2017 REGISTRATION DOCUMENT ANNUAL FINANCIAL REPORT



iliad

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2017 REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

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

In accordance with the General Regulations of the *Autorité des Marchés Financiers* (AMF), including Article 212-13, the original French version of this Registration Document was filed with the AMF on April 11, 2018.

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

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

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

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PERSONS RESPONSIBLE

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1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Maxime Lombardini, Chief Executive Officer of Iliad.

1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements for 2017 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the consolidated Group as a whole, and that the information contained in the management report whose various sections are presented in the cross-reference table on page 307 provides a fair review of the business, results and financial position of the Company and its subsidiaries, as well as a description of the principal risks and uncertainties that they face.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein."

Maxime Lombardini

Chief Executive Officer of Iliad

April 10, 2018

1.3 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Thomas Reynaud

Senior Vice-President

Iliad

16, rue de la Ville l'Évêque

75008 Paris, France

Telephone: +33 1 73 50 20 00

www.iliad.fr

1.4 PROVISIONAL TIMETABLE FOR FINANCIAL COMMUNICATIONS

May 18, 2018 at the latest:	First-quarter 2018 revenues
May 16, 2018	Annual General Meeting
By September 4, 2018:	First-half 2018 revenues and earnings
By November 15, 2018:	Revenues for the first nine months of 2018

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AUDITORS

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2.1 STATUTORY AUDITORS

PricewaterhouseCoopers Audit Represented by Xavier Cauchois 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	Deloitte & Associés Represented by Jean-Paul Seguret and François Buzy 185, avenue Charles de Gaulle 92200 Neuilly-sur-Seine, France
First appointed at the Annual General Meeting of October 19, 2000. Re-appointed at the Annual General Meeting of May 24, 2012 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, 2017.	First appointed at the Annual General Meeting of May 20, 2015. Current term expires at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2020.
Member of a professional organization: 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.

2.2 ALTERNATE AUDITORS

Étienne Boris 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	BEAS 195, avenue Charles de Gaulle 92200 Neuilly-sur-Seine, 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, 2017.	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.

At its meeting on March 12, 2018, the Board of Directors decided that at the May 16, 2018 Annual General Meeting it will recommend to the shareholders (i) that they re-appoint PricewaterhouseCoopers Audit as one of the Company's joint Statutory Auditors and (ii) that they do not to renew Etienne Boris' appointment as an Alternate Auditor.

2.3 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

The Statutory Auditors' fees for 2016 and 2017 are presented in Note 37 to the consolidated financial statements.

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SELECTED FINANCIAL INFORMATION

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3 SELECTED FINANCIAL INFORMATION

In € millions	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
INCOME STATEMENT			
Revenues	4,987.5	4,722.1	4,414.4
EBITDA[1]	**1,776.7**	**1,675.7**	**1,489.9**
Profit from ordinary activities	862.0	744.1	666.2
Other operating income and expense, net	(0.9)	(4.5)	(4.2)
Operating profit	861.1	739.6	662.2
Finance costs, net	(28.0)	(43.8)	(58.0)
Other financial income and expense, net	(63.3)	(48.3)	(24.5)
Corporate income tax	(366.0)	(245.6)	(244.5)
Share of profit of equity-accounted investees	0.9	0.7	-
Profit for the period	**404.6**	**402.7**	**335.0**
Profit for the period from recurring operations[1]	**480.3**	**402.7**	**335.0**
BALANCE SHEET			
Non-current assets	7,424.0	7,262.3	5,755.3
Current assets	972.1	947.8	1,432.7
Of which cash and cash equivalents	216.1	238.5	720.1
Assets held for sale	19.6	21.4	26.0
Total assets	**8,415.7**	**8,231.5**	**7,214.0**
Total equity	3,374.1	3,001.8	2,637.2
Non-current liabilities	2,882.0	2,882.1	1,899.1
Current liabilities	2,159.6	2,347.6	2,677.7
Total equity and liabilities	**8,415.7**	**8,231.5**	**7,214.0**
CASH FLOWS			
Cash flows from operations	1,757.9	1,603.8	1,472.7
Capital expenditure – France[2]	(1,738.5)	(1,757.8)	(1,219.9)
Capital expenditure – Italy[3]	(313.9)	-	-
Net change in cash and cash equivalents – Group (excluding payments for frequencies, financing activities and dividends)[3]	(226.4)	39.2	(76.1)
Net change in cash and cash equivalents – Group (excluding financing activities and dividends)[4]	(754.0)	(432.3)	(76.1)
Dividends	(25.9)	(24.1)	(23.0)
Net debt	2,449.2	1,642.8	1,191.4

(1) See definition on page 264 of this Registration Document.
(2) Including payments for frequencies.
(3) Including €271 million related to (i) purchases of frequencies from Wind Tre and (ii) the extension of 1,800 MHz licenses.
(4) Including interest paid.

KEY FIGURES FOR 2017

Just six years after it entered the mobile market, the Group has become one of the leading electronic communications operators in France, with more than 20 million subscribers, of which 13.7 million mobile subscribers and more than 6.5 million Broadband and Ultra-Fast Broadband subscribers. At December 31, 2017, it had market shares of 24%(1) for Broadband and Ultra-Fast Broadband and 19%(2) for mobile. During 2017, the Group continued its profitable growth trajectory, generating close to €5 billion in revenues – up 5.6% on 2016.

The most significant events of 2017 were as follows:

Operational information

- **Landline business: Free confirmed its position as France's leading alternative Broadband and Ultra-Fast Broadband operator, with over 6.5 million subscribers at December 31, 2017.** The number of new subscribers during the year (net of cancellations) came to 135,000, representing a net add market share of 21%(1). This was achieved despite a mature and highly competitive market, with numerous promotions launched by competitors, particularly in the second half of the year;
- **FTTH: a record year in terms of subscriber connections, with some 250,000 additional FTTH subscribers connected during the period, i.e., more than double the number for 2016.** The Group continued its FTTH rollout drive during 2017, with (i) nearly two million new connectible sockets installed, bringing the total to 6.2 million at December 31, 2017, and (ii) some 250,000 additional subscribers connected to fiber during the year. This means that the Group's FTTH subscriber base increased by 80% in the space of a year and at December 31, 2017 it stood at 556,000;
- **Mobile business: the Group has been France's leading recruiter of mobile subscribers for six consecutive years now, with nearly one million net adds in 2017.** This steady growth in the mobile subscriber base demonstrates the strength of the Free brand and the fact that the Group has got its strategy right by regularly enriching its mobile offerings. At December 31, 2017, the Group had 13.7 million mobile subscribers, giving it a market share of 19%(2);
- **Mobile business: a further improvement in the subscriber mix, with the majority of subscribers now on the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers). In 2017, all of the Group's new subscribers signed up for the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) and for the first time since the launch of the Mobile business, this plan had more subscribers than the €2/month plan (€0/month for Freebox subscribers);
- **a broad portfolio of 4G frequencies, enabling the Group to propose an excellent user experience.** At December 31, 2017, the Group had 8.2 million 4G subscribers, up by 2.3 million year on year and accounting for almost 60% of its total mobile subscriber base. As well as growth in the number of 4G subscribers, 2017 saw data usage surge more than 70% compared with 2016 and the Group now has one of the highest volumes of data usage in Europe with 8.4 GB in average monthly data usage per subscriber;
- **a record year for deployment of the mobile network.** During 2017, the Group opened some 3,700 new 3G sites, bringing its total to almost 12,200 at December 31, 2017 and exceeding its original target of having 12,000 by that date. Its 3G coverage rate at end-2017 was 94% of the French population;
- **ongoing intense rollout of the 4G network in 2017**. The Group pursued its 4G rollout drive throughout 2017, which enabled it to (i) equip over 4,300 4G sites to use 1,800 MHz frequencies and (ii) open more than 700 sites using 700 MHz frequencies. These rollout efforts explain the Group's high score for 4G connections in France in the nPerf mobile connections performance survey. During the year the Group continued to extend and enhance the quality of its 4G network, which covered 86% of the French population at end-December 2017;
- **Italy's fourth mobile network operator: the Group made good progress in preparing for the launch of its mobile offerings.** Throughout the course of 2017 the Group set up the technical architecture necessary for launching its mobile services in Italy. At the same time, it put in place the organizational structure for its Italian subsidiary by (i) hiring some 80 people and (ii) taking on an entire management team based in Italy in order to successfully carry through its project.

Financial information

- **consolidated revenues up 5.6% year on year.** Despite a highly competitive environment, the Group once again reported robust growth, with consolidated revenues rising 5.6% to almost €5 billion;
- **a 9% increase in Mobile services revenues. This would have been a double-digit rise** excluding the impact of slower growth for incoming revenues as a result of fewer text messages being sent due to the use of new communication platforms. 2017 saw a significant improvement in the subscriber mix, with the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) now counting more subscribers than the €2/month plan (€0/month for Freebox subscribers);
- **a 6% overall increase in consolidated EBITDA, with a mixed picture for the two businesses: a sharp rise in profitability for Mobile and a contraction for Landline.** Consolidated EBITDA came to €1,777 million in 2017. The year-on-year rise was wholly attributable to the sharp increase in profitability for the Mobile business, thanks to a higher proportion of traffic carried directly on the Group's own network and an improved mobile subscriber mix. Conversely, EBITDA for the Landline business was negatively affected during the year by (i) regulatory decisions, notably a €0.35 rise in unbundling fees to €9.45 per month, (ii) higher payroll costs due to the acceleration of the FTTH network rollout, (iii) the measures

(1) Company estimates.

