 30% of the total shares granted): the shares will vest if consolidated EBITDAaL less CAPEX (excluding payments for frequencies) in 2020 is at least equal to consolidated EBITDAaL less CAPEX (excluding payments for frequencies) for 2019;
- November 30, 2022 - end of the vesting period for Tranche 2 (representing 40% of the total shares granted):
  - 50% of the shares will vest if the number of fiber subscribers is equal to or higher than 3 million at June 30, 2022, and
  - 50% of the shares will vest if consolidated EBITDAaL margin for 2021 is equal to or higher than consolidated EBITDAaL margin for 2019;
- November 30, 2023 - end of the vesting period for Tranche 3 (representing 30% of the total shares granted): the shares will vest if the number of fiber subscribers is equal to or higher than 3.7 million at June 30, 2023.

The expense recognized for this plan amounted to €875 thousand in 2019.

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 in 2018 (including one Italian executive).

Another grant, representing around 0.15% of the share capital, was made to 13 of the Group's Italian employees in 2019.

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 for this plan amounted to €683 thousand in 2018 and €2,787 thousand in 2019.

NOTE 30 | PROVISIONS

The provisions for contingencies and charges recognized at December 31, 2019 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks, employee-related risks and expenses on long-term contracts that have become onerous.

These provisions break down as follows:

In € millions	December 31, 2019	December 31, 2018
Long-term provisions		
Provisions for contingencies	0	0
Provisions for charges	164	2
TOTAL LONG-TERM PROVISIONS	**164**	**2**
Short-term provisions		
Provisions for contingencies	51	34
Provisions for charges	105	1
TOTAL SHORT-TERM PROVISIONS	**156**	**35**
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**320**	**37**

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 2019:

In € millions	At Dec. 31, 2018	Increases in 2019	Decreases in 2019 (utilizations)	Decreases in 2019 (surplus provisions)	Impact of changes in scope of consolidation	Other movements	At Dec. 31, 2019
Provisions for contingencies	34	21	(4)	(1)	0	1	51
Provisions for charges	3	252	0	0	0	14	269
TOTAL	**37**	**273**	**(4)**	**(1)**	**0**	**15**	**320**

Increases in 2019 particularly include the provisions for impairment recognized against long-term contracts that have become onerous following the Group's strategic repositioning or due to changes in economic circumstances or market conditions since the contracts were signed.

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)	Impact of changes in scope of consolidation	Other movements	At Dec. 31, 2018
Provisions for 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**

NOTE 31 | FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € millions	December 31, 2019	December 31, 2018
Bank borrowings	1,079	934
Bonds	2,438	2,434
Finance lease liabilities	0	38
Other	1	1
TOTAL LONG-TERM FINANCIAL LIABILITIES	**3,518**	**3,407**
Bank borrowings and short-term marketable securities	1,665	715
Finance lease liabilities	0	23
Bank overdrafts	3	7
Cash flow hedges	0	0
Other	17	12
TOTAL SHORT-TERM FINANCIAL LIABILITIES	**1,685**	**757**
TOTAL	**5,203**	**4,164**

Financial liabilities are classified as short-term when their contractual maturity or early repayment date is within one year and as long-term when their contractual maturity is beyond one year.

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2019 and 2018:

In € millions	2019	2018
Borrowings at January 1	**4,164**	**2,665**
Impacts of applying IFRS 16	(60)	
Borrowings at January 1 after applying IFRS 16	**4,104**	
New borrowings (1)	1,135	1,567
Repayments of borrowings (2)	(68)	(86)
Change in bank overdrafts	(5)	6
Impact of cash flow hedges	0	0
Impact of changes in scope of consolidation	23	0
Other	13	12
TOTAL BORROWINGS AT DECEMBER 31	**5,203**	**4,164**
(1) New borrowings excluding finance lease liabilities		1,528
(2) Finance lease repayments		(29)

Description of the Group's main bond debt at December 31, 2019

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, 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 latest 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, 2019.

The related financial covenants are described in Note 35.

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 latest 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, 2019 but the entire amount was repaid early on January 9, 2020.

The related financial covenants are described in Note 35.

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 instalment 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 fixed networks. This loan was due in 2022 and was repayable in instalments as from 2020 but the full outstanding amount was repaid early on February 28, 2020.

On December 8, 2016, the EIB granted iliad another €200 million loan to help finance its rollout of optical fiber networks. The loan is repayable in instalment as from 2020 with a final maturity in 2030.

On December 17, 2018, the EIB granted iliad a further €300 million loan to help finance its rollout of optical fiber networks.

All of these loans had been fully drawn down at December 31, 2019 but the Group early repaid a portion amounting to €83 million at the beginning of 2020.

All of the related loan agreements were amended on February 22, 2019.

The related financial covenants are described in Note 35.

Loans granted by KFW IPEX-Bank

On December 13, 2017, KFW IPEX-Bank granted the Group a €90 million loan to help finance the rollout of its FTTH network. This loan – which had been fully drawn down at December 31, 2019 – is repayable in instalment and has an 11-year maturity. The related loan agreement was amended on February 15, 2019.

On April 26, 2019, KFW IPEX-Bank granted the Group a further €150 million loan to help finance the rollout of its fixed and mobile networks in France and Italy. This loan is repayable in instalment with a final maturity in 2031. It had not been drawn down at December 31, 2019 and remains available for draw-down until April 26, 2021.

The interest rate on both of the above loans 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.

The related financial covenants are described in Note 35.

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, 2019 but the entire outstanding amount was repaid early on January 27, 2020.

The related financial covenants are described in Note 35.

Schuldscheindarlehen (German private placement with institutional investors)

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

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

Short-and medium-term marketable securities program

€1 billion short-term NEU CP program

The Group has had a NEU CP program (formerly called a commercial paper program) since the first half of 2012, which was set up to diversify the sources and maturities of its financing.

The program originally represented €500 million, but as part of its annual renewal process it was increased to €800 million in 2015 and then €1 billion in early 2017. It was then further increased to €1.4 billion by way of an amendment dated September 16, 2019.

At December 31, 2019, €995 million worth of the program had been used.

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	December 31, 2019	December 31, 2018
Fixed-rate borrowings	3,245	2,874
Variable-rate borrowings	1,957	1,290
TOTAL BORROWINGS AT DECEMBER 31	**5,203**	**4,164**

Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and contractual maturity/early repayment date at December 31, 2019:

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	670	524	555	1,749
Bonds	0	1,138	1,300	2,438
Short- and medium-term marketable securities	995	0	0	995
Bank overdrafts	3	0	0	3
Other	17	0	1	18
TOTAL BORROWINGS	**1,685**	**1,662**	**1,856**	**5,203**
Trade payables	1,172	1,247	57	2,476
TOTAL COMMITTED FINANCING FACILITIES	**2,857**	**2,909**	**1,913**	**7,679**

NOTE 32 TRADE AND OTHER PAYABLES

This item breaks down as follows:

In € millions	December 31, 2019	December 31, 2018
Trade and other payables recorded under other non-current liabilities:		
Trade payables	1,304	1,544
Accrued taxes and employee-related payables	29	19
Other	0	0
SUB-TOTAL	**1,333**	**1,563**
Trade and other payables recorded under current liabilities:		
Trade payables	1,172	1,474
Advances and prepayments	113	6
Accrued taxes and employee-related payables	410	290
Other	39	22
Deferred income	120	88
SUB-TOTAL	**1,854**	**1,880**
TOTAL	**3,187**	**3,443**

Total trade payables can be analyzed as follows:

In € millions	December 31, 2019	December 31, 2018
Suppliers of goods and services	664	712
Suppliers of non-current assets	1,812	2,306
TOTAL	**2,476**	**3,018**

NOTE 33 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 2019 and 2018 breaks down as follows:

In € millions	2019	2018
• Total compensation	3	3
• Share-based payments	10	6
TOTAL	**13**	**9**

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.

On June 14, 2019, acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the implementation of the liquidity mechanism for Free Mobile shares provided for in the shareholders' agreement signed in 2010, through the exercise of iliad's call option for the shares stipulated in the agreement.

In accordance with the above-mentioned shareholders' agreement, the purchases of the Free Mobile shares concerned were settled solely in iliad shares and the Free Mobile shares were valued by an independent valuation firm using a multi-criteria approach (including EBITDA and EBITDA-CAPEX multiples, etc.). Based on a recommendation by its independent directors, the Board appointed a second independent valuation firm in order to provide additional reassurance to iliad's shareholders. The value of the Free Mobile shares came to €11.7 and the exchange ratio was 8.9 Free Mobile shares for one iliad share. iliad exchanged the Free Mobile shares for 954,046 of its own shares for the purpose of remitting these shares to the employees and executive officers concerned. Following this transaction, iliad held 99.62% of Free Mobile's capital.

Impact of iliad share grants

2017 Plan

Following an authorization given at the May 19, 2016 Annual General Meeting, 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.

2018 Plan

Following an authorization given at the May 16, 2018 Annual General Meeting, 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 for each tranche.

2019 Plan

During 2019, the Company set up another share grant plan representing almost 0.5% of its share capital and covering 184 Group employees and executive officers.

The vesting of the shares granted under this plan – which will take place in three unequal tranches between 2021 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) performance conditions applicable for each tranche.

Employee share issue

At its meeting on May 21, 2019, the Board of Directors decided to carry out an employee share issue – called Up2Share – which involved offering iliad shares to Group employees who are members of a Group Employee Savings Plan or an International Group Employee Savings Plan. The concept of this employee share issue – which was carried out via a capital increase for iliad S.A. – was approved by the Board on December 10, 2018.

The Up2Share issue resulted in 283,396 new iliad shares being subscribed by Group employees under preferential conditions.

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.

Shares representing 2.5% of iliad Italia's share capital were granted to 53 of the Group's Italian and French employees in 2018 (including one Italian executive).

Another grant, representing around 0.15% of the share capital, was made to 13 of the Group's Italian employees in 2019.

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 for this plan amounted to €683 thousand in 2018 and €2,787 thousand in 2019.

Transaction with On Tower France

Within the scope of the iliad Group's strategic partnership with Cellnex concerning its passive mobile infrastructure in France and Italy (see Note 11), On Tower France has been providing the iliad Group with hosting services for its passive mobile infrastructure in France since December 2019. The strategic partnership also provides for the construction of new sites that will be sold by the iliad Group to On Tower France. At December 31, 2019, the iliad Group held 30% of the shares of On Tower France (see Note 21).

Transaction with NJJ Boru:

The iliad Group performs various services on behalf of NJJ Boru (49%-owned by the iliad Group), the parent company of eir. In 2019, the Group recognized €2,850 thousand in revenues for these services.

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 totalled €1,625 thousand in 2019.

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 2019, the Group recognized €1,750 thousand in revenues for these services.

NOTE 34 | FINANCIAL INSTRUMENTS

Reconciliation by class of instrument and accounting category

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.

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, 2019:						
Cash	259				259	259
Marketable securities	1,334				1,334	1,334
Trade receivables			560		560	560
Other receivables			554		554	554
Other short-term financial assets	2		0		2	2
Other long-term financial assets	16	35	10		61	61
Long-term financial liabilities				(3,518)	(3,518)	(3,518)
Short-term financial liabilities				(1,685)	(1,685)	(1,685)
Other non-current liabilities				(1,333)	(1,333)	(1,333)
Other current liabilities				(1,854)	(1,854)	(1,854)
TOTAL	**1,611**	**35**	**1,124**	**(8,390)**	**(5,620)**	**(5,620)**

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)**

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 35 | 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 2019.

At December 31, 2019 all of these currency hedges qualified as cash flow hedges under IFRS 9.

Currency hedges had a negative impact of €2,642 thousand on the Group's income statement in 2019 and a negative €2,221 thousand 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, 2019.

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, 2019.

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Financial liabilities	1,685	1,662	1,856	5,203
Financial assets	2	16	45	63
Net position before hedging	**1,683**	**1,646**	**1,811**	**5,140**
Off-balance sheet position				
Net position after hedging	**1,683**	**1,646**	**1,811**	**5,140**

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 €10,992 thousand 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 28).

Liquidity risk

The Group draws on its solid profitability, available cash and bank credit facilities, as well as its 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, 2019 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 loans and its syndicated facilities).

At December 31, 2019 the applicable covenants (which take the form of financial ratios), as agreed on following the various amendments to the loan agreements described in Note 31 were as follows:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2019
• €1,650 million credit facility (Borrower – iliad) • €500 million term-loan (Borrower – iliad) • €150 million EIB loan granted in 2010 (Borrower – iliad) • €200 million EIB loan granted in 2012 (Borrower – iliad) • €200 million EIB loan granted in 2016 (Borrower – iliad) • €300 million EIB loan granted in 2018 (Borrower – iliad) • €100 million EIB loan granted in 2019 (Borrower – iliad) • €200 million EIB loan granted in 2019 (Borrower – iliad) • €90 million KFW credit facility granted in 2017 (Borrower – iliad) • €150 million KFW credit facility granted in 2019 (Borrower – iliad) • €50 million bilateral credit facility granted in 2018 (Borrower – iliad)	Leverage ratio < 3.5	Early repayment	Leverage ratio: 2.1

The Group's Leverage ratio corresponds to the ratio of consolidated Net debt to EBITDA (excluding provisions) for the period.

At December 31, 2019 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 31) 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 34, "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, 2019, trade receivables represented a gross amount of €643 million and a net amount of €560 million (see Note 24, "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, 2019 the Group's short-term investments amounted to €1,334 million (see Note 26, "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 recevivables

At December 31, 2019 trade receivables totalled €643 million and provisions for doubtful receivables amounted to €83 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 36 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

36-1. Network investments

At December 31, 2019 the Group had €92.8 million worth of commitments related to future network investments.

36-2. 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 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 2014-1542 dated December 16, 2014, ARCEP authorized Free Mobile to use a block of frequencies in the 1,800 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 (objective achieved) 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 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 Caraïbe 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 (objective achieved);
- 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 and to 40% of the population 48 months after these frequencies become available.

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.

36-3. Other commitments

At December 31, 2019 the Group had access to:

- a €1,650 million credit facility, none of which had been drawn down;
- a €1,400 million NEU CP program, of which €995 million had been used;
- several loans granted by the EIB, of which €608 million had been drawn down;
- two loans granted by KFW IPEX-Bank representing an aggregate amount of €240 million, of which €90 million had been drawn down.

At the same date:

- other commitments given by the Group amounted to €1,078.3 million;
- other commitments received by the Group totalled €9 million.

36-4. Collateralized debt

None of the assets belonging to the Group have been used as collateral for any debt.

36-5. Accrued discounted trade notes

The Group does not use this type of financing.

36-6. Claims and litigation

In the course of its business, the iliad Group is involved in several labor, regulatory, tax and sales disputes.

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 Numéricâble-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 Numéricable 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 Numéricable (on a joint and several basis) in relation to a number of the claims against them. SFR has appealed the decision and proceedings are still ongoing.