(2) Metropolitan France excluding M2M.

taken to enrich the Group's offerings, notably the TV by CANAL Panorama package, and (iv) carrying out one-off promotions. Consolidated EBITDA was also adversely affected by initial losses incurred by the start-up of operations in Italy;

- **double-digit growth in profit from ordinary activities (up 16% to €862 million) and profit for the period from recurring operations (up nearly 20% year on year).** The increase in profit from ordinary activities was fueled by the higher EBITDA figure as well as slightly lower depreciation and amortization expense for the year. Profit for the period from recurring operations (i.e., excluding the exceptional income tax contribution for 2017) increased sharply once again, coming in at €480 million, despite the negative effect of the start-up losses in Italy. Between 2014 and 2017, Profit for the period from recurring operations rose almost 75%;
- **major capex programs focused on rolling out the Group's landline and mobile Ultra-Fast Broadband networks, backed by a solid financial structure.** In 2017, the Group invested €1,482 million (excluding payments for frequencies) in its landline and mobile infrastructure in France, enabling it to become more autonomous and increase its profitability while at the same time enhancing its subscriber service. It also invested €314 million in its Italian development plan during the year (including €50 million for the frequencies purchased from Wind Tre and €220 million paid to the Italian government for renewing the 1,800 MHz frequencies until 2029). Despite this outlay, the Group maintained its flexible financial structure and its leverage ratio was once again low, at 1.4x EBITDA at December 31, 2017;
- at the Annual General Meeting on May 16, 2018, the Group will propose the payment of a dividend of €0.68 per share for 2017[1].

PRINCIPAL FINANCIAL INDICATORS

In € millions	Year ended December 31, 2017	Year ended December 31, 2016	% change
Consolidated revenues	**4,987.5**	**4,722.1**	**5.6%**
• Landline	2,782.5	2,689.6	3.5%
• Mobile	2,214.3	2,043.0	8.4%
• Intra-group sales	(9.3)	(10.5)	-11.4%
Consolidated EBITDA[1]	**1,776.7**	**1,675.7**	**6.0%**
Profit from ordinary activities	**862.0**	**744.1**	**15.8%**
Profit for the period from recurring operations[2]	**480.3**	**402.7**	**19.3%**
Leverage ratio[3]	**1.4x**	**1.0x**	**0.4x**

(1) See definition on page 264 of this Registration Document.
(2) See definition on page 266 of this Registration Document.
(3) See definition on page 265 of this Registration Document.

(1) To be paid on June 22, 2018.

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Iliad conducts its business in a very competitive environment in France and Italy. During 2016, it entered the Italian mobile electronic communications market following the merger between the Italian subsidiaries of the Hutchison and VimpelCom groups which was approved by the European Commission on September 1, 2016. The electronic communications market in both France and Italy is undergoing rapid change which poses a number of risks for the Group, some of which are outside its control. Investors are advised to give careful consideration to all the risks set out below and to all the information contained in this Registration Document. The risks and uncertainties presented below are not the only ones facing the Group, as other risks and uncertainties of which the Group is not currently aware or which it does not consider to be significant at the publication date of this Registration Document could also have a negative impact on its business, results or financial position. The Group's risk management procedures are set out in Chapter 16, Section 16.4.1 of this Registration Document.

4.1 RISKS RELATING TO THE GROUP AND ITS STRUCTURE

4.1.1 DEPENDENCE ON EXECUTIVES AND KEY EMPLOYEES

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

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

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

4.1.2 DEPENDENCE ON THE PRINCIPAL SHAREHOLDER

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

4.1.3 RISKS RELATING TO THE AVAILABILITY OF EQUIPMENT FOR THE OPERATION OF THE GROUP'S NETWORK AND SERVICES AND DEVELOPMENT OF ITS OFFERINGS

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

4.1.4 RISKS RELATING TO ACQUISITIONS AND INVESTMENTS

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

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

In case of disagreement between the Group and its partners, the profitability of these investments, their contribution to Group earnings and the Group's strategy in these companies' host countries could be negatively impacted.

4.1.5 RISKS RELATING TO THE NEED TO IMPROVE THE TECHNICAL FEATURES AND FUNCTIONS OF THE SERVICES OFFERED BY THE GROUP

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

4.2 RISKS RELATING TO THE GROUP'S ACTIVITIES

4.2.1 RISKS RELATING TO THE GROUP'S INDUSTRY AND STRATEGY

Risks relating to the landline and mobile markets in France

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

Risks relating to the Group's highly competitive operating environment

The landline market in France

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

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

Competition was fierce in 2017 for television, video and games services via landline electronic communications networks, and is likely to intensify. During the year, the sector was particularly marked by a number of the Group's competitors putting in place strategies that involve the convergence of electronic communications and media, which led to some of these players increasing their dominance in terms of access to premium content. Although the Group considers that it has a number of competitive advantages in this market, particularly through the use of its Freebox mini 4K modem and the Freebox Revolution, which protects the transmission of content, it cannot guarantee that it will be able to maintain or develop its audiovisual and games operations as planned in a market where exclusive rights are being granted to certain operators. In particular, some owners of TV channels are envisaging charging a fee for access to their service – including for channels that are free-to-air when accessed using terrestrial frequencies – which could adversely affect the appeal of the Group's audiovisual offering. This risk is exacerbated by the fact that one of the Group's competitors has been given exclusive rights for certain premium channels, which means that the Group cannot match that competitor's TV offerings. The development of the Group's audiovisual operations will depend on the content offered and on it being able to expand its networks, especially in unbundled areas.

The mobile telephony market

France

Since the Group first entered the French mobile telephony market in 2012, it has constantly enriched its mobile offerings by including new services such as roaming in numerous countries, a fair-usage data allowance in several foreign countries, self-service subscription kiosks and the latest mobile technologies such as 4G+. The arrival of Free

Mobile as the fourth mobile operator, and its rapid expansion, in an already mature French market heightened competition and prompted the market's incumbent mobile operators – notably the multinationals that have greater financial resources than those of the Group – to launch a marketing counter-offensive. In addition, the incumbent mobile operators and MVNOs responded to Free Mobile's attractive packages. The Group's success in the French mobile market will depend on its ability to ensure that (i) its offers and services are and remain sufficiently appealing compared with those of its competitors and (ii) it can offer its services to a sufficiently large number of subscribers in France through the rollout of its own mobile network.

Italy

On November 4, 2016, the Group was authorized to use frequencies in the 1,800 MHz, 900 MHz, 2,100 MHz and 2,600 MHz bands, enabling it to become a mobile electronic communications operator in Italy. Since then, it has been preparing for its arrival in the Italian mobile market, notably by implementing the agreement signed on July 1, 2016 with the Hutchison and VimpelCom groups. The Group's success in Italy will depend on its ability to offer competitive mobile services in order to speed up the Italian market's digital transition.

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

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

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

With a view to encouraging growth in the 4G and 4G+ market, the Group offers its subscribers the possibility of renting a high-end smartphone, therefore providing them with an alternative to purchasing a phone – which is also an option offered by the Group. This aim of making 4G/4G+ phones available to a greater number of people at an attractive price is to step up the pace at which 4G and 4G+ technology can be brought within everyone's reach, in a market where around 25% of subscribers in France still do not have access to 3G technology due to their mobile phones being incompatible. Offering subscribers the possibility of replacing their old mobile phones by 4G/4G+ compatible handsets at attractive prices is one of the keys to the future success of the Group's 4G/4G+ services. However, the success of the mobile phone rental offering will depend on how popular it proves with consumers.

Throughout 2017, the Group continued to promote the use of its Free Mobile Plan both in France and abroad. To this end, in 2017 in France the Free Mobile Plan became unlimited for Freebox subscribers, including for data, and its fair-usage allowance was significantly increased, to 100 GB per month for non-Freebox subscribers. At the same time, the Free Mobile Plan continued to be enriched and it now includes roaming services, all year round and at no extra cost, in all European Union countries as well as Israel, Canada, the United States, Australia, South Africa and New Zealand with a data allowance of 25 GB per month. In 2017, the Plan was also extended to include a 25 GB per month fair-usage data allowance in Switzerland, Mexico, Algeria, Turkey and Thailand. The Group's underlying aim is to win new Free Mobile Plan subscribers and to encourage existing subscribers on the €2/month plan to migrate to the Free Mobile Plan.

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

4.2.2 OPERATING RISKS

4.2.2.1 Rollout risks

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

The rollout of the optical fiber-to-the-home (FTTH) network is conditional upon (i) obtaining the necessary authorizations (occupancy of public property, right of entry into buildings, etc.), (ii) the completion of the work entrusted to third party service providers, and (iii) in very densely populated areas, the implementation of decision 2009-1106 issued by the French electronic communications regulatory authority (*Autorité de Régulation des Communications Electroniques et des Postes* – ARCEP) on December 22, 2009 concerning the rollout of optical fiber in these areas and resource-pooling agreements. The Group's FTTH rollout plan could be held up if there are delays in obtaining the requisite authorizations or carrying out the work concerned, or if all FTTH operators delay in implementing ARCEP decision 2009-1106. In addition, Orange – designated as France's operator with significant market power ("SMP") in the wholesale FTTH market – has undertaken not to discriminate between the services provided by its own network to its retail arm and those that it provides to third-party commercial operators. The pace of the Group's rollouts will be impacted if Orange does not respect this commitment. There is also some confusion among consumers about the FTTH technology called "fiber" that has been installed in many homes since the French government launched its "Plan Câble" and the FTTH networks that France's telecom operators are currently rolling out. This could also be a factor in slowing down the rollout if there is insufficient consumer demand for this new technology which requires work to be carried out in their homes. Also, in the light of regulatory and operational uncertainties, the Group can provide no assurance that it will be able to meet its FTTH objectives.

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

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

France

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

Any such delays in the rollout schedule for Metropolitan France could result in the Group being unable to guarantee subscriber service quality or could prevent it from fulfilling its contractual obligations with its main partners or meeting the regulatory coverage requirements for its mobile network provided for in the ARCEP decisions that authorized Free Mobile to use frequencies to set up and operate a third- and fourth-generation mobile communications network open to public use, i.e., decisions 2010-0043 dated January 12, 2010 (900 and 2,100 MHz), 2011-1169 dated October 11, 2011 (2,600 MHz), 2014-1542 dated December 16, 2014 (1,800 MHz) and 2015-1567 dated December 8, 2015 (700 MHz). Free Mobile now covers close to 94% of the French population for 3G and more than 86% for 4G. The upcoming regulatory coverage requirements for the rollout of its 4G mobile network are as follows: 60% coverage of the French population by October 11, 2019 (2,600 and 1,800 MHz); and 50% coverage of the population in priority areas and 60% coverage for daily train services by January 17, 2022 (700 MHz).

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

Any delays in the rollout schedule for Reunion Island and Mayotte could result in the Group being unable to guarantee subscriber service quality or could prevent it from fulfilling its contractual obligations with its main partners or meeting the regulatory coverage requirements for its mobile network provided for in the ARCEP decisions that authorized Telco OI to use frequencies to set up and operate second-, third-and fourth-generation mobile communications networks open to public use, i.e., decisions 2016-1526 dated November 22, 2016 (800, 1,800, 2,100 and 2,600 MHz) and 2015-0661 dated June 25, 2015 (900 MHz) for Reunion Island, and decisions 2016-1526 dated November 22, 2016 (800, 1,800, 2,100 and 2,600 MHz) and 2015-0661 dated June 25, 2015 (900 MHz) for Mayotte. The next regulatory requirement for population coverage by the Group's networks in Reunion Island and Mayotte is 95% by end-2018.

The financial sustainability of the Group's Mobile business depends on it having the necessary frequencies and high direct coverage rate and network density in order to ensure appropriate quality of service on both its 3G and 4G network.

Any problems that may arise in the future for adapting the mobile network currently under construction to new technological developments and changes in subscriber behavior, as well as any lack of spectrum capacity – due to the uncertainty that the Group will be allocated the additional frequencies necessary for operating its 4G network, or future 5G network – could have a negative effect on the Group's business, results of operations, financial position and image, as well as on its ability to meet its objectives. In relation to spectrum capacity, in its decision 2011-1169 dated October 11, 2011, ARCEP authorized the Group to have roaming access to SFR's 4G network in sparsely populated areas of France, defined by ARCEP as the Priority Rollout Area (*Zone de Déploiement Prioritaire*). However, Iliad's access to this network will depend on the rollouts carried out by SFR in the areas concerned.

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

Italy

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

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

Any problems that may arise in the future for adapting the mobile network currently under construction to new technological developments, as well as any lack of spectrum capacity – due to the uncertainty that the Group will be allocated the additional frequencies necessary for operating its 4G network, or future 5G network – could have a negative effect on the Group's business, results of operations, financial position and image, as well as on its ability to meet its objectives.

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

4.2.2.2 Risks relating to the operation of networks

France

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

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

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

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

Italy

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

The Group must be able to manage the operating risks inherent to launching mobile operations in Italy, particularly concerning the recruitment of qualified staff, setting up the network core, implementing 2G, 3G and 4G roaming on the network resulting from the Wind/Tre merger, and putting in place the appropriate distribution channels for the Italian market.

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

In addition, the Group's commercial launch of its mobile services in the Italian market – which is both mature and highly competitive – could also have an unfavorable impact on its business, results of operations and financial position as well as on its ability to meet its objectives.

4.2.2.3 Risks relating to security and confidentiality of information on the Internet

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

4.2.2.4 Other operating risks

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

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

4.3 FINANCIAL RISKS

4.3.1 FOREIGN EXCHANGE, INTEREST RATE, LIQUIDITY, AND CREDIT AND/OR COUNTERPARTY RISKS

These risks are described in full in Note 33 to the consolidated financial statements for the year ended December 31, 2017.

4.3.2 EQUITY RISKS

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

At February 28, 2018, Xavier Niel, the Company's principal shareholder, held 52.27% of the capital and 66.94% of the voting rights. The fact that a significant portion of the Company's capital and voting rights is held by a single shareholder, and that said shareholder may freely dispose of all or part of his interest in the Company, could have a material adverse effect on the price of the Company's shares.

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

4.3.2.2 Share price volatility

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

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

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

4.3.2.3 Sale of shares by significant shareholders

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

4.4 LEGAL RISKS

4.4.1 RISKS RELATING TO UNFAVORABLE CHANGES IN THE LEGAL AND REGULATORY ENVIRONMENT

The Group's operations are subject to specific national and European Union regulations governing the electronic communications sector. For example, for the last ten years or so, the electronic communications sector in France has experienced increasing fiscal pressure, with operators being subject to a number of specific taxes and contributions. In addition, a law has been introduced in France which allows registered consumer associations to bring class actions. And on February 9, 2015, Act no. 2015-136 relating to precautionary measures, transparent information and consultation procedures concerning exposure to electromagnetic waves (known as the "Abeille Act") was adopted by the French Parliament. This Act establishes a precautionary approach concerning the potential health risks of radio frequencies and aims to provide additional protection against exposure to electromagnetic waves, notably by strengthening the consultation process between operators and residents before a mobile phone mast can be installed. Furthermore, ARCEP has increased the price cap for the rental of copper pairs from the incumbent operator to €9.31, €9.41 and €9.51 per month for 2018, 2019 and 2020 respectively, including the IFER tax for copper pairs. The President of ARCEP has stated on several occasions that the purpose of raising the price caps for unbundling services is to encourage migration to FTTH networks. Another example of recent legislative change in France is the economic reform law (the "Macron Act") which came into force in 2015 and under which ARCEP has been assigned new powers entitling it to analyze the

mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. In addition, Act no. 2015-912 dated July 24, 2015 related to intelligence widens the scope of the information and documents processed and held by telecom operators that intelligence agencies are entitled to obtain for anti-terrorism purposes and Act no. 2016-1321 dated October 7, 2016 for a "digital republic" also contains several provisions that could impact the Group's business, notably measures related to strengthening net neutrality, speeding up coverage of the French population, portability, personal data protection and the right for disadvantaged people to temporarily keep their Internet connection. In 2016, ARCEP launched the analysis of the Broadband and Ultra-Fast Broadband markets that it carries out every three years. Unbundling operations for these markets are regulated by ARCEP decision 2017-1347 dated December 14, 2017 concerning (i) the definition of the relevant market for wholesale local access provided at a fixed location, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market. Orange – designated as France's operator with significant market power ("SMP") in the wholesale FTTH market – has undertaken not to discriminate between the services provided by its own network to its retail arm and those that it provides to third-party commercial operators. Bitstream offerings are regulated by ARCEP 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.

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

Any changes in the regulations applicable to the Group's operations could have a material adverse effect on its image, business, results of operations and financial position.

4.4.2 RISKS RELATING TO THE GROUP'S RELATIONS WITH THE INCUMBENT OPERATOR

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

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

Furthermore, through its subsidiaries Free Infrastructure and Free, Iliad has co-financed the rollout of the FTTH network by Orange in very densely populated areas since June 30, 2010, and outside very densely populated areas since August 3, 2012. These rollouts are being carried out in accordance with the framework defined by ARCEP in decisions 2009-1106 of December 22, 2009, 2010-1312 of December 14, 2010 and 2013-1475 of December 10, 2013, as well as with its recommendations dated June 14, 2011 and January 21, 2014. During 2015, Free Infrastructure renewed its co-financing commitment concerning the FTTH network rollouts carried out by Orange in very densely populated areas. The renewed commitment – which has a short duration (five months) as decided by Orange – also includes the co-financing of in-building wiring located upstream of shared access points in low density pockets for a minimum period of 20 years from the shared access points' effective rollout. Free Infrastructure has already been asked by Orange to renew this commitment for a further one-year period. Outside very densely populated areas, Free has committed to co-financing FTTH rollouts for a period of 20 years in more than 340 urban areas. In return for these commitments, Free Infrastructure has the right to use the FTTH network in very densely populated areas for an initial period of 30 years (renewable twice for 15 years). Free Infrastructure and Free have the right to use the FTTH network for an initial period of 20 years (renewable for an as-yet unspecified period) in low density pockets and outside very densely populated areas, respectively. The terms and conditions applicable to (i) cabling buildings in low-density pockets and outside very densely populated areas, and (ii) the renewal of the right to use the FTTH networks could also have an adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