On August 20, 2019, BFM TV, RMC Découverte and Diversité TV France launched legal proceedings (with the *Tribunal de Grande Instance*) for Free to be sanctioned for breaching their brand rights and neighboring rights. In relation to their neighboring rights the three companies are claiming lump-sum damages (which they will allocate between themselves) amounting to €811,600 for each month between March 20, 2019 and the end of the alleged breach, as well as €150,000 in damages for non-pecuniary losses. For the alleged breach of their brand rights, BFM TV and RMC Découverte are claiming €2,000,000 in damages and Diversité TV France is claiming €500,000. Lastly, all three companies are claiming €70,000 in damages for non-pecuniary losses related to the alleged breach of their brand rights. Free considers that it did not commit any of the breaches alleged by BFM TV, RMC Découverte and Diversité TV France. Proceedings are still ongoing in this case.

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 February 10, 2020, Bouygues Telecom appealed the Paris Commercial Court's decision.

On November 10, 2015, Free filed an application with the Paris Commercial Court for (i) an injunction ordering Bouygues Telecom to cease marketing practices that constitute unfair competition and defamation, and (ii) €275.6 million in damages for Free's related loss. Bouygues Telecom issued a counter-claim alleging that it had suffered €284.7 million in losses for unfair competitive practices. The case is still ongoing.

Dispute with UFC

On March 11, 2019, the French consumer group, UFC, used the powers granted to it under Article 623-1 of the French Consumer Code to file a petition against Free Mobile with the Paris District Court (Tribunal de Grande Instance). UFC is claiming that Free Mobile failed to respect its contractual obligations because it charged nine subscribers for not returning their rented phones, whereas the subscribers had allegedly provided proof that they had sent back the devices in accordance with Free Mobile's General Terms and Conditions of Subscription. UFC requested the court to order Free Mobile (i) to reimburse the expenses wrongly charged, and (ii) publish the requisite information to make the consumers concerned aware of their right to compensation. The case is still ongoing.

NOTE 37 EVENTS AFTER THE REPORTING DATE

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

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

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

Lastly, the Group has repaid several of its borrowing facilities since the beginning of 2020, in advance of their contractual maturities. The borrowings were therefore reclassified to short-term debt in the 2019 financial statements. These early repayments – which were made using the sale proceeds generated when the strategic partnership with Cellnex was set up in 2019 – were as follows:

- January 9, 2020: early repayment of a €500 million term-loan set up with a pool of commercial banks (original contractual maturity in 2023);
- January 27, 2020: early repayment of a €50 million bilateral credit facility granted by a bank (original contractual maturity in 2023);
- February 28, 2020: early repayment of €83 million of a loan granted by the EIB (original contractual maturity in 2022).

NOTE 38 | LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2019

The following table includes the Group's main legal holdings.

	Registration number	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
iliad 16 rue de la Ville l'Évêque 75008 Paris	342,376,332	Paris	100.00%	100.00%	Full
Assunet 16 rue de la Ville l'Évêque 75008 Paris	421,259,797	Paris	89.96%	89.96%	Full
Centrapel 57 boulevard Malesherbes 75008 Paris	434,130,860	Paris	100.00%	100.00%	Full
Certicall 40 avenue Jules Cantini 13006 Marseille	538,329,913	Paris	100.00%	100.00%	Full
Equaline 18 rue du Docteur G. Pery 33300 Bordeaux	538,330,358	Paris	100.00%	100.00%	Full
F Distribution 8 rue de la Ville l'Évêque 75008 Paris	528,815,376	Paris	100.00%	100.00%	Full
Fibre Inc. 1209 Orange Street, Wilmington New Castle County, 19801 Delaware – United States		Wilmington	100.00%	100.00%	Full
Freebox 16 rue de la Ville l'Évêque 75008 Paris	433,910,619	Paris	97.99%	97.99%	Full
Free Caraïbe Mangot Vulcin - MBE 262 97232 Lamentin	808,537,641	Paris	100.00%	100.00%	Full
Free Carrier 16 rue de la Ville l'Évêque 75008 Paris	790,148,944	Paris	100.00%	100.00%	Full
Free 8 rue de la Ville l'Évêque 75008 Paris	421,938,861	Paris	100.00%	100.00%	Full
Free Fréquences 16 rue de la Ville l'Évêque 75008 Paris	529,917,833	Paris	99.98%	99.87%	Full
Free Infrastructure 16 rue de la Ville l'Évêque 75008 Paris	488,095,803	Paris	100.00%	100.00%	Full
Free Mobile 16 rue de la Ville l'Évêque 75008 Paris	499,247,138	Paris	99.62%	97.30%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Free R&D 16 rue de la Ville l'Évêque 75008 Paris	537,915,050	Paris	100.00%	100.00%	Full
Free Réseau 16 rue de la Ville l'Évêque 75008 Paris	419,392,931	Paris	100.00%	99.99%	Full
IFW 8 rue de la Ville l'Évêque 75008 Paris	400,089,942	Paris	100.00%	100.00%	Full
IH 8 rue de la Ville l'Évêque 75008 Paris	441,532,173	Paris	100.00%	100.00%	Full
iliad 10 16 rue de la Ville l'Évêque 75008 Paris	844,880,492	Paris	100.00%	100.00%	Full
iliad 4 16 rue de la Ville l'Évêque 75008 Paris	799,285,820	Paris	100.00%	100.00%	Full
iliad 6 16 rue de la Ville l'Évêque 75008 Paris	834,309,486	Paris	100.00%	100.00%	Full
IFT 16 rue de la Ville l'Évêque 75008 Paris	852,619,352	Paris	100.00%		Full
iliad 78 16 rue de la Ville l'Évêque 75008 Paris	834,315,673	Paris	78.45%	70.00%	Full
iliad 8 16 rue de la Ville l'Évêque 75008 Paris	880,117,015	Paris	100.00%		Full
iliad 9 16 rue de la Ville l'Évêque 75008 Paris	880,117,064	Paris	100.00%		Full
iliad Gaming 8 rue de la Ville l'Évêque 75008 Paris	522,418,250	Paris	100.00%	100.00%	Full
iliad Holding S.p.A Largo Angelo Fochetti 29 Rome - Italy		Rome	100.00%	100.00%	Full
iliad Italia S.p.A Largo Angelo Fochetti 29 Rome - Italy		Rome	100.00%	100.00%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Immobilière iliad 16 rue de la Ville l'Évêque 75008 Paris	501,194,419	Paris	100.00%	100.00%	Full
Initix 8 rue de la Ville l'Évêque 75008 Paris	828,684,639	Paris		95.05%	N.C.
IRE 16 rue de la Ville l'Évêque 75008 Paris	489,741,645	Paris	100.00%	100.00%	Full
Jaguar Network 71 avenue Andre Roussin 13016 Marseille	439,099,656	Marseille	75.54%		Full
Jaguar Network Suisse rue des Paquis 11 1201 Geneva - Switzerland		Geneva	75.54%		Full
JT Holding 71 avenue Andre Roussin 13016 Marseille	801,382,300	Marseille	75.54%		Full
M.C.R.A. 57 boulevard Malesherbes 75008 Paris	532,822,475	Paris	100.00%	100.00%	Full
NJJ Boru 16 rue de la Ville l'Évêque 75008 Paris	833,797,467	Paris	49.00%	49.00%	Equity
On TowerCo France 31-33 rue de la Baume 75008 Paris	834,309,676	Paris	30.00%	100.00%	Equity
Online Immobilier 16 rue de la Ville l'Évêque 75008 Paris	537,915,019	Paris	95,003%	95,003%	Full
Online 8 rue de la Ville l'Évêque 75008 Paris	433,115,904	Paris	95,003%	95,003%	Full
Predictiv Pro S.A.S. 71 avenue Andre Roussin 13016 Marseille	880,472,683	Marseille	75.54%		Full
Protelco 8 rue de la Ville l'Évêque 75008 Paris	509,760,948	Paris	100.00%	100.00%	Full
Qualipel 61 rue Julien Grimau 94400 Vitry sur Seine	533,513,958	Vitry sur Seine	100.00%	100.00%	Full
Resolution Call 7 Bld Mohamed V 20800 Mohammedia - Morocco		Morocco	100.00%	100.00%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Scaleway US Corporation C/O IMS - 1700 W Irving Park, Suite 302 Chicago, IL 606013	/	Chicago	95,003%	95,003%	Full
Sepia 12 rue Henri Cornu – Technopole de la Réunion 97801 Saint Denis Cedex 9	839,216,819	Saint Denis	50.00%	50.00%	Equity
Telecom Academy "Privé" Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full
Télécom Réunion Mayotte 68 rue du Faubourg Saint-Honoré 75008 Paris	812,123,214	Paris	50%	50%	Equity
Trax 68 rue du Faubourg Saint-Honoré 75008 Paris	850,134,388	Paris	98.00%	/	Full
Total Call Technoparc – Route de Nouceur Sidi Maar Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full

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NOTE 39 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 € thousands	2019	2018	2019	2018	2019	2018
Statutory audit services	463	362	407	327	870	689
Non-audit services	178	101	0	48	178	149
TOTAL FEES	**641**	**463**	**407**	**375**	**1,048**	**838**

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;
- reviewing asset sale transactions;
- providing various statements.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

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, 2019. The consolidated financial statements were approved by the Board of Directors on March 16, 2020 based on the information available at that date in the evolving context of the Covid-19 health crisis.

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, 2019 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, 2019 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 19 to the consolidated financial statements, which describe the impacts of the first-time application of IFRS 16, Leases.

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, approved in the context described above, 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	How our audit addressed this 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 Note 1.5 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.	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 16. We also assessed the appropriateness of the disclosures provided in Notes 1, 3 and 4 to the consolidated financial statements.

Measurement of provisions for claims and litigation

Description of risk	How our audit addressed this 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 36-6. They have been measured and recognized in liabilities for an amount of €51 million, as set out in Note 30 (provisions for claims and litigation at December 31, 2019), 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.	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; • directly obtaining information and opinions on ongoing disputes from iliad's legal counsel; • assessing the amount of any provisions set aside; • assessing the appropriateness of the disclosures provided in Notes 1.5, 30 and 36-6 to the consolidated financial statements.

Measurement of initial cost of telecom licenses

Description of risk	How our audit addressed this 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, 2019, these frequencies were recorded as licenses in the consolidated balance sheet for a net amount of approximately €3.1 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.	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, 2019 for the valuation of certain French licenses with the terms of the agreement signed with the French government described in Note 36-2 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 36-2 to the consolidated financial statements.

Recognition and depreciation of telecom network equipment

Description of risk	How our audit addressed this risk
iliad constructs and maintains the telecom networks underpinning its business as a telecom operator. 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, 2019 (Note 20), 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 1.5 to the consolidated financial statements. In view of the intense pace at which telecom networks are being deployed and the difficulty in tracking this deployment, we deemed the accounting for (measurement of the assets' value and determination of the entry date) and depreciation period of these assets to be a key audit matter.	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 1.5 and 20 to the consolidated financial statements.

Recognition of deferred tax assets for tax loss carryforwards

Description of risk	How our audit addressed this risk
A total of €44.2 million was recognized at December 31, 2019 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.	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 disclosures provided in Notes 1, 3 and 13 to the consolidated financial statements.

First-time application of IFRS 16, Leases

Description of risk	How our audit addressed this risk
As stated in Note 1.2.5, iliad applied IFRS 16 on January 1, 2019 using the modified retrospective approach, under which lease liabilities are measured at the present value of lease payments that have not been paid at the transition date (i.e. January 1, 2019). Accordingly, data for the comparative period of 2018 was not restated. At December 31, 2019, right-of-use assets totaled €2.9 billion and lease liabilities totaled €2.8 billion. These leases chiefly relate to network infrastructure and real estate. In view of the nature, extent and materiality of the impacts on the Group's consolidated financial statements, as well as the high level of judgment required in implementing the standard (particularly its application for network leases, the lease terms used, and the related discount rates), we deemed the first-time application of IFRS 16, Leases to be a key audit matter.	Our audit approach consisted in assessing the relevance and the consistency with the applicable accounting principles of the judgments and estimations made and the methodology adopted by the Group to determine the main assumptions relating to the scope of application of the standard, the lease terms, including the Group's interpretation of the IFRS IC decision of November 2019, and the discount rates applied. Our work mainly consisted in: • obtaining an understanding of the process used to apply IFRS 16, recognize leases and evaluate key related controls; • performing tests of details on a sample of leases to examine the accuracy of the information used to recognize the assets and liabilities relating to leases based on the underlying contractual documents; • reconciling, on a sample basis, the data used to calculate the discount rates for leases with the contractual information; • comparing the discount rates set by the Group with our estimates prepared on the basis of available market data; • assessing the reliability of the process used to identify existing leases by reconciling the off-balance sheet commitments for operating leases recognized in accordance with the former standard at December 31, 2018 with the lease liabilities recognized in application of IFRS 16 at January 1, 2019, and by performing a residual lease payment analysis. We also assessed the appropriateness of the disclosures provided in Notes 1.2.5 and 19 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 approved on March 16, 2020. Management has confirmed that events that have occurred and information that has come to light relating to the Covid-19 crisis since the consolidated financial statements were closed will be reported to the Annual General Meeting called to approve these consolidated financial statements.

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, 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the twentieth and fifth consecutive year of their engagement, respectively, and the sixteenth and fifth 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, April 3, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Thierry Leroux	François Buzy

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ILIAD S.A. FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

In € thousands	Gross	Depr., amort. and provisions	Net at Dec. 31, 2019	Net at Dec. 31, 2018
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	2,305	1,435	870	1,000
PROPERTY, PLANT AND EQUIPMENT				
Land	66	0	66	66
Buildings	200	200	0	0
Fixtures and fittings	14,648	5,975	8,673	6,308
Technical equipment	641	400	241	307
Computer equipment	1,295	722	573	348
Furniture	2,307	1,596	711	381
Assets under construction	0	0	0	0
Advances and prepayments	0	0	0	0
LONG-TERM INVESTMENTS				
Investments in subsidiaries and affiliates	2,340,160	117,082	2,223,078	2,010,537
Loans and advances to subsidiaries and affiliates	6,183,534	5,902	6,177,632	5,360,833
Other investment securities	1,797	297	1,500	1,500
Other loans	0	0	0	0
Other long-term investments	3,605	0	3,605	3,531
TOTAL FIXED ASSETS	**8,550,558**	**133,609**	**8,416,949**	**7,384,811**
Inventories	0	0	0	0
Advances and prepayments on orders	0	0	0	0
Trade receivables	22,892	505	22,388	15,249
Receivables from suppliers	132	0	132	16
Employee-related receivables	686	0	686	628
Recoverable corporate income tax	0	0	0	0
Recoverable sales taxes	3,592	0	3,592	1,343
Other receivables	290,403	0	290,403	277,043
Other advances and prepayments made	0	0	0	0
Marketable securities	1,403,317	215	1,403,102	142,187
Treasury instruments	2,903	0	2,903	2,604
Cash at bank and in hand	204,138	0	204,138	39,994
Prepaid expenses	12,971	0	12,971	16,171
TOTAL CURRENT ASSETS	**1,941,035**	**720**	**1,940,315**	**495,235**
ACCRUALS				
Deferred charges	20,537	0	20,537	20,322
Conversion losses	0	0	0	0
TOTAL ASSETS	**10,512,130**	**134,329**	**10,377,800**	**7,900,368**

BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	At December 31, 2019	At December 31, 2018
Share capital	13,110	13,085
Additional paid-in capital	464,092	439,382
Legal reserve	1,317	1,317
Regulated reserves	0	0
Other reserves	61,616	96,385
Retained earnings	2,958,973	2,714,819
Interim dividends	0	0
Profit for the year	**1,433,550**	**296,364**
TOTAL EQUITY	**4,932,658**	**3,561,352**
QUASI-EQUITY	**0**	**0**
Provisions for contingencies	33	120
Provisions for charges	2,465	764
TOTAL PROVISIONS	**2,498**	**884**
Convertible bonds	0	0
Ordinary bonds	2,461,723	2,461,947
Bank borrowings	1,747,226	1,007,436
Bank overdrafts	0	0
Other borrowings	1,001,728	658,543
Current accounts with subsidiaries	162,121	157,159
Advances and prepayments received	0	0
Trade payables	33,188	16,274
Employee-related payables	2,416	861
Accrued payroll and other employee-related taxes	1,577	774
Accrued corporate income tax	0	0
Accrued sales taxes	2,126	1,385
Other accrued taxes	479	359
Amounts due on fixed assets	321	478
Other payables	29,739	32,916
Deferred income	0	0
TOTAL ACCRUALS AND OTHER LIABILITIES	**5,442,644**	**4,338,132**
TOTAL EQUITY AND LIABILITIES	**10,377,800**	**7,900,368**

INCOME STATEMENT

In € thousands	At December 31, 2019	At December 31, 2018
Rebillings	77,774	111,311
Sales of services in France	44,157	30,175
TOTAL REVENUES	**121,931**	**141,486**
Operating grants	0	0
Reversals of depreciation, amortization and provisions, expense transfers	144	240
Other income	53	289
TOTAL OPERATING INCOME	**122,128**	**142,015**
Rebilled purchases	93,960	123,924
Other purchases and external charges	54,362	27,192
Taxes other than on income	676	747
Wages and salaries	9,479	6,892
Payroll taxes	6,293	3,759
Depreciation and amortization of fixed assets	7,203	5,516
Additions to provisions for impairment of current assets	3	22
Additions to provisions for contingencies and charges	0	39
Other expenses	416	619
TOTAL OPERATING EXPENSES	**172,392**	**168,710**
NET OPERATING EXPENSE	**(50,264)**	**(26,695)**
Interest and other financial income	380,877	380,417
Reversals of provisions	9,538	480
Foreign exchange gains	0	0
Net gains on disposals of marketable securities	2,868	264
TOTAL FINANCIAL INCOME	**393,283**	**381,161**
Interest and other financial expenses	66,179	55,425
Additions to provisions	672	10,764
Foreign exchange losses	0	0
Net losses on disposals of marketable securities	1,191	5,212
TOTAL FINANCIAL EXPENSES	**68,042**	**71,401**
NET FINANCIAL INCOME	**325,241**	**309,760**
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	**274,977**	**283,065**
Exceptional income from operating transactions	0	0
Exceptional income from capital transactions	1,403,599	0
Reversals of provisions	0	0
TOTAL EXCEPTIONAL INCOME	**1,403,599**	**0**
Exceptional expense on operating transactions	0	0
Exceptional expense on capital transactions	205,840	0
Exceptional depreciation, amortization and provision expense	0	0
TOTAL EXCEPTIONAL EXPENSES	**205,840**	**0**
NET EXCEPTIONAL INCOME	**1,197,759**	**0**
Employee profit-sharing	(9)	0
Corporate income tax	39,196	(13,299)
TOTAL INCOME	**1,919,011**	**523,176**
TOTAL EXPENSES	**485,461**	**226,812**
PROFIT FOR THE YEAR	**1,433,550**	**296,364**

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, 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**
Movements in 2019					
• Capital increase	25	24,710	(34,769)		(10,034)
• Appropriation of 2018 profit			296,364	(296,364)	0
• Dividends paid			(52,210)		(52,210)
• Profit for the year				1,433,550	1,433,550
• Other movements					
EQUITY AT DECEMBER 31, 2019	**13,110**	**464,092**	**3,021,906**	**1,433,550**	**4,932,658**

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, 2019**;
- accounting period: **12 months**;
- previous accounting period: **12 months**;
- total assets at December 31, 2019: **€10,377,800 thousand**;
- 2019 revenues: **€121,931 thousand**;
- number of employees at December 31, 2019: **168**.

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, 2019

7.2.1 INTANGIBLE ASSETS

7.2.1.1 Movements in 2019

Movements in intangible assets in 2019 can be analyzed as follows:

Intangible assets	At January 1, 2019	Acquisitions	Transfers	Disposals	At December 31, 2019
Software	2,006	139	12	0	2,157
Trademarks	115	0	3	0	118
Assets in progress	4	198	(172)	0	30
TOTAL	**2,125**	**337**	**(157)**	**0**	**2,305**

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 2019

Movements in property, plant and equipment in 2019 can be analyzed as follows:

Property, plant and equipment	At January 1, 2019	Acquisitions	Disposals	At December 31, 2019
Land	66	0	0	66
Buildings	200	0	0	200
Fixtures and fittings	10,950	3,698	0	14,648
Technical equipment	625	16	0	641
Computer equipment	875	420	0	1,295
Furniture	1,799	508	0	2,307
Assets under construction	0	0	0	0
TOTAL	**14,515**	**4,642**	**0**	**19,157**

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 2019

Long-term investments	At January 1, 2019	Acquisitions	Disposals	At December 31, 2019
Investments in subsidiaries and affiliates	2,127,317	418,683	205,840	2,340,160
Loans and advances to subsidiaries and affiliates	5,366,581	1,145,092	328,139	6,183,534
Other investment securities	1,797	0	0	1,797
Guarantee deposits	3,531	74	0	3,605
TOTAL	**7,499,226**	**1,563,849**	**533,979**	**8,529,096**

7.2.3.2 Investments in subsidiaries and affiliates

The main movements in this item during the year reflect the following:

- a partnership with Cellnex concerning the passive mobile infrastructure: acquisition of the On Tower France shares distributed by Free Mobile, and buyback of shares received by Free Mobile minority shareholders. Sale of 70% of On Tower France shares to Cellnex;
- buyback of a portion of Free Mobile shares from minority shareholders. Following the transaction, iliad now holds 99.62% of Free Mobile's capital;
- €150 million capital increase for Free Infrastructure on June 20, 2019;
- the acquisition of the entire share capital of Free Réseau on June 20, 2019;
- the acquisition of a 98% interest in Trax;
- the creation of iliad 8, a wholly-owned subsidiary;
- the creation of iliad 9, a wholly-owned subsidiary.

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 €/MAD (1)/USD (2)	Share capital	Retained earnings and reserves	% owner-ship	2019 profit/ (loss)	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Commit-ments given	2019 revenues	Dividends received during the year
Assunet S.A.S. Registration no.: 421 259 797	38	136	89.96	1,287	34	34	0	/	2,445	945
F Distribution S.A.S. Registration no.: 528 815 376	1,000	(4,401)	100	1,510	11,000	11,000	44,250	/	39,825	0
Fibre Inc. (USA)	USD 20,243 (2)	USD 1,380	100	USD 1,835	17,122	17,122	5,844	/	0	0
Free S.A.S. Registration no.: 421 938 861	3,442	601,782	100	58,874	496,836	496,836	1,778,839	/	2,824,226	300,000
Freebox S.A.S. Registration no.: 433 910 619	50	4,970	97.99	11,293	5,190	5,190	111,425	17,897	498,444	0
Free Caraïbes S.A.S. Registration no.: 808 537 641	10	(203)	100	(768)	21	21	17,298	/	0	0
Free Carrier S.A.S. Registration no.: 790 148 944	10	0	100	(2)	32	8	0	/	0	0
Free Fréquences S.A.S. RCS 529 917 833	5,000	292	95	0	4,750	4,750	0	/	0	0
Free Infrastructure S.A.S. Registration no.: 488 095 803	1,000	57,708	100	(20,150)	439,124	439,124	1,321,179	3,000	160,928	0
Free Mobile S.A.S. Registration no.: 499 247 138	365,139	(1,516,317)	99.62	1,848,902	319,455	319,455	1,568,671	/	2,422,651	0
Free Réseau S.A.S. Registration no.: 419 392 931	2,511	251	100	4,175	20,775	20,775	26,054	/	170,739	0
Free R&D S.A.S. Registration no.: 537 915 050	10	3	100	(2)	24	24	0	/	0	0
IFW S.A.S. Registration no.: 400 089 942	2,000	205	100	(232)	71,950	0	0	/	331	130
IH S.A.S. Registration no.: 441 532 173	39	4	100	124	39	39	0	/	1,173	120
iliad 4 S.A.S. Registration no.: 799 285 820	10	(4)	100	(2)	15	15	0	/	0	0
iliad 6 S.A.S. Registration no.: 834 309 486	10	(4)	100	(1)	10	10	0	/	0	0
On Tower France (formerly iliad 7) Registration no.: 834 309 676	381,384	1,624,081	30	(841)	183,371	183,371	0	/	5,166	0
iliad 78 S.A.S. Registration no.: 834 315 673	*1,885*	*(239)*	*78.45*	*(657)*	*1,894*	*1,894*	*631*	*/*	*385*	*0*

In thousands of €/MAD (1)/USD (2)	Share capital	Retained earnings and reserves	% ownership	2019 profit/(loss)	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Commitments given	2019 revenues	Dividends received during the year
iliad 8 Registration no.: 880 117 015	1	0	100	(2)	1	1	0	/	0	0
iliad 9 Registration no.: 880 117 064	1	0	100	(2)	1	1	0	/	0	0
iliad 10 Registration no.: 844 880 492	1	(2)	100	(1,193)	1	1	81,833	/	0	0
iliad Gaming S.A.S. Registration no.: 522 418 250	1,000	(6,679)	100	(146)	1,000	0	5,902	/	0	0
iliad Holding S.p.A.	350,000	(253)	100	(2,783)	350,035	350,035	1,049,147	/	0	0
Immobilière iliad EURL Registration no.: 501 194 419	1,000	2,325	100	(152)	47,456	3,348	8,550	/	594	0
IRE S.A.S. Registration no.: 489 741 645	1,000	0	100	(3,918)	31,398	31,398	34,619	/	11,267	0
MCRA S.A.S. Registration no.: 532 822 475	4,268	(1,740)	100	2,299	7,695	7,695	2,175	/	10,656	0
NJJ Boru S.A.S. Registration no.: 833 797 467	419,250	212,839	49	21	316,050	316,050	0	/	6,971	0
Online S.A.S. Registration no.: 433 115 904	214	10,650	95	(3,115)	340	340	67,567	/	76,356	0
Protelco S.A.S. Registration no.: 509 760 948	37	6,860	100	2,181	37	37	0	/	53,038	0
Resolution Call (1)	MAD 100	MAD (11,972)	100	MAD 2,709	10	10	4,360	559	MAD 133,262	0
Sepia S.A.S. Registration no.: 839 216 819	100	(1)	50	(2)	50	50	0	/	0	0
SNDM EURL Registration no.: 342 823 341	2	10	100	0	297	0	0	/	0	0
Telecom Academy "Privé" (1)	MAD 100	MAD 4,202	100	MAD 545	10	10	424	/	MAD 23,124	0
Telecom Réunion Mayotte	28,010	4,278	50	5,851	14,000	14,000	0	/	840	0
Total Call (1)	MAD 4,600	MAD 34,244	100	MAD 29,750	414	414	4,582	/	MAD 264,733	0
Trax Registration no.: 850 134 388	10	0	98	(376)	10	10	634		0	0

(1) MAD: Moroccan dirhams.
(2) USD: US dollars.

7.2.3.5 Related-party transactions

In € thousands	Debit balances	Credit balances
Loans and advances to subsidiaries and affiliates	6,183,534	162,121
Trade receivables	22,292	4
Deposits received for business premises	0	
Miscellaneous borrowings		0
Trade payables		18
Other receivables/payables		28,975
Financial expenses	74	
Financial income		380,862

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, 2019	Increases (additions for the year)	Decreases (depreciation and amortization written off on divested assets)	Depreciation and amortization at December 31, 2019
Intangible assets				
SUB-TOTAL I	**1,125**	**310**	**0**	**1,435**
Buildings	200	0	0	200
Other property, plant and equipment:				
Technical equipment	318	82	0	400
Fixtures and fittings	4,642	1,333	0	5,975
Furniture, office and computer equipment	1,945	373	0	2,318
Property, plant and equipment				
SUB-TOTAL II	**7,105**	**1,788**	**0**	**8,893**
TOTAL I+II	**8,230**	**2,098**	**0**	**10,328**

7.2.5 OTHER ASSETS

7.2.5.1 Analysis of receivables by maturity

An analysis of the Company's borrowings and receivables by maturity is provided in the table below:

At December 31, 2019 *In € thousands*	Gross amount	Due within 1 year	Due beyond 1 year
Fixed assets			
• Loans and advances to subsidiaries and affiliates	6,183,534	6,183,534	0
• Other loans	0	0	0
• Other long-term investments	3,605	0	3,605
Current assets			
• Advances and prepayments on orders	0	0	0
• Trade receivables	22,412	22,412	0
• Doubtful and disputed receivables	480	480	0
• Recoverable payroll and other employee-related taxes	0	0	0
• Employee-related receivables	686	686	0
• Recoverable corporate income tax	0	0	0
• Recoverable VAT	3,592	3,592	0
• Other receivables (including inter-company current accounts)	290,535	290,535	0
• Prepaid expenses	12,971	3,524	9,447
TOTAL	**6,517,815**	**6,504,763**	**13,052**

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 2019:

In € thousands	Amount
• Accumulated debt issuance costs at start of the year	38,134
• Prior-period amortization	(17,812)
• Debt issuance costs recognized during the year	5,319
• Amortization charge for the year	(5,104)
NET AT DECEMBER 31, 2019	**20,537**

7.2.5.3 Marketable securities

Marketable securities break down as follows:

	At December 31, 2019		At December 31, 2018	
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	**1,318,258**	**1,318,258**	**88,639**	**88,639**
Own shares				
Net value	**69,844**	**89,509**	**38,548**	**38,548**
Treasury instruments				
Net value	**2,903**	**2,903**	**2,604**	**2,604**
TOTAL, NET	**1,406,005**	**1,425,670**	**144,791**	**144,791**

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).

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, 2019 the Company's share capital amounted to €13,110 thousand (compared with €13,085 thousand at December 31, 2018), divided into 59,162,081 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 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 2019, 33,130 options were exercised for the same number of new shares.

These two operations increased the Company's capital by €70 thousand.

In addition, the cancellation of treasury shares resulted in a €44 thousand capital reduction.

7.2.6.4 Ownership structure

At December 31, 2019 iliad's ownership structure was as follows:

Shareholder	Number of shares	%
Executive managers	33,316,649	56.31
Freefloat	25,845,432	43.69
TOTAL	**59,162,081**	**100.00**

7.2.6.5 Own shares

At December 31, 2019, iliad held 771,542 of its own shares purchased under a buyback program. In order to cover part of the dilution related to the exercise of stock options, the Company bought back 200,000 of its own shares in 2018.

These shares were canceled in early 2019, resulting in a €44 thousand reduction in the Company's capital. The increase in the Company's share capital from €13,085 thousand at December 31, 2018 to €13,110 thousand at December 31, 2019 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 2019 and prior years, and outstanding at the year-end.