In addition, on March 2, 2011, Free Mobile and Orange France signed a 2G and 3G roaming agreement with a view to providing Free Mobile subscribers with roaming services on Orange France's 2G and 3G networks, effective for a period of six years as from Free Mobile's commercial launch. In Opinion 13-A-08 of March 11, 2013 relating to the terms and conditions of mobile network-sharing and roaming, the French antitrust authorities recommended that the national 3G roaming agreement should not be extended beyond a reasonable limit, i.e., beyond the end of the agreement. The agreement came into effect on December 13, 2011 when Free Mobile's network coverage reached 25% of the French population. Changes in the financial terms and conditions or the quality of the roaming services provided or changes in the behavior of roaming subscribers on Orange France's 2G/3G network could have an adverse impact on the Group's business, results of operations and financial position as well as on its ability to meet its objectives. In accordance with France's economic reform law (the "Macron Act") dated August 6, 2015, ARCEP has 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. In line with this, in 2015 ARCEP began work on analyzing the mobile network-sharing agreements in place in France (roaming and RAN-sharing agreements). Following this analysis, on January 12, 2016 ARCEP issued a working document for public consultation, which included draft guidelines on mobile network sharing. The final guidelines – which were published on May 25, 2016 – notably required operators to set the dates for gradually phasing out their current roaming arrangements. On June 15, 2016, the Group announced that it had signed an addendum to its 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020. This termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can have the highest possible degree of technical and commercial independence. On June 30, 2016, ARCEP decided that, based on the guidelines published on May 25, 2016, it was not necessary to launch a formal review of the roaming agreement using the powers assigned to it under the Macron Act of August 6, 2015. The termination of the national roaming services provided by the incumbent operator could have an unfavorable impact on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

4.4.3 RISKS RELATING TO LIABILITY FOR CONTENT

In the past, a number of lawsuits have been filed in France and other countries against Internet service or hosting providers because of the content of the information transmitted or made available online (in particular for press-related violations, invasion of privacy and trademark infringement). In the event that such lawsuits were filed against the Group, it could, particularly in view of measures that may be taken by the public authorities in order to counter terrorism, could be exposed to significant legal costs. Defending such lawsuits or meeting demands and injunctions ordered by the court can be extremely costly even if the Group is not ultimately held liable. Finally, any such proceedings could have an adverse effect on the Group's reputation. In accordance with French rules and regulations as further described in Chapter 6, Section 6.6.2 of this Registration Document, the Group has set up forms on the Free portal home page so that web users can report unlawful content, and has established a procedure for reporting any breaches of the law, particularly violation of human dignity. In this way, Free can respond promptly to any issues raised.

4.4.4 RISKS RELATING TO INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS

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

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

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

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

4.4.5 RISKS RELATING TO THE USE OF OPEN SOURCE SOFTWARE

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

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

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

4.4.6 LINKS WITH OR DEPENDENCE ON OTHER COMPANIES

In order to achieve the transmission capacity and quality levels needed to respond to the increase in the number of subscribers and to meet their requirements, the Group relies partly on the use of electronic communications networks belonging to other operators in France and Italy such as Orange, SFR, Fastweb, TIM, H3G and Vimpelcom or of networks operated by certain local authorities. Contracts entered into by the Group relating to the use of these networks are described in Chapter 6, Section 6.4.3 of this Registration Document. The termination of any one of these contracts could have an adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

4.4.7 OPERATING ASSETS NOT OWNED BY ILIAD

Other than networks to which Iliad is interconnected as well as certain interconnection equipment and the dark fibers used by its network under long-term Indefeasible Right of Use (IRU) agreements[1] (described in Chapter 6, Section 6.4.3 of this Registration Document), the Group considers that it is the owner of all the assets required for carrying out its business operations.

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

4.4.8 INDUSTRIAL, ENVIRONMENTAL AND HEALTH RISKS

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

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

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

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

4.4.9 RISKS RELATING TO THE LOSS OF LICENSES AND FREQUENCIES

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

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

Free Mobile has made a number of commitments to the French State in relation to its license to operate a 3G and 4G mobile communications network, particularly concerning population coverage and service quality. The most significant of these commitments are described in Chapter 6, Section 6.6 of this Registration Document. If Free Mobile fails to respect its commitments, ARCEP may impose the sanctions provided for in the French Post and Electronic Communications Code, which are also described in Chapter 6, Section 6.6.

ARCEP decision 03-1294 dated December 9, 2003 authorizes IFW to use microwave frequencies in the 3.5 GHz frequency band, provided it complies with specifications that include a number of requirements relating to network rollout and population coverage. This license expires on June 24, 2018 and IFW has applied for its renewal. However, there is no guarantee that this renewal will be granted.

Iliad Italia is a mobile operator licensed in accordance with Article 25 of Italian Legislative Decree 259/2003. On November 4, 2016, following the clearance issued by the Italian telecoms regulator (AGCOM Resolution 430/16/CONS) and the Italian antitrust authority (AGCOM Opinion S. 2630*2016), the Italian Ministry of Economic Development (the "MiSE") granted Iliad Italia a license to use frequencies in the 900, 1,800, 2,100 and 2,600 MHz bands to set up and operate a third-and fourth-generation mobile communications network in Italy. On March 29, 2017, TIM – Italy's incumbent operator – lodged an appeal with the Italian courts concerning administrative authorizations allowing Iliad Italia to operate. Although the Group is confident that this appeal will not be successful in view of the fact that it has received clearance from the EU anti-trust authorities for entering the Italian market, it cannot totally rule out the risk that the authorizations will be challenged or amended. At the date of this Registration Document, the Company does not consider that it is exposed to any specific risks in relation to the other regulatory requirements described in Chapter 6, Section 6.6.

(1) See definition on page 265 of this Registration Document.

4.4.10 COMPLIANCE RISKS

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

Regulation (EU) 2016/679 of the European Parliament and of the Council dated April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "General Data Protection regulation"), which comes into force on May 25, 2018, establishes a strict data protection compliance regime.

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

The French Act no. dated March 27, 2017 establishing a "duty of care" for large corporations requires these companies to draw up and implement "duty of care plans" to identify risks related to and put in place mechanisms to prevent (i) serious violations of human rights or fundamental freedoms, (ii) serious breaches of health and safety regulations, and (iii) significant environmental damage.

The Group's Legal Affairs & Compliance Department verifies that the laws and ethical principles applicable in the Group's businesses are respected and to this end it draws up and implements appropriate compliance programs related to the above-described issues. This department also ensures that the compliance measures put in place in all of the Group's subsidiaries are effective. The Group also has an Ethics Committee, which meets regularly to review the compliance procedures implemented and also holds additional meetings where necessary to resolve any potential situation of non-compliance.

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

4.5 RISKS RELATING TO CLAIMS AND LITIGATION

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

The Group's companies are involved in inquiries, disputes and legal proceedings with administrative authorities, competitors and other parties. The Group considers that the provisions recognized to cover the risks related to the litigation or disputes known of or in progress at December 31, 2017 are sufficient to ensure that there would be no material impact on its consolidated financial position in the event of unfavorable outcomes (see Note 28 to the consolidated financial statements).

Like other players operating in its sector, the Group is frequently served with writs as part of claims instigated by subscribers in relation to the provision of services. In general, the financial risk that each of these claims represents would not have a material impact on the Group's business or financial position. However, any proliferation of such claims or the filing of a class action in France could constitute a risk for the Group. When involved in litigation, the Group tries to negotiate an out-of-court settlement, which helps to reduce the final total cost of the proceedings considerably. The Group considers that the number of these claims is not significant compared to the number of its subscribers (see Note 34.4 to the consolidated financial statements).

In addition, as the Group holds mobile communications licenses, in view of the concerns raised about the potential (but not scientifically proven) health effects that could arise from exposure to mobile telecommunications equipment, the Group is subject to the risk of legal proceedings in relation to its operations.

The Group's entry into the mobile market led to a number of lawsuits, particularly suits filed by its competitors which have been widely reported in the media. The Group has a number of arguments that it can put forward in its defense in relation to these lawsuits. In late 2014, Bouygues Télécom 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 Télécom's position in this case, which it does not consider to be founded. During the first half of 2018, Bouygues Télécom estimated its alleged losses in relation to this case at €813 million. Proceedings are still ongoing.

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 counterclaims, the Paris Commercial Court ordered SFR to pay €5 million in compensation to Free Mobile.

By way of decision 2015-0971-RDPI dated July 28, 2015, ARCEP authorized Free Mobile to use optical fiber backhaul links at no extra cost for traffic to transit from its mobile base stations, irrespective of whether the base stations are connected to the network via copper or fiber optic cables. On August 28, 2015, Orange appealed ARCEP's decision. On June 29, 2017, the Paris Court of Appeal upheld ARCEP's decision. As Orange did not further appeal the case to the Court of Cassation, the Paris Court of Appeal's decision is now final.

On June 14, 2016, Bouygues Télécom filed an application with the French antitrust authorities (*Autorité de la Concurrence* – AdlC) followed by an additional application on July 16, 2016 together with a request for interim protective measures (the "Applications"). The Applications claim that the roaming agreement entered into between Orange and Free Mobile and the addendum thereto providing for the termination of 2G/3G roaming services breach the anti-cartel provisions in Article 101 of the TFEU and Article L. 420-1 of the French Commercial Code. In late October 2016, Bouygues Télécom withdrew its additional application but not its original application related to the actual merits of the case. Bouygues Télécom was summoned to the AdlC to examine the case on July 12, 2017. However, Bouygues Télécom withdrew its claim, and the withdrawal was registered by the AdlC on July 4, 2017.

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

4.6 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.

The cost of insurance coverage for all Iliad Group companies in 2017 was approximately €7.5 million, corresponding to the total amount of insurance premiums paid by the Group. In order to obtain the best possible coverage for all the Group's companies, Iliad uses the services of its online insurance brokerage company, Assunet, which negotiates the insurance policies on its behalf.