At December 31, 2019

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2019	Number of options granted in 2019	Number of options forfeited in 2019	Number of options exercised in 2019	Number of exercisable options outstanding at Dec. 31, 2019	Number of non-exercisable options outstanding at Dec. 31, 2019
iliad								
May 29, 2008	Aug. 30, 2010	67.67	112,128	0	0	21,385	90,743	0
May 24, 2011	Nov. 7, 2011	84.03	186,273	0	0	11,745	174,528	0

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

The exercise terms and conditions applicable to the outstanding stock options are as follows:

Date of plan launch	Exercise terms and conditions
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:

- October 30, 2020: 40% of the shares will vest if the EBITDA margin in France for 2019 (excluding sales of devices) 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 sales of devices) 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.

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.

During 2019, and following the share grant plan authorized on May 16, 2018, the Company set up another plan representing almost 0.5% of its share capital and covering 184 Group employees and executive officers.

The vesting of these shares – which will take place in three unequal tranches between 2021 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:

- November 30, 2021 – end of the vesting period for Tranche 1 (representing 30% of the total shares granted): the shares will vest if consolidated EBITDAaL less CAPEX (excluding payments for frequencies) in 2020 is at least equal to consolidated EBITDAaL less CAPEX (excluding payments for frequencies) for 2019;
- November 30, 2022 – end of the vesting period for Tranche 2 (representing 40% of the total shares granted):
  - 50% of the shares will vest if the number of fiber subscribers is equal to or higher than 3 million at June 30, 2022, and
  - 50% of the shares will vest if consolidated EBITDAaL margin for 2021 is equal to or higher than consolidated EBITDAaL margin for 2019;
- November 30, 2023 – end of the vesting period for Tranche 3 (representing 30% of the total shares granted): the shares will vest if the number of fiber subscribers is equal to or higher than 3.7 million at June 30, 2023.

7.2.7 PROVISIONS FOR CONTINGENCIES AND CHARGES

7.2.7.1 Movements in 2019

Movements in provisions for contingencies and charges in 2019 can be analyzed as follows:

In € thousands	At Jan. 1, 2019	Additions	Reversals (utilizations)	Reversals (surplus provisions)	At Dec. 31, 2019
Provisions for contingencies and charges	884	1,701	87	0	2,498
TOTAL	**884**	**1,701**	**87**	**0**	**2,498**

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, 2019 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, 2019 *(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	2,461,723	11,723	1,150,000	1,300,000
Bank borrowings:				
– due within one year at inception of loan	995,000	995,000	0	0
– due beyond one year at inception of loan	1,753,954	677,454	524,000	552,500
• Bank overdrafts	0	0	0	0
• Other borrowings	8	8	0	0
• Guarantees and deposits received	0	0	0	0
• Current accounts with subsidiaries	162,121	162,121	0	0
• Advances and prepayments received	0	0	0	0
• Trade payables	33,188	33,188	0	0
• Employee-related payables	2,416	2,416	0	0
• Accrued payroll and other employee-related taxes	1,577	1,577	0	0
Other accrued taxes:				
– corporate income tax	0	0	0	0
– VAT	2,126	2,126	0	0
– other	479	479	0	0
• Amounts due on fixed assets	321	321	0	0
Other payables	**29,739**	**29,739**	**0**	**0**
TOTAL	**5,442,652**	**1,916,152**	**1,674,000**	**1,852,500**

Description of the Group's main bonds outstanding at December 31, 2019

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. 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 fixed networks. This loan was due in 2022 and was repayable in installments as from 2020 but the full outstanding amount was repaid early on February 28, 2020.

On December 8, 2016, the EIB granted iliad another €200 million loan to help finance its rollout of optical fiber networks. The loan is repayable in installments as from 2020 with a final maturity in 2030.

On December 17, 2018, the EIB granted iliad a further €300 million loan to help finance its rollout of optical fiber networks.

All of these loans had been fully drawn down at December 31, 2019 but the Group early repaid a portion amounting to €83 million at the beginning of 2020.

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, 2019.

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, 2019 but the entire amount was repaid early on January 9, 2020.

Loans granted by KFW IPEX-Bank

On December 13, 2017, KFW IPEX-Bank granted the Group a €90 million loan to help finance the 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. This facility had been drawn down in full at December 31, 2019.

On April 26, 2019, KFW IPEX-Bank granted the Group a further €150 million loan to help finance the rollout of its fixed and mobile networks in France and Italy. This loan is repayable in installments with a final maturity in 2031. It had not been drawn down at December 31, 2019 and remains available for draw-down until April 26, 2021.

In accordance with the February 15, 2019 amendment to the first loan agreement, the applicable interest rate on both of these loans is based on Euribor for the period plus a margin of between 0.90% and 1.20% per year depending on the Group's Leverage ratio.

A €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, 2019 but the entire outstanding amount was repaid early on January 27, 2020.

Schuldscheindarlehen (German private placement with institutional investors)

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

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

€1 billion short-term NEU CP program

The Group has had a NEU CP program (formerly called a commercial paper program) since the first half of 2012, which was set up to diversify the sources and maturities of its financing.

The program originally represented €500 million, but it was increased to €800 million in 2015. It was then further increased to €1.4 billion by way of an amendment dated September 16, 2019.

At December 31, 2019, €995 million worth of the program had been used.

7.3 2019 REVIEW OF OPERATIONS

7.3.1 REVENUES

2019 revenues can be analyzed as follows by segment:

In € thousands	Amount
iliad Telecom services	375
Inter-company rebillings	118,027
Other revenues	3,529
TOTAL	**121,931**

All of the Company's revenues are generated in France.

7.3.2 NUMBER OF EMPLOYEES

At December 31, 2019, iliad S.A. had 168 employees, breaking down as follows by category:

	Men	Women	Total
• Management	40	36	76
• Other	30	62	92
TOTAL	**70**	**98**	**168**

7.3.3 NET FINANCIAL INCOME

Net financial income came to €325,241 thousand in 2019, breaking down as follows:

In € thousands	
Net interest on subsidiaries' current accounts	76,991
Interest income from loans and other receivables	13
Income from securities	301,194
Net reversals of financial provisions	8,867
Overdraft charges, interest on borrowings and other financial expenses	(63,500)
Net losses on disposals of marketable securities	1,115
Net gains on disposals of own shares	561
TOTAL	**325,241**

7.3.4 EXCEPTIONAL ITEMS

In 2019 exceptional items represented net income of €1,197,759 thousand and corresponded to:

In € thousands	Amount
On Tower France share sale price	1,403,599
Carrying amount of shares sold	(205,840)
TOTAL	**1,197,759**

Sale of passive mobile telecommunications infrastructure

In 2019, Free Mobile transferred its passive mobile infrastructure business to On Tower France. Following this transfer:

- Free Mobile distributed On Tower France shares to its shareholders;
- iliad bought back the On Tower France shares held by minority shareholders;
- iliad sold 70% of shares in On Tower France to a third party for €1,403 million.

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 €)*	At December 31, 2019	At December 31, 2018
• Salaries, commission and other compensation (including lump-sum expense allowances), and paid leave	1,528,526	1,348,009
• Directors' remuneration: – Exempt from payroll taxes	193,821	198,000

Management bodies *(in €)*	At December 31, 2019	At December 31, 2018
• 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, 2019.

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, 2019 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, 2019, 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	1,050,743

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 €1,667 thousand at December 31, 2019 (versus €1,112 thousand at December 31, 2018).

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, 2019 included all of its consolidated companies apart from companies (i) that are less than 95%-owned by iliad, (ii) that were newly formed in 2019, 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 €28,928 thousand at December 31, 2019;
- 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	11
"Contribution sociale" surtax	49
Temporary differences related to marketable securities	0
TOTAL	**60**
TOTAL DEFERRED TAX ASSETS	**60**
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 €39,196 thousand for 2019, breaking down as follows:

- portion relating to ordinary activities: a negative €10,290 thousand;
- portion relating to exceptional items: €49,486 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	11,723
Bank borrowings	10,068
Other borrowings	0
Trade payables	9,173
Accrued taxes and employee-related payables	3,422
Other payables	0
TOTAL	**34,386**

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	3,524	0
Financial expenses/income	9,447	0
Exceptional expenses/income	0	0
TOTAL	**12,971**	**0**

7.5.3.3 Breakdown of accrued income

Balance sheet item	**Total**
Accrued revenues	120
Other receivables	0
Cash at bank and in hand	0
TOTAL	**120**

7.5.4 EVENTS AFTER THE BALANCE SHEET DATE

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

The share issue – which was launched on January 20, 2020 and represented the same amount as the share buyback offer – was open to all iliad shareholders and was fully guaranteed by Xavier Niel (via a company wholly controlled by Xavier Niel). The results of the share issue – which were published on January 27, 2020 – were that 10.7 million new shares were purchased directly and indirectly by Xavier Niel, and the remaining 941,000 new shares were purchased by other shareholders.

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

Lastly, the Group has repaid several of its borrowing facilities since the beginning of 2020, in advance of their contractual maturities. The borrowings were therefore reclassified to short-term debt in the 2019 financial statements. These early repayments – which were made using the sale proceeds generated when the strategic partnership with Cellnex was set up in 2019 – were as follows:

- January 9, 2020: early repayment of a €500 million term-loan set up with a pool of commercial banks (original contractual maturity in 2023);
- January 27, 2020: early repayment of a €50 million bilateral credit facility granted by a bank (original contractual maturity in 2023);
- February 28, 2020: early repayment of €83 million of a loan granted by the EIB (original contractual maturity in 2022).

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 in 2020, the Board will recommend the payment of a €2.60 dividend per share for all the shares making up the Company's share capital at that date, and carrying rights to the 2019 dividend.

By default, the gross amount of this 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
2014	€0.39	€22,821,951
2015	€0.41	€24,062,093
2016	€0.44	€25,909,763
2017	€0.68	€39,956,186
2018	€0.90	€52,210,205

7.7 THE COMPANY'S FIVE-YEAR FINANCIAL SUMMARY

Indicator	2019	2018	2017	2016	2015
FINANCIAL POSITION AT YEAR-END					
Share capital	**13,109,881**	**13,084,512**	**13,081,665**	**13,038,371**	**12,999,215**
Number of existing ordinary shares	59,162,081	59,045,555	59,032,661	58,837,338	58,660,640
Maximum number of shares to be created					
On exercise of convertible bonds	0	0	0	0	0
OPERATIONS AND PROFIT FOR THE YEAR					
Revenue before tax	**121,931,678**	**141,486,610**	**179,204,444**	**157,433,802**	**143,070,255**
Profit before tax, employee profit-sharing, and depreciation, amortization and provisions	1,470,993,744	298,732,673	362,466,395	350,465,217	338,220,218
Corporate income tax	39,195,512	(13,299,249)	28,505,178	(6,338,687)	(5,259,601)
Employee profit-sharing for the year	0	0	0	0	0
Profit after tax, employee profit-sharing, and depreciation, amortization and provisions	1,433,550,071	296,364,311	328,947,865	352,159,666	334,957,317
Dividend paid	154,511,116	53,229,560	40,354,026	26,149,442	24,050,862
EARNINGS PER SHARE					
Profit after tax and employee profit-sharing but before depreciation, amortization and provisions	24.20	5.28	5.66	6.06	5.86
Profit after tax, employee profit-sharing, and depreciation, amortization and provisions	24.23	5.02	5.57	5.99	5.71
Per-share dividend	2.60	0.90	0.68	0.44	0.41
EMPLOYEES					
Headcount at year-end	168	149	133	125	112
Payroll costs for the year	9,478,694	6,892,032	5,931,613	5,654,500	4,923,221
Employee benefit expense for the year	6,293,110	3,759,195	2,662,592	1,719,234	1,423,236

7.8 OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS

In accordance with Articles L. 441-14, and D. 441-4 of the French Commercial Code (*Code de commerce*), the Company presents the year-end schedule of trade payables by due date for the fiscal year.

2019

	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 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days or over	Total	0 day	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						488						269
Total amount of invoices concerned incl. VAT	(19,488)	(4,585)	(94)	(18)	(128)	**(24,314)**	19,068	1,218	1,191	83	1,328	**22,889**
Percentage of total amount of purchases incl. VAT	-10%	-2%	0%	0%	0%	-13%						
Percentage of revenues incl. VAT during the period							9%	1%	1%	0%	1%	11%
(B) INVOICES EXCLUDED FROM (A) RELATED TO CONTESTED OR UNRECOGNIZED RECEIVABLES AND PAYABLES												
Number of invoices concerned												
Total amount of invoices concerned incl. VAT						**(9,173)**						**0**

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended December 31, 2019)

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 S.A.
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, 2019.

The financial statements were approved by the Board of Directors on March 16, 2020 based on the information available at that date in the evolving context of the Covid-19 health crisis.

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, 2019 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, 2019 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.

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, approved in the context described above, 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, 2019, the balance of investments in subsidiaries and affiliates and loans and advances to those entities amounted to €2,223 million and €6,178 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 A provision for impairment is recorded when it is uncertain that the receivable will be recovered, determined based on the risk of non-recovery. 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 cash flow forecasts and analyses from management relating to the strategic nature of these entities. We also assessed the quality of the budget process by comparing the forecasts with the actual performances of the entities concerned, as well as the consistency of the assumptions used with regard to 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 acquisition cost, or where there is a risk that loans and advances granted to those entities may not be recovered, we verified that a provision for impairment had been recorded for those investments or those loans and advances.

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 approved on March 16, 2020 and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements. Management has confirmed that events that have occurred and information that has come to light relating to the Covid-19 crisis since the financial statements were closed will be reported to the Annual General Meeting called to approve these financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information about 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 compensation and benefits paid or awarded to 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 controlled companies within its scope of consolidation. 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, 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the twentieth and fifth consecutive year of their engagement, respectively, and the sixteenth and fifth 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, April 3, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Thierry Leroux	François Buzy

INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

8

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*).

The Company's website is www.iliad.fr

8.1.3 REGISTRATION DETAILS

The Company is registered at the Paris Trade and Companies Registry under number 342 376 332.

The Company's LEI is 969500FZ9BTRZS3JNB97.

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.

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8.1.8 AUDITORS

8.1.8.1 Statutory Auditors

Member of a professional organization: PricewaterhouseCoopers Audit is a member of the Versailles Compagnie Régionale des Commissaires aux Comptes.	**Member of a professional organization:** Deloitte & Associés is a member of the Versailles Compagnie Régionale des Commissaires aux Comptes.
PricewaterhouseCoopers Audit Represented by Thierry Leroux 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	Deloitte & Associés Represented by François Buzy Tour Majunga 6, place de la Pyramide 92908 Paris La Défense Cedex, France
First appointed at the Annual General Meeting of October 19, 2000. 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.

8.1.8.2 Alternate Auditors

Étienne Boris 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	BEAS 6, place de la Pyramide 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 Universal Registration Document was filed, the Company's capital amounted to €13,113,261.52, divided into 59,177,338 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	22,002	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
June 14, 2019	Employee share issue	283,396	62,347.12	22,283,427.48	411,493,360.21	13,102,539.32	59,128,951	0.22

** 0.2216 rounded to 0.22.*

8.2.1.3 Shares not representing capital

At the date this Universal 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 3.4.3).