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

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

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

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

5

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5.1 HISTORY AND DEVELOPMENT

5.1.1 COMPANY NAME

The Company's name is Iliad.

5.1.2 REGISTRATION DETAILS

The Company is registered at the Paris Trade and Companies Registry under number 342 376 332.

5.1.3 DATE OF INCORPORATION AND TERM

The Company's business sector A.P.E. code is 5814Z – Publication of Reviews and Periodicals.

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.

5.1.4 REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LAW

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

Telephone: +33 1 73 50 20 00

The Company is a French *société anonyme* governed by French company law and notably the French Commercial Code (*Code de commerce*).

5.1.5 KEY DATES

1996

- Launch of the reverse look-up directory 3617 ANNU.

1999

- Creation of the Internet service provider Free.

2002

- Launch of Free's Broadband service and the Freebox.

2004

- Iliad's initial public offering. Listing on Euronext Paris Premier Marché (January).

2005

- Acquisition of Altitude Telecom which held the only national Wimax license for France (3.5 GHz) (November).

2006

- Issue of bonds convertible for new shares and/or exchangeable for existing shares (OCEANE) representing a total nominal amount of €330,624,932.40 (June).
- Free announces its fiber-to-the-home (FTTH) rollout program (September).

2008

- Iliad acquires the entire capital and voting rights of Liberty Surf Group S.A.S. (Alice).

2010

- Free Mobile becomes the fourth 3G mobile operator in France (January).
- Iliad sets up a €1.4 billion credit facility (June).
- The EIB supports innovation in France by granting a €150 million loan to the Iliad Group (August).
- Launch of the Freebox Revolution (December).

2011

- The Group carries out a €500 million inaugural bond issue (May).
- Free Mobile obtains a license for 20 MHz of spectrum in the new generation 4G (2.6 GHz) frequency band (September).
- Conversion of a significant portion of Iliad's OCEANE bonds leading to a €200 million increase in consolidated equity (December).

2012

- Commercial launch of mobile offerings (January).
- €200 million loan granted by the EIB (August).

2013

- Launch of VDSL2 technology (June).
- Free launches Femtocells (June).
- Free Mobile includes 4G services in its mobile plans (December).
- Successful €1.4 billion refinancing (November).
- Free opens up access to high-end smartphones by launching a telephone rental offering (December).

2014

- Agreement to enter into exclusive negotiations with the Bouygues group and Bouygues Télécom for the acquisition of the Bouygues Télécom frequency portfolio and mobile telephone network (March).
- Free adds a new distribution channel for its mobile offerings by launching France's first self-service subscription kiosks with integrated SIM-card dispensers (April).
- Iliad expresses an interest in T-Mobile US (July).
- Iliad terminates its acquisition project for T-Mobile US (October).

2015

- Free launches the Freebox mini 4K (March).
- Free includes roaming services from all European Union countries in its Free Mobile Plan, for 35 days a year at no extra cost (July).
- Free includes 50 GB of 4G Internet in its Free Mobile Plan (September).
- Free Mobile is allocated 10 MHz in the 1,800 MHz frequency band, in addition to the 5 MHz already obtained (September).
- Free Mobile is allocated 10 MHz in the 700 MHz frequency band (November).
- Iliad carries out a successful €650 million issue of seven-year bonds (November).

2016

- Merger of H3G and Wind in Italy: Iliad signs an agreement subject to the approval of the European Commission (July).
- TV by CANAL Panorama offer included in the Freebox Revolution package (September).
- Iliad Italia is authorized to use frequencies in the 900, 1,800, 2,100 and 2,600 MHz bands to set up and operate a 3G and 4G network (November).

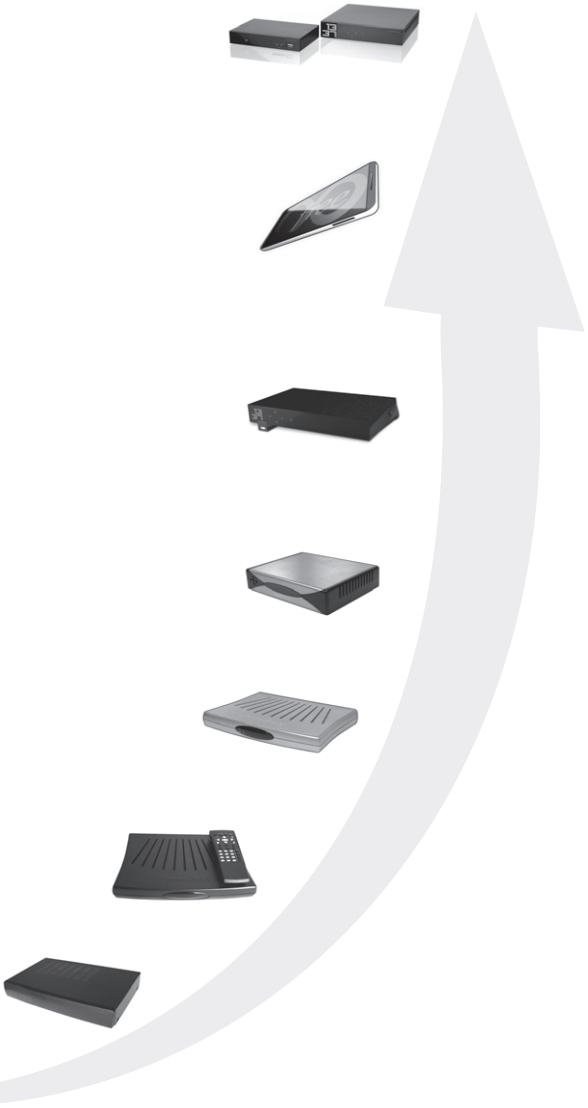
2017

- Launch of France's first-ever unlimited 4G plan (March).
- Free announces that its FTTH offering will be proposed on the Public Initiative Networks (PINs) operated by Axione (June).
- Iliad acquires a 31.6% stake in eir – Ireland's incumbent telecom operator (December).

5.1.6 FROM AN INTERNET SERVICE PROVIDER TO AN INTEGRATED OPERATOR (LANDLINE AND MOBILE)

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

Free plan: first unlimited 4G plan in France, roaming from over 35 countries & 25 GB of data roaming included	2017
Freebox Revolution offer including TV by CANAL Panorama & myCANAL Free mobile plan: roaming from over 30 countries included	2016
Free mobile plan: roaming from EU and US included (35 days/year) Launch of Freebox mini 4K – 50 GB of 4G Internet	2015
Launch of France's first SIM card dispenser Pass Destination – unlimited SMS messages from Europe	2014
4G included in mobile plans – Mobile phone rental offering FEMTO – VDSL – FTTH of up to 1 Gbps	2013
Launch of Free Mobile €19.99 3G mobile plan & €2 mobile plan	2012
Freebox Revolution: calls to mobiles in Metropolitan France included Blu-Ray™ player – 250 GB – HD video games – connected TV	2011
33 VOD Replay channels 3D channels & VOD	2010
TV video games – FreeWifi Calls to 103 landline destinations included	2009
Technical assistance at home, PLC & WiFi 80211N included VOD & replay VOD subscription	2008
Personal TV – 100 MB fiber optic Calls to 28 landline destinations included	2007
Freebox HD: HD TV & Digital videorecorder Calls to 15 landline destinations included	2006
Mediacenter – computer TV – VOD Calls to 15 landline destinations included	2005
Freebox WiFi/router Telephone subscription included	2004
Calls to mainland France included ADSL TV	2003
€29.99/month broadband package First triple-play box (Freebox)	2002



5.1.6.1 A leading Internet service provider in France

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

After completing the rollout of its electronic communications network and interconnecting with the incumbent operator's network in April 2001, Free was in a position to control the cost structure of an offering based on Internet connection time. It therefore launched an

attractive and profitable dial-up package, charging a flat fee of €14.94 for 50 hours of Internet usage per month. Following the October 2002 launch of Free's ADSL Broadband offering for €29.99 per month, the Group gradually positioned itself as a major player in the French landline telecommunications market.

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

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

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

5.1.6.2.1 Local loop unbundling

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

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

5.1.6.2.2 Rollout of the fiber-to-the-home (FTTH) network

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

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

The Group's project to roll out its optical fiber network was launched in 2006, with investments initially concentrated on densely populated areas. As from August 2012, the Group began to extend its rollouts to outside densely populated areas, through a co-financing agreement with the incumbent operator.

At end-2017, the Group had some 6.2 million connectible FTTH sockets and 556,000 of its subscribers had an FTTH connection.

5.1.6.3 Becoming an integrated operator thanks to the mobile network rollout

5.1.6.3.1 A comprehensive portfolio of frequencies

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France in 2015 by acquiring 15 MHz in the 1,800 MHz band and 10 MHz in the 700 MHz band.

Consequently, the Group now has a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to provide high-performing services in both 3G and 4G.

5.1.6.3.2 Rollout of a national 3G and 4G mobile network

On January 12, 2010, Iliad's subsidiary Free Mobile was authorized to operate a third-generation mobile communications network. In accordance with its commitments under its license and with a view to effectively managing its subscribers' traffic (voice, SMS, data, etc.), the Group started the rollout of its own mobile network.

The Group launched its commercial mobile offerings on January 10, 2012, using roaming services for areas not directly covered by its own mobile network.

The Group intends to pursue its 3G and 4G mobile network rollout in order to extend its direct coverage, which will enable it to reduce its use of roaming services. Extending the network coverage is a determining factor for the Group's profitability as margins generated from traffic carried by the Free Mobile network are much higher than those generated under roaming agreements.