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

At the Extraordinary General Meetings of May 17, 2017, May 16, 2018, May 21, 2019 and December 20, 2019, the shareholders authorized the Board of Directors to increase the Company's capital as follows:

Authorization given to the Board of Directors at the Extraordinary General Meeting	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 2020 Annual General Meeting
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 21, 2019 (19th resolution)	26 months (July 21, 2021)	5,000,000 (1) 2,000,000,000 (2)	N/A	N/A
To increase the Company's capital by capitalizing reserves, profit or additional paid-in capital	May 21, 2019 (27th resolution)	26 months (July 21, 2021)	500,000,000	N/A	N/A
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 21, 2019 (20th resolution)	26 months (July 21, 2021)	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	N/A
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 21, 2019 (21st resolution)	26 months (July 21, 2021)	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	N/A
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 21, 2019 (22nd resolution)	26 months (July 21, 2021)	10% of the Company's capital at the issue date (1) (2)	N/A	N/A
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 21, 2019 (24th resolution)	26 months (July 21, 2021)	10% of the Company's capital at the issue date (1)	N/A	N/A
To increase the Company's capital in payment for contributions in kind made to the Company by shareholders of Free Mobile	May 21, 2019 (25th resolution)	26 months (July 21, 2021)	3% of the Company's capital at the issue date (1)	N/A	N/A
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 21, 2019 (26th resolution)	26 months (July 21, 2021)	2,000,000 (1)	N/A	N/A

Authorization given to the Board of Directors at the Extraordinary General Meeting	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 2020 Annual General Meeting
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 21, 2019 (23rd resolution)	26 months (July 21, 2021)	15% of the original issue (1)	N/A	N/A
TO CARRY OUT EMPLOYEE SHARE ISSUES					
To issue shares to Group employees	Dec. 20, 2019 (3rd resolution)	26 months (February 20, 2022)	1% at the date of the meeting	N/A	1% of the Company's capital at the date of the meeting (26th resolution) (1)
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	N/A	1% of the Company's capital at the grant date, (25th resolution)
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 1% of the Company's capital	2% of the Company's capital at the grant date (24th resolution)

(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 nineteenth resolution of the May 21, 2019 Extraordinary General Meeting.

(2) This amount is 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 Extraordinary General Meeting.

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 eighteenth resolution of the May 21, 2019 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 21, 2020. The maximum purchase price under the program was €300 per share.

The objectives of the share buyback program are 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 laws, in particular Article L. 3332-14 of the French Labor Code (*Code du travail*);
- 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);
- 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 laws, 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-ninth resolution of the May 21, 2019 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 2019

The Company carried out the following transactions under the share buyback program during 2019:

	Purchases	Sales
Number of shares	224,895	235,485
Average unweighted transaction price *(in €)*	97.37	98.05
Total *(in €)*	21,502,558.00	22,738,486.49

Description of the new share buyback program submitted for shareholder approval at the Annual General Meeting to be held in 2020

The authorization given at the May 21, 2019 Annual General Meeting for the Company to buy back shares representing up to 10% of its capital is due to expire on November 21, 2020. Consequently, at its March 16, 2020 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held in 2020 that they grant the Board a new authorization to carry out a share buyback program (see the 23rd resolution in the presentation of the resolutions set out in Chapter 9 of this Universal Registration Document). If this resolution is adopted, the authorization would be given for a period of 18 months as from the 2020 Annual General Meeting.

The objectives of the share buyback program are described in the 23rd resolution that will be submitted to shareholders for approval (see Chapter 9 of this Universal 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, 2020, the total amount invested in the share buyback program would not exceed €1.775 million, corresponding to a maximum of 5,917,733 shares purchased at a maximum per-share price of €300.

8.2.3.2 Liquidity contract

On July 1, 2019, iliad entered into a liquidity contract with Natixis Oddo BHF for ordinary shares that are admitted to trading on Euronext Paris, which complies with the applicable law and regulations. The contract also complies with AMF decision no. 2018-01 of July 2, 2018. The new liquidity contract, which has a term of one year that is subsequently automatically renewable, took effect on July 1, 2019. Natixis Oddo BHF replaces Exane BNP Paribas, who had managed the Company's liquidity contract until June 12, 2007.

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The following transactions were carried out in connection with the liquidity contract in 2019:

	Purchases			Sales		
	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*
January	11,688	109.38	1,279,424	9,419	110.05	1,030,147
February	15,257	91.49	1,398,868	12,372	92.16	1,129,750
March	13,347	89.19	1,187,809	11,742	89.85	1,053,828
April	11,184	94.70	1,054,533	12,617	94.63	1,197,199
May	10,740	101.75	1,082,663	15,506	102.23	1,556,722
June	13,574	100.75	1,364,966	13,362	101.57	1,351,361
July	31,489	95.49	3,039,939	35,180	96.66	3,422,199
August	33,252	93.24	3,090,310	38,548	94.50	3,627,185
September	29,563	82.52	2,500,165	23,150	83.49	1,932,840
October	19,347	87.39	1,722,303	23,523	89.16	2,123,939
November	22,200	105.44	2,259,639	27,886	107.60	2,910,936
December	13,254	114.83	1,521,939	12,180	115.31	1,402,381
TOTAL	**224,895**	**97.37**	**21,502,558**	**235,485**	**98.05**	**22,738,486**

Following the abovementioned transactions, the Company held the following iliad shares at December 31, 2019:

Percentage of capital held directly or indirectly by the Company	1.30%
For the purpose of:	
maintaining a liquid market granting stock options	0.05% 1.25%
Number of shares canceled in the past 24 months	286,393
Number of shares held in the portfolio	771,542
Carrying amount of the portfolio *(in €)*	69,844,042
Market value of the portfolio *(in €)**	89,151,678

* *Based on the iliad closing share price on December 31, 2019, i.e., €115.55.*

8.2.4 OWNERSHIP STRUCTURE

8.2.4.1 Shareholding structure

Movements in ownership interests and voting rights

Movements in the ownership interests and voting rights held by the Company's shareholders in the past three years were as follows:

	December 31, 2019				December 31, 2018				December 31, 2017		
Shareholder	Number of shares	Theoretical voting rights [4]	% capital	% voting rights	Number of shares	Theoretical voting rights [4]	% capital	% voting rights	Number of shares	% capital	% voting rights
Xavier Niel [1]	30,833,380*	31,455,334	52.12%	50.84%	31,534,450*	32,156,404	53.41%	52.10%	30,820,250	52.21%	66.86%
Rani Assaf [2]	893,338	1,653,338	1.51%	2.67%	760,000	1,520,000	1.29%	2.46%	760,000	1.29%	1.66%
Cyril Poidatz [3]	803,951	1,474,565	1.36%	2.38%	670,614	1,341,228	1.14%	2.17%	670,614	1.14%	1.47%
Antoine Levavasseur [1]	598,968	1,105,626	1.01%	1.79%	506,658	1,013,316	0.86%	1.64%	506,658	0.86%	1.11%
Maxime Lombardini [3]	113,510	120,754	0.19%	0.20%	21,925	29,135	0.05%	0.04%	10,729	0.02%	0.02%
Thomas Reynaud [1]	108,165	115,195	0.18%	0.19%	14,830	20,080	0.03%	0.03%	7,030	0.01%	0.01%
Olivier Rosenfeld [a]	-	-	-	-	5,210	5,210	0.01%	0.01%	5,210	0.01%	NM
Pierre Pringuet [3]	2,037	4,074	NM	NM	2,037	4,074	NM	0.01%	2,037	NM	NM
Marie-Christine Levet [3]	350	350	NM	NM	350	350	NM	NM	350	NM	NM
Orla Noonan [3]	300	600	NM	NM	300	300	NM	NM	300	NM	NM
Virginie Calmels [3]	150	150	NM	NM	150	150	NM	NM	150	NM	NM
Corinne Vigreux [3]	100	100	NM	NM	100	100	NM	NM	100	NM	NM
Bertille Burel [3]	100	100	NM	NM	100	100	NM	NM	100	NM	NM
SUB TOTAL – DIRECTORS AND OFFICERS	**33,354,349**	**35,930,186**	**56.38%**	**58.08%**	**33,516,724**	**36,090,447**	**56.76%**	**58.48%**	**32,783,528**	**55.53%**	**71.14%**
FREE FLOAT	**25,036,190**	**25,166,040**	**42.32%**	**40.68%**	**25,528,831**	**25,627,808**	**43.24%**	**41.52%**	**26,249,133**	**44.47%**	**28.86%**
iliad (own shares)	771,542	771,542	1.30%	1.25%	237,602	237,602	0.4%	0.4%	124,245	0.21%	0.14%
TOTAL	**59,162,081**	**61,867,768 [5]**	**100%**	**100%**	**59,045,555**	**61,718,255 [5]**	**100%**	**100%**	**59,032,661**	**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) 567,854 shares held by Rock Investment, and (iv) 37,700 shares held by NJJ Market.*

(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 61,096,226.

(a) Olivier Rosenfeld stepped down as a director of iliad on January 28, 2019.

NM: not material.

At January 31, 2020, following the success of the iliad capital increase for an amount of €1.4 billion, the purpose of which was to fully finance the Company's public share buyback offer and the subsequent cancelation of the resulting iliad shares, Xavier held 71.10% of the capital and 69.01% of the voting rights.

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.

In 2019, no legal threshold crossings were declared.

Disclosure thresholds

Without prejudice to the obligations to inform the Company and the AMF in the event that the ownership thresholds set by law and the AMF's General Regulations are crossed, Article 12 of the Company's bylaws provides that 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 (5) 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 (5) 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 in Shareholders' Meetings held after the expiration of a two-year (2-year) period following the date the omission of the above-mentioned information is remedied. This sanction may, however, only be applied at the request of one or more shareholders, as evidenced in the minutes of the Shareholders' Meeting, 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.

Double voting rights

The Company's major shareholders held the following shares carrying double voting rights at December 31, 2019:

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	7,244
Thomas Reynaud	7,030

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 2019

(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)	Purchase of call options	1,306,000	N/A
Xavier Niel (associated persons)	Sale of call options	8,000	N/A
Xavier Niel (associated persons)	Pledge	17,326,574	0
Thomas Reynaud (associated persons)	Exchange of shares	93,335	104.13
Maxime Lombardini (associated persons)	Exchange of shares	93,335	104.13
Maxime Lombardini	Pledge	24,000	0
Rani Assaf	Exchange of shares	133,338	104.13
Antoine Levavasseur	Exchange of shares	92,310	104.13
Cyril Poidatz	Exchange of shares	133,337	104.13

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, 2019	59,162,081
Closing price at December 31, 2019	€115.55
52-week high	€121.85
52-week low	€77.72
Market capitalization at December 31, 2019	€6.8 billion
Average 6-month daily trading volume	203,859
ISIN	FR0004035913
Stock exchange indices	Euro Stoxx, SBF 120, CAC Mid 100

8.2.5.2 Changes in the iliad share price since January 1, 2019

	Share price (in €)*	
	High	Low
2019		
January	121.85	98.96
February	100.10	86.92
March	93.30	84.40
April	98.84	90.70
May	107.45	92.60
June	105.70	96.06
July	101.80	90.74
August	95.44	88.58
September	95.00	77.72
October	93.56	83.32
November	115.90	91.54
December	115.85	114.35
2020		
January	123.00	115.10
February	138.95	121.15

* *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).

8.2.6 PROVISIONAL TIMETABLE FOR FINANCIAL COMMUNICATIONS

May 12, 2020:	First-quarter 2020 revenues release
May 20, 2020*:	Annual General Meeting
By September 3, 2020:	First-half 2020 revenues and earnings release
By November 15, 2020:	Revenues release for the first nine months of 2020

* *In light of the current situation surrounding the Covid-19 pandemic, as of the date of publication of this Universal Registration Document, iliad's Board of Director's met and decided, at the request of the Chairman of the Board, to postpone the Group's Annual General Meeting, which was initially scheduled for May 20, 2020.*

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 Universal Registration Document, in Ordinary and Extraordinary General 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 General Meeting is not validly constituted unless the shareholders present, represented or casting postal votes hold at least one-quarter of the 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

IN LIGHT OF THE CURRENT SITUATION SURROUNDING THE COVID-19 PANDEMIC, ILIAD'S BOARD OF DIRECTORS MET AND DECIDED, AT THE REQUEST OF THE CHAIRMAN OF THE BOARD, TO POSTPONE THE GROUP'S ANNUAL GENERAL MEETING, WHICH WAS INITIALLY SCHEDULED FOR MAY 20, 2020, TO ENABLE SHAREHOLDERS TO ATTEND THE MEETING IF THE HEALTH SITUATION ALLOWS.

THE BOARD OF DIRECTORS WILL DECIDE HOW THE MEETING WILL BE HELD AT A LATER DATE, AND RESERVES THE RIGHT TO CHANGE THE RESOLUTIONS FINALIZED ON MARCH 16, 2020. SHAREHOLDERS WILL BE INFORMED OF THE ARRANGEMENTS MADE FOR THE ANNUAL GENERAL MEETING VIA A PRESS RELEASE.

9.1 PROPOSED RESOLUTIONS PRESENTED AT THE ANNUAL GENERAL MEETING TO BE HELD IN 2020

ORDINARY RESOLUTIONS

1 Approval of the parent company financial statements for the year ended December 31, 2019.

2 Approval of the consolidated financial statements for the year ended December 31, 2019.

3 Appropriation of profit for the year ended December 31, 2019 (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 (excluding agreements with Holdco).

5 Approval of a related-party management agreement governed by Articles L. 225-38 *et seq.* of the French Commercial Code.

6 Approval of a three-way related-party agreement governed by Articles L. 225-38 *et seq.* of the French Commercial Code.

7 Re-election of Cyril Poidatz as a director.

8 Re-election of Thomas Reynaud as a director.

9 Election of Jacques Veyrat as a director.

10 Election of Céline Lazorthes as a director.

11 Setting the annual amount of remuneration allocated to members of the Board of Directors.

12 Approval of the information provided in accordance with Article L. 225-37-3 I of the French Commercial Code.

13 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Maxime Lombardini in his capacity as Chairman of the Board of Directors.

14 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Thomas Reynaud in his capacity as Chief Executive Officer.

15 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Xavier Niel in his capacity as Senior Vice-President.

16 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Rani Assaf in his capacity as Senior Vice-President.

17 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Antoine Levavasseur in his capacity as Senior Vice-President.

18 Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Alexis Bidinot in his capacity as Senior Vice-President until December 9, 2019.

19 Approval of the compensation policy for the Chairman of the Board of Directors.

20 Approval of the compensation policy for the Chief Executive Officer.

21 Approval of the compensation policy for the Senior Vice-Presidents.

22 Approval of the compensation policy for the directors.

23 Authorization for the Board of Directors to carry out a share buyback program.

EXTRAORDINARY RESOLUTIONS

24 Authorization for the Board of Directors to grant existing or new shares, free of consideration, to Group employees and/or executive officers.

25 Authorization for the Board of Directors to grant stock options to Group employees and/or executive officers.

26 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 for existing shareholders.

27 Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares.

28 Amendment to Article 13 of the Company's bylaws – "Board of Directors".

29 Amendment to Article 17 of the Company's bylaws – "Organization, meetings and decisions of the Board of Directors".

30 Amendment to Article 21 of the Company's bylaws – "Agreements entered into between the Company and a director, the Chief Executive Officer, a Senior Vice-President or a shareholder".

31 Amendment to Article 26 of the Company's bylaws – "Participation in and representation at Shareholders' Meetings – Powers".

32 Amendment to Article 27 of the Company's bylaws – "Attendance sheet – Meeting officers – Minutes".

33 Setting the par value of the Company's shares in the bylaws and authorizing the Board of Directors to carry out the ensuing increase in the Company's capital through the capitalization of reserves, profit, additional paid-in capital or other eligible items.

34 Powers to carry out formalities.

For the purpose of this document, the term "corporate officers" corresponds to the Company's directors and officers.

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 twenty-three ordinary resolutions must be approved by the majority of votes cast by shareholders present or represented.

First resolution

Approval of the parent company financial statements for the year ended December 31, 2019

Having considered:

- the Board of Directors' management report for the year ended December 31, 2019; and
- the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2019;

the shareholders approve the parent company financial statements for the year ended December 31, 2019, 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 2019 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, 2019

Having considered:

- the Board of Directors' management report for the year ended December 31, 2019; and
- the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2019;

the shareholders approve the consolidated financial statements for the year ended December 31, 2019, 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, 2019 (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, 2019 show a profit of €1,433,550,071, the shareholders resolve to appropriate distributable profit for the year as follows:

In €

Profit for the year	**1,433,550,071**
Less prior-year losses	0
Plus retained earnings	2,958,973,109
Total distributable profit	**4,392,523,180**
Appropriation:	
To the legal reserve	0
To a dividend payment representing a maximum of: i.e., €2.60 per share	154,511,116
BALANCE	**4,238,012,064**
Appropriated to retained earnings	

The shareholders note that a maximum of 59,440,194 shares are eligible for the 2019 dividend, corresponding to the aggregate of the 59,179,338 shares making up the Company's capital at January 31, 2020 and the 260,856 shares that are potentially issuable between February 1, 2020 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 €2.60. The ex-dividend date will be June 24, 2020 and the dividend will be paid as from June 26, 2020 on positions closed as of the close of business on June 25, 2020.

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 €2.60 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:

	2016	2017	2018
Total number of shares making up the Company's capital (1)	58,885,825	58,759,097	59,102,802
Aggregate net dividends (2) (in €)	25,909,763	39,956,186	53,192,522
Net dividend per share (2) (in €)	0.44	0.68	0.90

(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 2016, 2017 or 2018.

Fourth resolution

Approval of related-party agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code (excluding agreements with Holdco)

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 2019.

Fifth resolution

Approval of a related-party management agreement governed by Articles L. 225-38 *et seq.* of the French Commercial Code

Having considered the Board of Directors' report and the Statutory Auditors' special report, the shareholders note the findings of said report and approve the management agreement described therein entered into between the Company and Holdco, which was authorized by the Board of Directors after the end of fiscal 2019.

Sixth resolution

Approval of a three-way related-party agreement governed by Articles L. 225-38 *et seq.* of the French Commercial Code

Having considered the Board of Directors' report and the Statutory Auditors' special report, the shareholders note the findings of said report and approve the three-way agreement described therein entered into between the Company, Holdco and Cyril Poidatz, which was authorized by the Board of Directors after the end of fiscal 2019.

Seventh resolution

Re-election of Cyril Poidatz as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Cyril Poidatz as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

Eighth resolution

Re-election of Thomas Reynaud as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Thomas Reynaud as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

Ninth resolution

Election of Jacques Veyrat as a director

Based on the recommendation of the Board of Directors, the shareholders elect Jacques Veyrat as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

Tenth resolution

Election of Céline Lazorthes as a director

Based on the recommendation of the Board of Directors, the shareholders elect Céline Lazorthes as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

Eleventh resolution

Setting the annual amount of remuneration allocated to members of the Board of Directors

Based on the recommendation of the Board of Directors, the shareholders resolve to set the aggregate annual amount of remuneration to be allocated among the Company's independent directors at €240,000.

Twelfth resolution

Approval of the information provided in accordance with Article L. 225-37-3 I of the French Commercial Code

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 II of said Code, the shareholders approve the information provided in said report in accordance with Article L. 225-37-3 I of said Code, as presented in Chapter 3, Section 3.4.1.1 of the 2019 Universal Registration Document.

Thirteenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Maxime Lombardini in his capacity as Chairman of the Board of Directors

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Maxime Lombardini in his capacity as Chairman of the Company's Board of Directors, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Fourteenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Thomas Reynaud in his capacity as Chief Executive Officer

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Thomas Reynaud in his capacity as Chief Executive Officer, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Fifteenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Xavier Niel in his capacity as Senior Vice-President

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Xavier Niel in his capacity as Senior Vice-President, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Sixteenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Rani Assaf in his capacity as Senior Vice-President

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Rani Assaf in his capacity as Senior Vice-President, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Seventeenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Antoine Levavasseur in his capacity as Senior Vice-President

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Antoine Levavasseur in his capacity as Senior Vice-President, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Eighteenth resolution

Approval of the components of compensation paid during, or allocated for, the year ended December 31, 2019 to Alexis Bidinot in his capacity as Senior Vice-President until December 9, 2019

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, pursuant to Article L. 225-100 III of said Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to Alexis Bidinot in his capacity as Senior Vice-President until December 9, 2020, as presented in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document.

Nineteenth resolution

Approval of the compensation policy for the Chairman of the Board of Directors

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, which describes the compensation policy for the Company's corporate officers, pursuant to Article L. 225-37-2 II of said Code, the shareholders approve the compensation policy for the Chairman of the Board of Directors, as presented in Chapter 3, Section 3.4.2 of the 2019 Universal Registration Document.

Twentieth resolution

Approval of the compensation policy for the Chief Executive Officer

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, which describes the compensation policy for the Company's corporate officers, pursuant to Article L. 225-37-2 II of said Code, the shareholders approve the compensation policy for the Chief Executive Officer, as presented in Chapter 3, Section 3.4.2 of the 2019 Universal Registration Document.

Twenty-first resolution

Approval of the compensation policy for the Senior Vice-Presidents

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, which describes the compensation policy for the Company's corporate officers, pursuant to Article L. 225-37-2 II of said Code, the shareholders approve the compensation policy for the Senior Vice-Presidents, as presented in Chapter 3, Section 3.4.2 of the 2019 Universal Registration Document.

Twenty-second resolution

Approval of the compensation policy for the directors

Having considered the corporate governance report drawn up in accordance with Article L. 225-37 of the French Commercial Code, which describes the compensation policy for the Company's corporate officers, pursuant to Article L. 225-37-2 II of said Code, the shareholders approve the compensation policy for the directors, as presented in Chapter 3, Section 3.4.2 of the 2019 Universal Registration Document.

Twenty-third resolution

Authorization for the Board of Directors to carry out a share buyback program

Having considered the Board of Directors' report, 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 laws, in particular Article L. 3332-14 of the French Labor Code (Code du travail);
3. to remit shares as payment for buying back 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);

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 laws, 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-seventh 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 for in 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 stock split or 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, 2020, the total amount invested in the share buyback program would not exceed €1,775 million, corresponding to a maximum of 5,917,733 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 eighteenth resolution of the May 21, 2019 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 eleven extraordinary resolutions must be approved by a two-thirds majority of the votes cast by shareholders present or represented.

Twenty-fourth resolution

Authorization for the Board of Directors to grant existing or new shares free of consideration to Group employees and/or executive officers

Having considered the Board of Directors' report and the Statutory Auditors' special report, the shareholders:

1. authorize the Board of Directors, in compliance with Articles L. 225-197-1 *et seq.* of the French Commercial Code, to grant, free of consideration and on one or more occasions, existing or new shares to (i) salaried employees of the Company or certain categories of salaried employees and/or (ii) executive officers of the Company and/or entities or groups of entities related to the Company within the meaning of Article L. 225-197-2 of said Code and in accordance with the terms and conditions set out below;
2. resolve that the total number of new or existing shares granted by the Board of Directors pursuant to this authorization may not represent more than 2% of the Company's capital at the grant date, excluding the impact of any subsequent adjustments made due to any corporate actions carried out by the Company;
3. resolve that the total number of shares granted free of consideration to the Company's executive officers may not represent over 40% of the aggregate number of shares granted free of consideration pursuant to this resolution and that this sub-ceiling will be included in the above-mentioned ceiling of 2% of the Company's capital;

4. resolve that (i) the shares will only vest at the end of a vesting period, the duration of which will be set by the Board of Directors but may not be less than two years, and (ii) the duration of any applicable lock-up period following the vesting period will be set by the Board of Directors;
5. resolve that, if a beneficiary suffers a disability as classified in the second or third category under Article L. 341-4 of the French Social Security Code, then that beneficiary's shares will automatically and immediately vest, i.e., before the end of the vesting period, and the shares will be immediately transferable as from their delivery;
6. note that if the free shares granted correspond to new shares, this authorization will result in a capital increase at the end of vesting period, to be paid up by capitalizing reserves, profit or additional paid-in capital, and that existing shareholders will waive their pre-emptive rights to subscribe for the issues to be carried out on the vesting of the free shares concerned;
7. grant the Board of Directors full powers – which may be delegated as provided for by law – to use this authorization, and notably to:
   - determine whether the shares granted will be new or existing shares,
   - draw up the list of the beneficiaries or determine the category(ies) of beneficiaries, selected from among the employees and executive officers of the Company or the above-mentioned entities or groups of entities, and decide the number of shares to be granted to each of them,
   - set the vesting terms and conditions for each grant, and in particular the vesting and lock-up periods applicable to each beneficiary, in accordance with the conditions set out above, it being specified that for shares granted free of consideration to executive officers, the Board of Directors must, either (a) decide that the shares granted may not be sold by their beneficiaries while they hold an executive officer's position, or (b) set the number of shares they must hold in registered form until the end of their terms of office,
   - where applicable, make the vesting of all or some of the shares contingent on the achievement of one or more performance conditions set by the Board of Directors, it being specified that all of the shares granted to executive officers of the Company must be subject to performance conditions,
   - provide for the possibility of provisionally suspending any share grant rights,
   - place on record the vesting dates of the shares and the dates from which the shares will be freely transferable, taking into account any legal restrictions,
   - in the case of an issue of new shares, (i) set the terms and conditions of the issues carried out pursuant to this authorization and the cum-rights dates of the new shares, (ii) transfer an amount equal to the aggregate par value of the shares from retained earnings, profit or additional paid-in capital to the capital account, (iii) place on record the capital increase(s) carried out pursuant to this authorization, (iv) amend the bylaws to reflect the new capital, and (v) generally carry out all necessary procedures and formalities;
8. note that, if the Board of Directors uses this authorization, it will inform the shareholders at the Annual General Meeting of the transactions carried out pursuant to Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, under the terms and conditions provided for in Article L. 225-197-4 of said Code;
9. resolve that this authorization is granted for a period of thirty-eight months from the date of this meeting and supersedes the authorization given for the same purpose in the twenty-second resolution of the May 16, 2018 Annual General Meeting.

Twenty-fifth resolution

Authorization for the Board of Directors to grant stock options to Group employees and/or executive officers

Having considered the Board of Directors' report and the Statutory Auditors' special report, the shareholders:

1. authorize the Board of Directors, in accordance with Articles L. 225-177 *et seq.* of the French Commercial Code, to grant to all or some employees and/or executive officers of the Company or of entities related to the Company within the meaning of Article L. 225-180 of the French Commercial Code, options to purchase new or existing shares of the Company in accordance with the terms and conditions set out below;
2. resolve that the total number of stock options granted pursuant to this authorization may not be exercisable for a number of shares representing over 1% of the Company's capital at the grant date, taking into account the number of options already granted pursuant to this authorization, but not including the impact of any adjustments made in accordance with the applicable regulations;
3. resolve that existing shares acquired on the exercise of stock options granted in accordance with this resolution will be purchased in advance by the Company under the share buyback program authorized in the twenty-third resolution of this meeting in application of Article L. 225-209 of the French Commercial Code, or any subsequently approved share buyback program;
4. resolve that the stock options authorized under this resolution may, subject to compliance with the applicable laws, be granted to the Company's executive officers, provided that (i) the exercise of the options is contingent on the achievement of performance conditions set at the grant date by the Board of Directors, and (ii) the shares allocated on exercise of the options do not represent more than 0.5% of the Company's capital at the grant date, it being specified that this sub-ceiling will be included in the above-mentioned ceiling of 1% of the Company's capital;

5. resolve that the exercise price of the options granted in accordance with this resolution will be set by the Board of Directors subject to the following conditions and without any possibility of applying a discount:
   - the exercise price for options to purchase new or existing shares may not be lower than the average of the prices quoted for the Company's shares on Euronext Paris during the twenty trading days preceding the grant date of the options concerned. No options may be granted less than twenty trading days after the ex-dividend date or the issue of a preferential right to purchase new shares issued by the Company,
   - the exercise price for options to purchase existing shares may not be lower than either (i) the price specified in the above paragraph, or (ii) the average purchase price of the shares acquired by the Company under the share buyback program authorized in the twenty-third resolution of this meeting in application of Article L. 225-209 of the French Commercial Code, or any subsequently approved share buyback program;
6. resolve that if the Company carries out any of the transactions referred to in Article L. 225-181 of the French Commercial Code, it will take all necessary measures, as provided for in the regulations then in force, to protect the option holders' interests. If appropriate, such measures may consist of adjusting the number of shares to be obtained upon exercise of the options to take into account the impact of the transaction;
7. note and resolve that this authorization automatically entails the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued on exercise of the options, and that any capital increase(s) carried out as a result of the exercise of options granted under this authorization will be completed on receipt of (i) the related option exercise notice(s), (ii) the appropriate share purchase forms, and (iii) the corresponding payment. The exercise price of the stock options may be paid either in cash or by offsetting receivables payable by the Company;
8. resolve that the exercise period of the options may not exceed twelve years from the grant date;
9. give full powers to the Board of Directors to use this authorization in accordance with the conditions set out above, and notably to:
   - draw up the list of beneficiaries and determine the number of options to be granted to each beneficiary,
   - determine the terms and conditions of each grant, and notably:
     - (i) the option exercise period(s), subject to the timeframe specified in paragraph 8 above,
     - (ii) any provisions prohibiting the immediate resale of all or some of the shares (in the case of options granted to executive officers, the Board of Directors must, either (a) decide that the options may not be exercised by their beneficiaries while they hold an executive officer's position, or (b) set the number of shares they must hold in registered form until the end of their terms of office,
     - (iii) where applicable, make the vesting of some or all of the options subject to the achievement of one or more performance conditions set by the Board of Directors, it being specified that all of the options granted to executive officers must be subject to performance conditions;
   - where appropriate, limit, suspend, restrict or prohibit the exercise of the options or the sale or conversion into bearer shares of the shares obtained on exercise of the options, in accordance with the applicable laws and regulations,
   - charge, if it deems appropriate, the share issuance costs against the related premiums, and deduct from the premiums the amount required to increase the legal reserve to 10% of the Company's new capital after each issue,
   - place on record any capital increase(s) resulting from this authorization based on the number of shares issued on exercise of the stock options; amend the Company's bylaws to reflect the new capital; carry out any and all formalities required for the listing of any new shares issued, as well as any filing and other formalities with any organizations; and generally take all necessary measures;
10. note that if the Board of Directors uses this authorization, it will inform the shareholders at the Annual General Meeting of the transactions carried out pursuant to Articles L. 225-177 to L. 225-186-1 of the French Commercial Code, under the terms and conditions provided for in Article L. 225-184 of said Code;
11. resolve that this authorization is granted for a period of thirty-eight months from the date of this meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-fifth resolution of the May 17, 2017 Annual General Meeting.