5.1.7 BECOMING ITALY'S FOURTH MOBILE OPERATOR

In early July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups, as part of the plan to merge their respective H3G and Wind subsidiaries, which provided for the Group to acquire assets enabling it to become the fourth mobile operator in Italy. This agreement – which was approved by the European Commission on September 1, 2016 – involves (i) the transfer of a broad set of 35 MHz frequencies, (ii) an undertaking to acquire macro sites of the merged network, (iii) a possibility either to bring into force a RAN-sharing agreement covering rural areas or to acquire macro sites in those areas, and (iv) an all-technology roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period. These various assets, combined with the Group's expertise, mean that it can implement an efficient cost model for launching its commercial offerings as Italy's fourth mobile operator.

5.2 CAPITAL EXPENDITURE

5.2.1 MAIN CAPITAL EXPENDITURE IN THE LAST THREE YEARS

In the last three years, the Group has implemented a pro-active capital expenditure strategy in France, reinvesting on average more than a quarter of its revenues over the period. The principal investments are described below and in Note 19 to the consolidated financial statements:

- network expenditure, which includes investments for the core network, backhaul points, migration of certain network equipment, information systems, the extension of unbundled areas and areas covered by an FTTH local loop, and connections of mobile sites. Over the past three years, the Group has made major investments for deploying its 3G and 4G mobile sites, and extending its fiber local loop and backhaul and transmission networks;
- expenditure directly related to growth of the subscriber base, which mainly comprises the costs of Freebox modems and SIM cards sent to subscribers;
- expenditure related to the mobile roaming agreement signed with Orange (fixed fee portion);
- expenditure incurred for the acquisition of 700 MHz frequencies;
- expenditure related to its mobile operations project in Italy.

Acquisitions of property, plant and equipment and intangible assets (net of asset disposals) break down as follows since 2015:

In € millions	2017	2016	2015
TOTAL CAPITAL EXPENDITURE – FRANCE (EXCLUDING PURCHASES OF FREQUENCIES)	1,482	1,286	1,220
Purchases of frequencies – France	**257**	**472**	**-**
TOTAL CAPITAL EXPENDITURE – ITALY (EXCLUDING PURCHASES OF FREQUENCIES)	43	-	-
Purchases of frequencies – Italy	**271**	**-**	**-**
TOTAL CAPITAL EXPENDITURE	**2,053**	**1,758**	**1,220**

5.2.2 MAIN CAPITAL EXPENDITURE IN PROGRESS

During 2017, the Group kept up its capital expenditure drive for ultra-fast landline and mobile networks, with total capital outlay amounting to €1,482 million in France, representing a 15% increase on the previous year. The key facts and figures relating to the Group's capital expenditure in 2017 were as follows:

- the Group pursued its capital expenditure drive to support its rollout of an ultra-fast fiber network, which led to a €129 million increase in FTTH-related capital outlay. In 2017, the Group reached a milestone in its FTTH deployment program by (i) adding some 2 million connectible lines, bringing the total number of connectible homes to some 6.2 million at the year-end; and (ii) sharply increasing the number of connections of eligible homes, with around 250,000 new homes connected to fiber during the year, i.e., double the number for 2016;
- 2017 was a record year for mobile-related capital expenditure (up €109 million on 2016). During the year the Group (i) opened some 3,700 new sites (including sites shared with other operators in less densely populated areas), bringing the total number of sites in service to 12,157 at the year-end, (ii) stepped up its rollout of 4G technology, notably by deploying 1,800 MHz frequencies at 4,300 sites and 700 MHz frequencies at more than 700 sites, and (iii) continued to invest in the fiber backhaul network for mobile sites;
- capital expenditure related to ADSL/VDSL technology and boxes was €44 million lower than in 2016, primarily due to the effective management of box cycles and to cheaper service access fees paid to the incumbent operator as a result of the increase in the FTTH subscriber base;
- capital expenditure levels for datacenters and the Group's hosting activities were maintained at the same level as in 2016;
- the Group incurred its first capital expenditure for its infrastructure rollout in Italy (core network, backbone, interconnection links, etc.), which amounted to €43 million.

Also during 2017, the Group paid (i) €257 million for frequencies in France, (ii) an initial €50 million installment to Wind Tre for the purchase of its frequency portfolio in Italy, and (iii) €220 million for extending the duration of the 1,800 MHz frequencies in Italy for the period from July 2018 to December 2029.

5.2.3 MAIN FUTURE CAPITAL EXPENDITURE

Going forward, the Group intends to pursue its capital expenditure strategy for its operations in France by:

- continuing and intensifying its efforts to create optical fiber local loops, both within and outside very densely populated areas, with the objective of having:
  - 9 million connectible sockets by 2018,
  - 20 million connectible sockets by 2022,
- further stepping up the pace of subscriber connections to its FTTH network, in order to connect between 300,000 and 500,000 subscribers a year from 2018;
- pursuing its investments in its mobile network in order to:
  - continue its rollout of the 3G mobile network,
  - deploy 4G technology at all of the Group's mobile sites,
  - connect its mobile sites to its network via optical fiber links wherever possible;
- keeping up its outlay on manufacturing and marketing Freebox modems, and for its core network and transit networks, by using the best technologies to partner high growth in usage (mobile Internet, television, video on demand, etc.);
- pursuing the unbundling of new distribution frames in order to increase its unbundling rate and extend the density of its network;
- purchasing new mobile frequencies, as part of refarming and/or auction procedures.

The Group also intends to pursue its capital spending programs in Italy both before and after the commercial launch of its offerings as the country's fourth mobile operator.

In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries, which provided for Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – involves:

- the transfer of a broad portfolio of frequencies for €450 million (with estimated payments of €50 million in 2017, €190 million in 2018 and €210 million in 2019);
- an undertaking to acquire macro sites of the merged network;
- a possibility to either bring into force a RAN-sharing agreement covering rural areas or to acquire macro sites in those areas;
- a 2G, 3G and 4G roaming agreement on the merged network, effective for a period of five years and renewable by Iliad for a further five-year period.

In addition, as part of the rollout of its operations in Italy, the Group plans to incur capital expenditure as a result of:

- setting up its core network, backhaul and transmission network and interconnection links;
- deploying its network of mobile masts;
- purchasing new mobile frequencies, as part of future refarming and/or auction procedures.

Financing

The Group draws on its solid profitability, available cash, available credit facilities, bond issues, and access to various sources of financing (banks, bond markets and money markets) to ensure that it has the requisite funds to finance its business development.

The various instruments that the Group uses for financing purposes are presented in detail in Chapter 9, Section 9.4.

6

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6.1 PRINCIPAL MARKETS

At end-2017, the Group was an integrated player operating in the Internet access market (Landline business) and mobile telephony market (Mobile business) in France.

6.1.1 THE LANDLINE INTERNET ACCESS MARKET IN FRANCE

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

	2017	2016	2015
Revenues *(in millions of euros)*	**8,731** *(9 months ended Sept. 30, 2017; 11,653 on a 12-month rolling basis)*	**11,434**	**10,856**
Number of subscriptions *(in millions)*	**28.4**	**27.7**	**26.9**
of which Broadband	21.5	22.3	22.7
of which Ultra-Fast Broadband	7.0	5.4	4.2

Source: ARCEP

The total number of Broadband and Ultra-Fast Broadband subscriptions in France rose by 0.7 million in 2017. With an aggregate of 28.4 million Broadband and Ultra-Fast Broadband subscribers at December 31, 2017, the penetration rate for French households is one of the highest in Europe.

In France, as in other Western European countries, ADSL is the technology of choice, thanks notably to the fast pace of unbundling, with 74% of total subscriptions still based on this technology at December 31, 2017. However, over the past two years the number of Broadband subscribers has decreased in favor of Ultra-Fast Broadband subscribers.

The number of Ultra-Fast Broadband subscriptions rose by 1.6 million in 2017 to a total of 7.0 million at the year-end, with this sharp increase reflecting the fast rollout pace and high take-up rate for FTTH. At December 31, 2017, Ultra-Fast Broadband subscriptions made up 25% of total Internet subscriptions in France, up five points in the space of a year.

The increased use of Broadband and Ultra-Fast Broadband Internet has spurred the development of new features and value-added services, especially for television over the Internet (IPTV).

Revenues generated in the overall Broadband and Ultra-Fast Broadband market have increased steadily over the past few years and reached €8.7 billion in the nine months ended September 30, 2017 (€11.7 billion on a 12-month rolling basis).

6.1.1.2 Players in the landline Internet access market in France

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

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

6.1.2 THE MOBILE TELEPHONY MARKET IN FRANCE

6.1.2.1 General information about the French mobile telephony market

	2017	2016	2015
Revenues *(in millions of euros, excluding revenues from incoming calls)*	**10,594** *(9 months ended Sept. 30, 2017; 14,179 on a 12-month rolling basis)*	**14,131**	**14,171**
Number of SIM cards *(in millions)* **– Metropolitan France only excluding M2M***	**72.0**	**70.4**	**69.4**
o/w locked-in plans	19.6	21.0	23.3
o/w no-commitment plans	43.2	39.1	34.8
o/w prepaid plans	9.2	10.3	11.3
4G active customer base *(in millions of SIM cards)*	**38.9** *(at Sept. 30, 2017)*	**31.9**	**22.1**
Average bill *(in euros per month – on a rolling annual basis)*	**15.9** *(at Sept. 30, 2017)*	**16.3**	**16.4**

* *Machine to machine communications.*
Source: ARCEP

At December 31, 2017, the mobile telephony market in Metropolitan France counted 72 million users (corresponding to SIM cards in use excluding M2M), up by over 1 million compared with one year earlier(1), and the penetration rate was 111.7%.