Twenty-sixth 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 for existing shareholders

Having considered the Board of Directors' report 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 increase the Company's capital by issuing, 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 and/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 ceiling (i) does not include the par value of any additional shares that may be issued pursuant to the applicable laws and 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 for capital increases set in the nineteenth resolution of the May 21, 2019 Annual General Meeting 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 per-share issue price of the shares issued pursuant to this resolution will be set in accordance with Article L. 3332-18 *et seq.* of the French Labor Code and may include 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, notably in order to take into account any international accounting requirements or, inter alia, any legal, accounting, tax and/or labor provisions applicable in the countries of residence of certain beneficiaries. 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 such members 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 laws 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 the applicable laws and regulations – to use this authorization, subject to the conditions set out above, and notably to:
   (a) 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,

   (b) 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 laws and regulations,

   (c) set the opening and closing dates of the subscription period(s),

   (d) set, in accordance with the applicable laws and regulations, (i) the par value of any existing shares granted pursuant to this resolution, (ii) the amount of the issue(s) to be carried out pursuant to this resolution, (iii) the subscription price of the new shares issued, (iv) the dates and timing of each issue, (v) the terms and conditions under which the shares issued pursuant to this authorization will be subscribed, paid up and delivered, (vi) the cum-rights date of the shares (which may be retroactive), (vii) the rules applicable in the event of over-subscription, and (viii) any other terms and conditions of the issue(s),

   (e) collect and record the subscriptions for the new shares and the related payments,

   (f) 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 laws 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),

   (g) 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,

   (h) provide for the possibility of suspending the exercise of rights attached to securities carrying rights to new or existing shares, for a time period set in accordance with the applicable laws, regulations and any contractual provisions,

   (i) 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,

   (j) place on record the capital increase(s), carry out – either directly or indirectly through an agent – any measures and formalities required for the capital increase(s) resulting from the issue(s) of new shares, and amend the Company's bylaws accordingly,

(k) at its sole discretion, charge any share issuance costs against the related premium, and deduct from the premium the amount required to raise the legal reserve to 10% of the new share capital after each issue,

(l) 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,

(m) 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 and (ii) for the exercise of any rights attached to such shares;

8. **note** that this authorization supersedes the authorization granted to the Board of Directors in the third resolution of the Extraordinary General Meeting held on December 20, 2019 ("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");
9. **resolve** that this authorization is given for a period of twenty-six months from the date of this meeting.

Twenty-seventh resolution

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

Having considered the Board of Directors' report and the Statutory Auditors' special report and having noted the adoption of the twenty-third 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 twenty-third 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-ninth resolution of the May 21, 2019 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.

Twenty-eighth resolution

Amendment to Article 13 of the Company's bylaws – "Board of Directors"

Having considered the Board of Directors' report, the shareholders resolve to amend Article 13.2 of the Company's bylaws to read as follows:

"In accordance with Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall also include one or two directors representing employees, appointed by the Social and Economic Committee of the iliad UES. When two employee representative directors are appointed, one shall be a man and the other a woman.

If the number of directors elected by shareholders exceeds eight, a second employee representative director shall be appointed as described above, within six months of the appointment by the Board or the election by shareholders of the new director which resulted in the eight-member threshold being exceeded.

The number of Board members taken into account for the purpose of determining the number of employee representative directors shall be the number at the date on which the employee representative directors are appointed.

If the seat of an employee representative director falls vacant for any reason, said seat shall be filled by the appointment of a new employee representative director at the first ordinary Social and Economic Committee meeting following the date on which the Board places on record that the seat is vacant.

Employee representative directors shall be appointed for a four-year term.

If the total number of Board members elected by shareholders falls to eight or below, the employee representative director(s) in office shall remain on the Board for the duration of their scheduled term.

If the Company no longer meets the legal criteria that trigger the requirement to have employee representative directors then the term(s) of the employee representative director(s) in office at that time shall expire at the close of the meeting at which the Board of Directors places on record that such criteria are no longer met.

The provisions of the first paragraph of Article 14 of these bylaws, stating that directors are required hold a certain number of the Company's shares, shall not apply to employee representative directors."

The rest of Article 13 remains unchanged.

Twenty-ninth resolution

Amendment to Article 17 of the Company's bylaws – "Organization, meetings and decisions of the Board of Directors"

Having considered the report of the Board of Directors, the shareholders resolve:

- to add the following paragraph after the second paragraph of Section 1 ("Chairman") of Article 17 of the Company's bylaws:

  "If it deems fit, the Board of Directors may also appoint from among its members a Vice-Chairman, who must be an individual and not a corporate director, and whose term of office shall be set by the Board but may not exceed his or her term of office as a director. The only specific responsibility of the Vice-Chairman shall be to Chair meetings of the Board of Directors and of shareholders in the absence of the Chairman of the Board of Directors."
- to amend the penultimate paragraph of Section 1 ("Chairman") of Article 17 of the Company's bylaws to read as follows:

  "In the event of the Chairman's death or temporary unavailability and if the Vice-Chairman is absent, the Board of Directors may appoint one of its members to act as Chairman. If the Chairman is temporarily unavailable, such appointment shall be for a limited period, which shall be renewable. In the event of the Chairman's death, the acting Chairman shall remain in office until a new Chairman is appointed."
- to add the following paragraph before the final paragraph of Section 2 ("Board meetings") of Article 17 of the Company's bylaws:

  "The Board of Directors may also take decisions by way of written consultation of its members, in the circumstances provided for in the applicable regulations."
- to add the following sentence at the end of the last paragraph of Section 2 ("Board meetings") of Article 17 of the Company's bylaws:

  "The attendance register may be kept in electronic form subject to the conditions provided for by law."

The rest of Article 17 remains unchanged.

Thirtieth resolution

Amendment to Article 21 of the Company's bylaws – "Agreements entered into between the Company and a director, the Chief Executive Officer, a Senior Vice-President or a shareholder"

Having considered the Board of Directors' report, the shareholders resolve to amend Article 21 of the Company's bylaws to read as follows:

"The provisions of Articles L. 225-38 et seq. of the French Commercial Code apply to the agreements entered into by the Company."

Thirty-first resolution

Amendment to Article 26 of the company's bylaws, "Participation in and representation at Shareholders' Meetings – Powers"

Having considered the report of the Board of Directors, the shareholders resolve:

- To amend section 3 of Article 26 of the Company's bylaws to read as follows:

  "Any shareholder who cannot attend a meeting in person may choose one of the following three options:

  - To be represented by another shareholder or by their spouse or civil partner or by any other person or entity of their choice.
  - To vote remotely using a form which may be obtained by following the instructions provided in the notice of meeting.
  - 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."
- To add a new section (section 4) to Article 26 of the Company's bylaws, as follows:

  "The Board of Directors may authorize proxy and postal voting forms to be sent remotely (including electronically) to the Company, in accordance with the terms and conditions set down by the applicable laws and regulations."
- To add a new section (section 5) to Article 26 of the Company's bylaws, as follows:

  "Shareholders must send their proxy or postal voting form to the Company at least three days before the Shareholders' Meeting concerned. The Board of Directors may, however, decide to shorten this time period."

The rest of Article 26 remains unchanged.

Thirty-second resolution

Amendment to Article 27 of the Company's bylaws – "Attendance sheet – Meeting officers – Minutes".

Having considered the Board of Directors' report, the shareholders resolve to amend the first paragraph of Article 27.2 of the Company's bylaws to read as follows:

"Shareholders' Meetings shall be chaired by the Chairman or Vice-Chairman of the Board of Directors, or, if they are absent, by a director appointed to such role by the Board of Directors. Where a meeting is called by the Statutory Auditors or a court-appointed representative, it shall be chaired by the party that called the meeting. Where no other Chair is available, the Chair of a Shareholders' Meeting shall be elected by the shareholders at the meeting itself."

The rest of Article 27 remains unchanged.

Thirty-third resolution

Setting the par value of the Company's shares in the bylaws and authorizing the Board of Directors to carry out the ensuing increase in the Company's capital through the capitalization of reserves, profit, additional paid-in capital or other eligible items

Having considered the Board of Directors' report, in accordance with the applicable laws and regulations, notably Articles L. 228-8, L. 225-129, L. 225-129-1 and L. 225-129-4 of the French Commercial Code, the shareholders:

1. decide on the principle of setting, in the Company's bylaws, the par value of each of the shares making up the Company's capital at twenty-five euro cents (€0.25);
2. resolve, as a result of the above, to increase the par value of the Company's shares to twenty-five euro cents (€0.25) per share, by way of a capital increase carried out by capitalizing reserves, profit, additional paid-in capital or other items whose capitalization is authorized by law and the Company's bylaws;
3. further resolve, as a result of the above, to give full powers to the Board of Directors – which may be delegated as provided for by the applicable laws and regulations – to use this authorization to increase the Company's capital within 12 months of the date of this Annual General Meeting, and in particular to:
   - set the par value of the existing shares making up the Company's capital,
   - decide on the date for carrying out the capital increase, and set, in accordance with the above, the amount and nature of the sums to be capitalized as well as the amount by which the par value of the existing shares will be increased,
   - place on record the capital increase and carry out, directly or through an agent, any requisite measures and formalities,
   - amend Article 6 ("Share capital") of the bylaws by updating the amount of the Company's capital and setting the par value of the shares at twenty-five euro cents (€0.25).

Thirty-fourth 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.

9.2 BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS SUBMITTED TO THE ANNUAL GENERAL MEETING TO BE HELD IN 2020

To the Shareholders,

We have invited you to this Annual General Meeting, in accordance with French law and the Company's bylaws, in order to submit for your approval the resolutions described below.

ORDINARY RESOLUTIONS

Approval of the financial statements for the year ended December 31, 2019, appropriation of profit and approval of a dividend payment

(First to third resolutions)

Based on the reports of the Board of Directors and the Statutory Auditors, in the first and second resolutions, the shareholders are invited to approve:

- the parent company financial statements for 2019, which show profit for the year of €1,434 million (**first** resolution);
- the consolidated financial statements for 2019, which show profit for the year of €1,726 million (**second** resolution).

In the **third** resolution, the shareholders are asked to appropriate the Company's distributable profit as follows:

In €	
Profit for the year	**1,433,550,071**
Less prior-year losses	0
Plus retained earnings	2,958,973,109
Total distributable profit	**4,392,523,180**
Appropriation:	
To the legal reserve	0
To a dividend payment representing a maximum of: i.e., €2.60 per share	154,511,116
BALANCE	**4,238,012,064**
Appropriated to retained earnings	

The maximum number of shares eligible for the 2019 dividend is 59,440,194, corresponding to the aggregate of (i) the 59,179,338 shares making up the Company's capital at January 31, 2020 and (ii) the 260,856 shares that are potentially issuable between February 1, 2020 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, 2020 and the dividend will be paid as from June 26, 2020 on positions closed as of the close of business on June 25, 2020.

The 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%.

Dividends paid for the last three years were as follows:

	2016	2017	2018
Total number of shares making up the Company's capital (1)	58,885,825	58,759,097	59,102,802
Aggregate net dividends (2) *(in €)*	25,909,763	39,956,186	53,192,522
Net dividend per share (2) *(in €)*	0.44	0.68	0.90

(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 French Tax Code were carried out in 2016, 2017 or 2018.

Approval of related-party agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code

(Fourth to sixth resolutions)

In the **fourth to sixth resolutions**, the Board is seeking shareholder approval of the following related-party agreements, as presented in the Statutory Auditors' special report:

- the related-party agreements authorized and entered into during 2019, excluding agreements with Holdco **(fourth resolution)**;
- the following related-party agreements that have been authorized since December 31, 2019:
  - a management agreement entered into by the Company with Holdco **(fifth resolution)**. The agreement sets out the relationship between iliad and HoldCo – a company controlled by Xavier Niel – as part of HoldCo's management of the Group. It describes the management services rendered by HoldCo, particularly those related to developing iliad's strategy and monitoring its implementation;
  - a three-way agreement entered into between the Company, Holdco and Cyril Poidatz **(sixth resolution)**. The purpose of the agreement is to transfer Cyril Poidatz's employment contract to HoldCo, thereby helping to ensure that HoldCo can effectively manage the Group.

Membership of the Board of Directors: re-election and election of directors

(Seventh to tenth resolutions)

The members of the Board of Directors have a range of diverse and complementary skills and qualifications. They all have a highly-developed sense of ethics, commitment, innovation and strategy and have built up in-depth expertise in their business areas. In addition, they have specific skills related to operations and sectors that are key to the Group's business and strategy. These diverse and complementary profiles are a strong asset for the quality of the Board's discussions and decision-making process.

The purpose of **the seventh to tenth resolutions** is for the shareholders to re-elect the directors whose terms of office are due to expire and to elect two new directors. The profiles of the persons being put forward for re-election and election as directors can be found in Chapter 3, Section 3.1 of this Universal Registration Document.

- **Re-election of Cyril Poidatz as a director**

  (Seventh resolution)

  In the **seventh resolution**, the shareholders are invited to re-elect Cyril Poidatz as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

- **Re-election of Thomas Reynaud as a director**

  (Eighth resolution)

  In the **eighth resolution**, the shareholders are invited to re-elect Thomas Renaud as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

- **Election of Jacques Veyrat as a director**

  (Ninth resolution)

  In the **ninth resolution**, the shareholders are invited to elect Jacques Veyrat as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

  Jacques Veyrat is the former Chairman & CEO of Neuf Cegetel and the Louis Dreyfus group, and currently Chairman of Impala S.A.S. – a holding company which controls some fifteen companies operating notably in the energy and manufacturing sectors.

  Having carefully reviewed Mr. Veyrat's profile and background, the Nominations Committee and the Board of Directors are of the firm opinion that iliad would benefit from his in-depth knowledge of the telecoms sector and his experience in best governance practices.

  Both the Nominations Committee and the Board of Directors consider that Mr. Veyrat fully meets the independence criteria set out in the AFEP-MEDEF Code, which the Company uses as its corporate governance reference framework.

- **Election of Céline Lazorthes as a director**

  (Tenth resolution)

  In the **tenth resolution**, the shareholders are invited to elect Céline Lazorthes as a director, for a four-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2023.

  Céline Lazorthes is the founder and Chair of the Supervisory Board of the Leetchi group.

  Having carefully reviewed Ms. Lazorthes' profile and background, the Nominations Committee and the Board of Directors are of the firm opinion that her experience in digital marketing will be a strong asset for iliad. Ms. Lazorthes is a fervent supporter of female entrepreneurship and would also bring to the Group her view of society and social responsibility.

  Both the Nominations Committee and the Board of Directors consider that Ms. Lazorthes fully meets the independence criteria set out in the AFEP-MEDEF Code, which the Company uses as its corporate governance reference framework.