The key facts and figures for the mobile networks services market in 2017 were as follows:

- an ongoing move towards mobile plans and away from prepaid cards, in line with the trend observed since 2012. During 2017, the number of prepaid cards decreased, falling 11%, whereas the number of mobile plans rose by 4.5% (representing a higher growth rate than in 2016);
- strong growth for no-commitment plans, with 43.2 million subscribers (i.e., over two thirds of total mobile subscriptions in France) on this type of plan at December 31, 2017, up 10% on 2016;
- significant development of 4G technology. At september 30, 2017, the number of people using 4G networks to connect to the Internet was 38.9 million in the three months to December 31, 2017, up by 9 million on the equivalent period of 2016 and representing one out of two SIM cards in use;
- a sharp increase in new usages:
  - higher use of roaming communications: in the third quarter of 2017, roaming data traffic had increased fourfold in the space of a year, and roaming calls and text messages had increased by 43% and 33% respectively over the same period,
  - another steep rise in mobile data usage: in the third quarter of 2017, average monthly data usage per subscriber was 2.9 GB, double the figure for the same period of 2016;
- a contraction in "traditional" voice calls and text messages:
  - in the third quarter of 2017, the number of text messages had decreased 12.6% year on year to an average of 213 text messages per user per month,
  - a slight decrease in the volume of minutes used: in the third quarter of 2017 the average figure was three hours and eight minutes per user per month, three minutes lower than for third-quarter 2016.

The Group's launch in January 2012 of its Mobile business (see Section 6.2.1.2.1 below, "Presentation of the Group's offerings") has played a significant role in shaping the current trends in France's mobile telephony market.

6.1.2.2 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 Télécom;
- Mobile virtual network operators (MVNOs), such as CIC Mobile, NRJ Mobile, La Poste Mobile and Prixtel, which represent a total 7.8 million SIM cards and hold a 10.9% share of the market.

(1) Source: ARCEP.

6.2 PRINCIPAL ACTIVITIES

6.2.1 DESCRIPTION OF THE GROUP'S PRINCIPAL ACTIVITIES

Fueled by the success of its Broadband and Ultra-Fast Broadband offerings marketed under the Free brand, the Iliad Group (also referred to as the "Group") has positioned itself as a major player in the French landline telecommunications market. In addition, since 2012 when it launched its mobile offerings, the Group has become an integrated operator present in the Broadband and Ultra-Fast Broadband and mobile segments. The Group's success in these two markets has been built on four fundamentals – attractive prices, excellent service quality, technological innovation and straightforward offerings.

Just six years after it entered the mobile market, the Group has become one of the leading telecommunications operators in France, with more than 20 million subscribers, of which 13.7 million mobile subscribers and more than 6.5 million Broadband and Ultra-Fast Broadband subscribers. At December 31, 2017, it had market shares of 24%(1) for Broadband and Ultra-Fast Broadband and 19%(2) for mobile.

6.2.1.1 Landline business

6.2.1.1.1 Presentation of the Group's offerings

6.2.1.1.1.1 Offerings and services available under the Free and Alice brands

The Group offers its subscribers a number of different Internet access solutions (at prices ranging from €9.99 to €39.99 per month), with a box provided.

Depending on the eligibility of the subscriber's line, the following **Broadband and Ultra-Fast Broadband** offers are available:

- **via ADSL**, which allows subscribers to access the Internet at a speed of at least 2 Mbps and up to 22.4 Mbps in areas where the local loop is unbundled, and 17.6 Mbps in non-unbundled areas, depending on whether a subscriber's line is eligible (IP speeds);
- **via VDLS2**, which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload;
- **via optical fiber (FTTH)**, which is available in selected areas covered by Free and provides subscribers with Ultra-Fast Broadband (up to 1 Gbps download and up to 200 Mbps upload).

Through these offerings, depending on the package they choose, subscribers are provided with the services described below:

- **telephony:** all subscribers are provided with a telephone service under which they can make calls through their Freebox to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to 60 or over 110 landline destinations outside Metropolitan France depending on the terms of their package. Additionally, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France;
- **Free proposes the largest audiovisual offering in the market,** comprising some 600 channels (of which between 90 and over 280 – depending on the type of subscription – are included in the basic packages), with 240 high definition channels and a catch-up TV service covering more than 100 channels. Since September 2016, the Freebox Revolution offer has included the TV by CANAL Panorama package, which has added 50 channels to the offer, including 30 that are exclusive to Freebox TV;
- **Free also offers its subscribers numerous value-added services** including Freebox Replay (its catch-up TV service), video on demand (VOD or S-VOD), subscription to pay-TV packages and channels (Canal+, beIN Sports, etc.) and video games. The TV by CANAL offer gives subscribers access to over 100 live channels and more than 8,000 items of on-demand content on all types of screen (smartphone, tablet, Xbox 360, Xbox One and PC/Mac). Freebox Crystal and Freebox mini 4K subscribers can sign up to the Famille by CANAL offer and benefit from all of the above, except for the sports channels.

When a subscriber signs up to any of the Group's offerings they are provided with a box. Two main boxes are currently available:

- **the Freebox Revolution**, which allows subscribers to connect several terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative services, such as the NAS server which has storage capacity of up to 250 GB accessible from anywhere at any time, and a Blu-Ray™ player as well as calls to mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and speakers;
- **the Freebox mini 4K,** which is the Group's new entry-level offering that replaces the Freebox Crystal. The Freebox mini 4K is the world's first triple-play box that has integrated AndroidTV™, the Google™ platform for TV, and is compatible with 4K technology (Ultra High Definition). It has Bluetooth technology and offers many other innovative services, such as a remote control with a voice search function and the possibility of using a mobile phone as the remote control. It is also the most compact box on the market, measuring 11 x 15 cm;
- **in addition, in 2017, the Group carried out specific promotional sales of the Freebox Crystal** and – to a lesser extent – the Freebox Revolution. The Freebox Crystal has not featured in the Group's commercial offerings since it was replaced by the Freebox mini 4K as the entry-level offering. However, in order to reuse already-existing Freebox Crystals, in 2017, the Group offered a number of promotional deals on these boxes.

(1) Company estimate.

(2) Metropolitan France excluding M2M.

6.2.1.1.1.2 Hosting offers and services available under the Online, Dedibox, Scaleway and Iliad Entreprises brands

- **Shared hosting services**, which correspond to website hosting and the purchase and resale of domain names. These services are invoiced to customers based on an annual subscription and are primarily targeted at private individuals and very small businesses that have relatively low data storage requirements.
- **Dedicated hosting services**, which correspond to the provision of dedicated servers to private individuals and SMEs that wish to secure their data. This offering is invoiced based on a monthly subscription.
- **Collocation services**, which consist of providing physical space in a data center, as well as the associated electrical capacity, in order to house bays and servers that generally belong to end-customers.
- **Cloud computing**, which is a model enabling convenient, on-demand network access to a shared pool of configurable computing resources. The Scaleway offering provides such access, with small virtual servers that can be scaled up to dedicated physical servers.

6.2.1.1.2 Manufacturing operations for the Landline business

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

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

The Freebox modem. In 2001, the 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 sixth version and boasts a host of functions, some of which are exclusive to Free. The main Freebox versions that are currently available are shown below, along with their principal functions:

Freebox Crystal



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

Freebox Revolution (V6)



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

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

Freebox mini 4K



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

6.2.1.2 Mobile business

6.2.1.2.1 Presentation of the Group's offerings

The Group proposes two straightforward, value-for-money mobile offerings, with 4G included:

- **the €2/month plan (€0/month for Freebox subscribers)**, which includes:
  - 120 minutes of voice calls per month in Metropolitan France and (i) to mobiles in the United States, Canada, China and the French overseas departments (*départements d'outre-mer* – DOM) as well as to 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM,
  - unlimited texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM,
  - 50 MB of 3G/4G mobile data plus an additional 50 MB usable in Europe and the DOM, as well as unlimited access to the FreeWifi network,
  - this no-commitment plan – which also includes services such as voice mail, caller display and usage monitoring – was primarily designed for subscribers mainly wanting to make voice calls at competitive prices. Under the plan, subscribers can opt for extra minutes and data volume as well as for calls to and from additional foreign countries;
- **the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers) **at €19.99/month (€15.99/month for Freebox subscribers)**, which includes:
  - unlimited voice calls (i) to mobiles and landlines in Metropolitan France, mobiles in the United States, Canada, China and the DOM and 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM and from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France,
  - unlimited texts/MMS in Metropolitan France and (i) from Europe and the DOM to Metropolitan France, Europe and the DOM, and (ii) from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating message and in Metropolitan France,
  - unlimited Internet for Freebox subscribers in Metropolitan France (100 GB/month for non-Freebox subscribers) and 25 GB/month of mobile Internet in Europe, the DOM, Switzerland, the United States, South Africa, Australia, Canada, Mexico, Israel, New Zealand, Thailand, Algeria and Turkey.

In tandem, the Group offers a selection of the latest mobile phones on the market. With a view to being as transparent as possible, Free 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 €69 and €199 and then pays a monthly rental fee of between €12 and €25 (again, depending on the phone) over a period of 24 months. At the end of this period, subscribers can either return their phone and get a latest-generation phone under a new rental agreement, or extend the rental period for their existing phone.