  If the above resolutions are approved, at the close of the 2020 Annual General Meeting, the Board of Directors would have 10 members, including five independent directors. It would have four women members, which complies with the recommendations of the AFEP-MEDEF Code and the French law concerning gender balance on corporate boards.

Setting the annual amount of remuneration allocated to members of the Board of Directors

(Eleventh resolution)

The purpose of the **eleventh resolution** is for the shareholders to set the aggregate annual amount of remuneration to be allocated to the Board of Directors at €240,000. As provided for by law, the Board of Directors will decide on how this remuneration will be allocated among its members, based on the recommendation of the Compensation Committee. Pursuant to the compensation policy concerning the remuneration of directors, the amounts allocated will be partly based on each director's actual attendance at the Board meetings, and on whether or not they are a member of a Board committee.

Approval of the information provided in accordance with Article L. 225-37-3 I of the French Commercial Code, and the components of the compensation paid during, or allocated for, 2019 to the Company's executive officers

(Twelfth to eighteenth resolutions)

Pursuant to Article L. 225-100 II and III of the French Commercial Code, as amended by the French government order dated November 27, 2019, the shareholders at the Annual General Meeting are required to vote on (i) one overall resolution concerning the information provided in accordance with Article L. 225-37-3 I of said Code, and (ii) separate resolutions concerning the individual compensation of each of the Company's executive officers and the Chairman (ex-post say-on-pay vote).

Consequently, in the **twelfth resolution**, the shareholders are asked to approve the information provided in accordance with Article L. 225-37-3 I of the French Commercial Code, as presented in Chapter 3, Section 3.4.1.1 of the 2019 Universal Registration Document.

In addition, in the **thirteenth to eighteenth** resolutions, the shareholders are invited to approve the fixed, variable and exceptional components making up the total compensation and benefits paid during, or allocated for, the year ended December 31, 2019 to the following corporate officers, as set out in Chapter 3, Section 3.4.1.2 of the 2019 Universal Registration Document:

- Maxime Lombardini, in his capacity as Chairman of the Board of Directors (**thirteenth resolution**);
- Thomas Reynaud, in his capacity as Chief Executive Officer (**fourteenth resolution**);
- Xavier, Niel in his capacity as Senior Vice-President (**fifteenth resolution**);
- Rani Assaf, in his capacity as Senior Vice-President (**sixteenth resolution**);
- Antoine Levavasseur in his capacity as Senior Vice-President (**seventeenth resolution**);
- Alexis Bidinot, in his capacity as Senior Vice-President until December 9, 2019 (**eighteenth resolution**).

Approval of the compensation policy for corporate officers

(Nineteenth to twenty-second resolutions)

Pursuant to Article L. 225-37-2 II of the French Commercial Code, as amended by the French government order dated November 27, 2019, the shareholders at the Annual General Meeting are invited to approve the compensation policies for iliad's corporate officers, as presented in Chapter 3, Section 3.4.2 of the 2019 Universal Registration Document (ex-ante say-on-pay vote). The compensation policies are set by the Board of Directors based on the recommendations of the Compensation Committee.

Consequently, in the **nineteenth to twenty-second resolutions**, the shareholders are invited to approve the compensation policies for:

- the Chairman of the Board of Directors (**nineteenth resolution**);
- the Chief Executive Officer (**twentieth resolution**);
- the Senior Vice-Presidents (**twenty-first resolution**);
- the directors (**twenty-second resolution**).

Authorization for the Board of Directors to carry out a share buyback program

(twenty-third resolution)

The Board of Directors is seeking to renew the existing shareholder authorization to carry out a share buyback program, having used this authorization in 2019.

In the **twenty-third resolution**, the shareholders are therefore asked to authorize the Board of Directors to purchase on behalf of the Company, directly or indirectly, iliad shares representing up to 10% of the Company's capital at the time of the buyback(s). The repurchased shares would be used for the following purposes:

- to maintain a liquid market in the Company's shares through market-making transactions;
- for allocation to employees and executive officers of the Company and its subsidiaries (notably under share grant or stock option plans);
- as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders, subject to a ceiling representing 1% of iliad S.A.'s capital;
- to be held 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;
- for cancellation, in full or in part, subject to the adoption of the **twenty-seventh resolution** of this meeting;
- for allocation 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.

If this resolution is adopted, the authorization would be given for a period of 18 months and would supersede the authorization given for the same purpose at the May 21, 2019 Annual General Meeting.

EXTRAORDINARY RESOLUTIONS

Authorizations concerning employee stock ownership

(Twenty-fourth to twenty-sixth resolutions)

As the authorizations relating to employee stock ownership given to the Board of Directors at the May 17, 2017, May 16, 2018 and May 21, 2019 Annual General Meetings are due to expire or have been used, the Board is seeking a renewal of those authorizations.

If the new authorizations are granted, they will cancel and supersede, as from the date of this meeting, the previous authorizations given by the shareholders for the same purposes.

The aim of the authorizations is to enable Group employees and officers to acquire an ownership interest in the Company.

Authorization for the Board of Directors to grant existing or new shares, free of consideration, to Group employees and/or executive officers

(Twenty-fourth resolution)

In the **twenty-fourth resolution**, the Board of Directors is seeking an authorization to grant, free of consideration and on one or more occasions, existing or new shares to all or some Group employees and/or executive officers, subject to a ceiling of 2% of the Company's capital.

The total number of shares granted free of consideration to the Company's executive officers would not be able to represent more than 40% of the aggregate number of shares granted pursuant to this resolution.

If this resolution is adopted, the authorization would be given for a period of 38 months.

Authorization for the Board of Directors to grant stock options to Group employees and/or executive officers

(Twenty-fifth resolution)

In the **twenty-fifth resolution** the Board of Directors is seeking an authorization to grant, to all or some Group employees and/or executive officers, options to purchase new or existing shares of the Company, subject to a ceiling of 1% of the Company's capital.

The shares allocated on exercise of options granted to executive officers would not be able to represent more than 0.5% of the Company's capital, and this sub-ceiling would be included in the above-mentioned 1% ceiling.

If this resolution is adopted, the authorization would be given for a period of 38 months.

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 for existing shareholders

(Twenty-sixth resolution)

In the **twenty-sixth resolution**, the shareholders are asked to authorize the Board of Directors to increase the Company's capital by issuing, without pre-emptive subscription rights for existing shareholders, 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 resolution would not be able to represent more than 1% of the Company's share capital.

This 1% ceiling would be included in the blanket ceiling for capital increases set in the nineteenth resolution of the May 21, 2019 Annual General Meeting or, 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, which would be set at twenty-six months.

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

(Twenty-seventh resolution)

One of the purposes of the share buyback program (**twenty-third resolution**) is to cancel the purchased shares. Consequently, in the **twenty-seventh 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 would not be able to represent more than 10% of the Company's issued capital.

Amendments to the Company's bylaws

(Twenty-eighth to thirty-second resolutions)

The purpose of the twenty-eighth to thirty-second resolutions is to amend a certain number of the Company's bylaws, notably to take into account changes in French law, particularly the Pacte Act dated May 22, 2019 and the Act dated July 19, 2019 aimed at simplifying corporate law.

Amendment to Article 13 of the Company's bylaws – "Board of Directors"

(Twenty-eighth resolution)

In the **twenty-eighth resolution**, the shareholders are invited to amend Article 13 of the Company's bylaws – "Board of Directors" – so that, in accordance with the Pacte Act, it provides:

- the Board of Directors must include at least one director representing employees, or two directors representing employees if the number of shareholder-elected directors exceeds eight;
- when two employee representative directors are appointed, one must be a man and the other a woman.

Amendment to Article 17 of the Company's bylaws – "Organization, meetings and decisions of the Board of Directors"

(Twenty-ninth resolution)

In the **twenty-ninth resolution**, the shareholders are invited to amend Article 17 of the Company's bylaws – "Organization, meetings and decisions of the Board of Directors" – for it to provide that:

- the Board of Directors may appoint from among its members a Vice-Chairman, who must be an individual and not a corporate director, and whose term of office will be set by the Board but may not exceed his or her term of office as a director. The only specific responsibility of the Vice-Chairman will be to Chair meetings of the Board of Directors and of shareholders in the absence of the Chairman of the Board of Directors;
- in the event of the Chairman's death or temporary unavailability and if the Vice-Chairman is absent, the Board of Directors may appoint one of its members to act as Chairman;
- the Board of Directors may take decisions by way of written consultation of its members, in the circumstances provided for in the applicable regulations;
- the attendance register for Board meetings may be kept in electronic form subject to the conditions provided for by law.

Amendment to Article 21 of the Company's bylaws – "Agreements entered into between the Company and a director, the Chief Executive Officer, a Senior Vice-President or a shareholder"

(Thirtieth resolution)

In the **thirtieth resolution**, the shareholders are invited to amend Article 21 of the Company's bylaws – "Agreements entered into between the Company and a director, the Chief Executive Officer, a Senior Vice-President or a shareholder" – for it to state that the provisions of Articles L. 225-38 *et seq.* of the French Commercial Code now apply to the agreements entered into by the Company.

Amendment to Article 26 of the Company's bylaws, "Participation in and representation at Shareholders' Meetings – Powers"

(Thirty-first resolution)

In the **thirty-first resolution**, the shareholders are invited to amend Article 26 of the Company's bylaws – "Participation in and representation at Shareholders' Meetings – Powers" – in order to allow proxy and postal voting forms to be sent electronically.

Amendment to Article 27 of the Company's bylaws – "Attendance sheet – Meeting officers – Minutes"

(Thirty-second resolution)

In the **thirty-second resolution**, the shareholders are invited to amend Article 27 of the Company's bylaws – "Attendance sheet – Meeting officers – Minutes" – for it to state that Shareholders' Meetings will be chaired by the Chairman or Vice-Chairman of the Board of Directors, or, if they are absent, by a director appointed to such role by the Board of Directors.

Setting the par value of the Company's shares in the bylaws and authorizing the Board of Directors to carry out the ensuing increase in the Company's capital through the capitalization of reserves, profit, additional paid-in capital or other eligible items

(Thirty-third resolution)

In the **thirty-third resolution**, the Board of Directors is seeking approval to (i) set in the Company's bylaws the par value of each of the shares making up the Company's capital at twenty-five euro cents (€0.25) and (ii) consequently increase the par value of the Company's shares to twenty-five euro cents (€0.25) by way of a capital increase carried out by capitalizing reserves, profit, additional paid-in capital or other items whose capitalization is authorized by law and the Company's bylaws.

Accordingly, shareholders are asked to give full powers to the Board of Directors – which may be delegated – to use this authorization to increase the Company's capital within 12 months of the date of this Annual General Meeting, and in particular to:

- set the par value of the existing shares making up the Company's capital;
- decide on the date for carrying out the capital increase, and set the amount of the capital increase and the amount by which the par value of the existing shares will be increased;
- place on record the capital increase and carry out any requisite measures and formalities;
- amend Article 6 ("Share capital") of the bylaws by updating the amount of the Company's capital and setting the par value of the shares at twenty-five euro cents (€0.25) each.

Powers to carry out formalities

(Thirty-fourth resolution)

In the **thirty-fourth 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

10.1 PERSONS RESPONSIBLE FOR THE UNIVERSAL 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 UNIVERSAL REGISTRATION DOCUMENT

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Universal 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 2019 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 management report provides a fair review of the business, results and financial position of the Company and its subsidiaries, and describes the principal risks and uncertainties that they face."

Thomas Reynaud
Chief Executive Officer of iliad
April 9, 2020

10.1.3 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Nicolas Jaeger
Chief Financial 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 Universal 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 Universal 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 (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 Universal Registration Document.

10.3.2 OPERATING CONTRACTS

The main operating contracts are presented in the management report in chapter 5 of this Universal Registration Document.

GLOSSARY

The glossary below is provided as a supplement and as an aid to understanding this Universal 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 line. 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 onetime 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 Revolution 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 Revolution 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.

Capex: Capex corresponds to the net cash outflow for acquisitions of property, plant and equipment and intangible assets (excluding payments for frequencies).

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.

Colocation 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* – http://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 unbundling activities. See also "Colocation 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.

EBITDAaL: Profit from ordinary activities before (i) depreciation, amortization and impairment of property, plant and equipment and intangible assets, and (ii) the impact of share-based payment expense.

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 requirement 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 (France Telecom) and third-party operators is governed by the provisions of the French Post and Electronic Communications 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 EBITDAaL.

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 and 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 is 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 Electronic Communications 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 the sale of services to subscribers.

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 from sales of devices.

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 a Free or Alice Broadband or Ultra-Fast Broadband offering, excluding those recorded as having requested the termination of their subscription.

Total mobile subscribers – France: Represents, at the end of a period, the total number of subscribers, identified by their telephone lines, who have subscribed to a Free Mobile offering, excluding those recorded as having requested the termination of their subscription.

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

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, the Ile-de-France region 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

UNIVERSAL REGISTRATION DOCUMENT

This table cross references (i) the headings of the disclosures required under Annexes 1 and 2 of European Commission Delegated Regulation (EU) 2019/980 with (ii) the pages in this Universal Registration Document where such disclosures can be found.

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(1) In accordance with Article 19 of European Commission Regulation (EC) 2017/1129, the following information is included by reference in this Universal Registration Document: (i) the consolidated financial statements for the year ended December 31, 2017 and the related 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. 18-0315; and (ii) the consolidated financial statements for the year ended December 31, 2016 and the related Statutory Auditors' report presented in Chapter 20, Section 20.1 of the 2016 Registration Document filed with the AMF on April 7, 2017 under no. D. 17-0342.*

ANNUAL FINANCIAL REPORT

The table below cross-references the disclosures 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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REPORT ON CORPORATE GOVERNANCE

The table below cross-references the disclosures required in the report on corporate governance pursuant to Articles L. 225-37 *et seq.* of the French Commercial Code (*Code de commerce*).

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DISCLAIMER CONCERNING FORWARD-LOOKING STATEMENTS

This Universal Registration Document contains information on the Group's objectives, outlook and growth trends as well as forward-looking statements. These forward-looking statements can be identified by the use of the future or conditional tense or forward-looking terms, such as “consider”, “envisage”, “think”, “believe”, “wish”, “may”, “might”, “could”, “would” “should”, “will”, “possible”, “potential”, “expect”, “intend”, “aim”, “anticipate” “estimate”, or “continue”, or, as the case may be, the negative form of those terms, or any other terms with a similar meaning, or the use of future dates. Although these forward-looking statements and information are based on data, assumptions and estimates that the Company considers reasonable as at the date of this Universal Registration Document, it cannot guarantee that the objectives or forecasts described will actually be achieved. Furthermore, such information and forecasts may change as a result of uncertainties, relating notably to the fluctuations inherent in any business activity and the economic, financial, competitive and regulatory environment. The information concerned is set out in various sections of this Universal Registration document and relates to the Group's intentions, estimates and objectives regarding, inter alia, its market, strategy, growth, earnings, financial position and cash flows. The Company does not give any undertaking to update or revise the objectives, outlook or forward-looking information contained in this Universal Registration Document, except where required under the applicable laws or regulations. Moreover, the occurrence of certain risks described in Chapter 2, “Risk Factors”, of this Universal Registration Document could have an impact on the Group's business and its ability to achieve its objectives. All of the forward-looking statements contained in this Universal Registration Document are qualified in their entirety by this disclaimer.

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