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

6.2.1.2.2 Mobile network rollout operations

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

6.2.1.2.2.1 A comprehensive and enriched frequency portfolio

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France in 2015 and 2016 by acquiring the following frequencies:

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

Consequently, the Group now has a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to provide services in both 3G and 4G.

In addition, in early 2018 ARCEP will launch work on reassigning frequencies in the 900 MHz, 1,800 MHz and 2,100 MHz bands, whose licenses are due to expire in the coming years. This will involve setting up a procedure that makes regional development targets a priority while ensuring that license fees remain stable. The Group intends to take part in this procedure with the aim of further enriching its frequency portfolio, especially in the 900 MHz and 2,100 MHz bands.

6.2.1.2.2.2 Rollout of a network of mobile masts

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

Despite the more restrictive regulatory framework now applicable in France for the installation of mobile masts (following the introduction of the "Abeille Act" and the "ALUR Act"), 2017 was a record year for the Group in terms of its mobile network rollout, with nearly 3,700 new sites deployed (including sites shared with other operators in non-densely populated areas). At December 31, 2017, the Group had 12,157 sites in service (exceeding its target of over 12,000 sites by that date), giving it a direct 3G mobile coverage rate of nearly 94% of the French population and an 86% 4G coverage rate.

In view of the progress achieved in its mobile rollout process, the Group is standing by its objective of having a nationwide 3G and 4G network in France by 2020.

6.2.1.3 Subscriber relations and physical distribution network

6.2.1.3.1 Support services and subscriber relations

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

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

Free has a virtual community whose members are extremely active through their contributions to websites and online user forums. The existence of this group of highly-involved people – who laid the early foundations for Free's digital presence – clearly demonstrates the central role within Free of close subscriber relations. Free was a pioneer in this area as it set up Facebook and Twitter pages as early as 2008, well before the phenomenal success of social networks and before anyone was aware of the capacity of these networks to foster customer loyalty. These pages are visited extremely frequently by web users looking for information, and, along with the Free Newsgroups, they give the Group the opportunity not only to share and exchange information with its subscribers but also to obtain information about the services it provides.

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 contact centers implement a strict quality policy based on respect for subscribers. As a result, Iliad – whose contact centers have obtained NF Service (AFAQ/AFNOR) certification – continually develops new high value-added services both for its subscribers and its helpdesk staff. These include extending local support services (through free home visits by technicians organized in rapid time frames), creating laboratories, regularly updating the quality manual and related guidelines, setting up on-site steering committees and operations committees to ensure across-the-board performance and the effective implementation of action plans, regularly carrying out analyses of complaints with the French General Directorate for Competition Policy, Consumer Affairs and Fraud Control (*Direction générale de la Concurrence de la Consommation et de la Répression des Fraudes* – DGCCRF), performing audits and setting benchmarks,

closely co-operating with the *Service National Consommateur* (the French ombudsman responsible for settling consumer complaints and disputes), contacting subscribers through text messages, setting up specific services for outgoing calls, and providing a personalized online account management interface for subscribers that can only be accessed with the user's individual log-in and password.

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

6.2.1.3.2 The Free Center retail network

In 2011, the Group also began the rollout of a retail network based on physical sales outlets. At end-2017, it had a network of 57 Free stores (Free Centers) located throughout France, with a flagship store of over 600 sq.m based in the 8th *arrondissement* of Paris.

The Free Centers have a three-fold objective:

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



6.2.1.3.3 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, 2017, the Group had approximately 1,500 such kiosks across France.

6.2.2 A NETWORK SERVING THE GROUP'S INTERNET AND TELEPHONY OPERATIONS

A presentation of the Group's network is provided in Chapter 8, Section 8.1.

6.2.3 COMPETITIVE ADVANTAGES

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

Free – a powerful brand

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

Technically sophisticated and attractively priced retail offerings

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

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

In order to be able to offer high-performing and innovative services to its subscribers and to guarantee the profitability of its business operations, the Group has always placed importance on rolling out its own electronic communications network, so it can control the technical aspects and pricing of its services for the routing of both data (Internet) and voice (over IP or circuit-switched). The skills and experience acquired by the Group's network teams now mean that it is able to use its own resources to operate and maintain a nationwide network and guarantee its subscribers a high level of quality and connection speeds.

The specific technical features of the network and its high density are key factors for the success and profitability of the Group's service offerings in both its Landline and Mobile business. The size, design and scalable architecture of the Group's network make it capable of serving all potential subscribers.

Research and development capabilities serving the retail market

The Group's investment in research and development of both hardware and software has enabled it to position itself as a front runner in implementing innovative technological solutions for the retail market. The success of this policy stems particularly from Management's commitment to providing high-quality technical equipment and retaining flexibility in its choice of hardware. This in turn has resulted in the design of hardware specifically suited to the Group's offerings and using cutting-edge technologies such as the Freebox modem/DSLAMs, as well as in the development of innovative software solutions (such as billing software, the subscriber management system and interconnect software). Another example of the Group's innovation capabilities is its launch throughout France of the country's 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. Consequently, the Group's catalog only includes four offers for the retail market which are available to all: two in the Landline business and two in the Mobile business. 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, our objective of achieving simplicity can be seen at all levels of the organization and is one of the keys to the Group's success.

Founders with a majority stake in the Company's capital

Iliad's founders hold more than 55% 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.

An experienced management team with complementary skills

Over the last few years, the management team has succeeded in positioning the Group as one of France's leading alternative Internet service providers, while sustaining profitability and pursuing a strategy of internally-financed growth. This success is due largely to the experience and highly complementary skills of the management team in the following areas: knowledge of the landline and mobile electronic communications sector, retail marketing know-how, strong technological expertise, sound financial management and commitment to a graduated investment policy.

6.2.4 STRATEGY

Leveraging the competitive strengths described in Section 6.2.3 above, the Group's strategy is based on the principles described below.

Continuing to provide the most attractive landline and mobile offerings in the market

The Group plans to pursue its strategy of winning new landline and mobile subscribers by combining a competitive pricing policy with a focus on the quality of its services. This subscriber recruitment policy forms part of the Group's overall strategy to further enhance its profitability.

Increasing the number of FTTH subscribers and continuing unbundling operations

The Group is continuing to roll out its landline network in order to increase the number of FTTH-eligible and unbundled areas. The aim is to optimize the proportion of subscribers on unbundled lines and FTTH subscribers in order to become technologically independent from the incumbent operator as rapidly as possible while increasing profitability.

Increasing the number of mobile subscribers

The Group's strategy for the mobile market is a logical extension of the positioning that Free has adopted in the Broadband and Ultra-Fast Broadband markets, i.e., to offer access to high-quality mobile services for as many people as possible at the best possible prices. By regularly enriching its offerings, the Group plans to continue growing its mobile subscriber base in order to reach its objective of achieving a 25% market share in the long term. The Group also plans to capitalize on mobile phone enhancements and the increasing use of data in order to change its subscriber mix by encouraging subscribers on the €2 plan to migrate to the €19.99 plan.

Rolling out an FTTH local loop

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

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

Going forward, the Group intends to continue and intensify its rollout drive, with the objective of increasing the number of connectible sockets to 9 million by the end of 2018 and 20 million by 2022.

Pursuing the rollout of the mobile communications network

Free Mobile's rollout of its 3G and 4G network is focused on the following two aims:

- 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 Company's roaming agreement;

- to increase the 3G and 4G network coverage for the population in Metropolitan France, in accordance with the commitments made in connection with its mobile licenses.

The mobile communications network rollout is necessary to increase the proportion of traffic of Free Mobile subscribers carried directly on its own network, which will in turn push up profit margins.

Distribution policy

The Group has established itself as a benchmark integrated telecom operator in the distribution of landline and mobile offerings through online and telephone sales. It still uses the online channel as its primary distribution method and from time to time carries out promotional campaigns. However, in 2012 it put in place a multi-channel strategy via a targeted rollout of a network of stores of varying sizes, with a view to having a physical sales presence in all of France's major towns and cities, and in 2014 it launched self-service kiosks for mobile subscriptions with integrated SIM-card dispensers, which have been rolled out via the Maison de la Presse and Mag Presse store network across France. This distribution strategy has enabled the Group to increase its subscriber base while providing cross-selling opportunities between its landline and mobile offerings.

Becoming the fourth mobile operator 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, which provided for Iliad to acquire assets enabling it to become Italy's fourth mobile operator. This agreement – which was approved by the European Commission on September 1, 2016 – involves (i) the transfer of a set of 35 MHz frequencies, (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 the Group for a further five-year period.

Consequently, the Group has begun to roll out its mobile network in Italy, which notably involves:

- deploying a backbone of some 10,000 km in order to connect up Italy's principal towns and cities to the Group's main mobile network centers located in Milan and Rome;
- rolling out the core network and interconnections with Wind Tre to manage traffic under the selected MOCN (Multi-Operator Core Network) solution. This technical solution for connecting up Wind Tre's radio equipment to the Group's core network will create a more effective and optimal flow of traffic between the two networks compared with a more "conventional" roaming solution;
- setting up a local structure for deploying the mobile sites using (i) sites that are scheduled to be decommissioned by Wind Tre, mainly from 2018 through 2020 and (ii) sites made available by major infrastructure lessors and operators;
- leveraging synergies by regularly consulting with the various French technical and operations teams concerning issues such as network management, information systems, network architecture, radioplanning and distribution.

Keeping on the lookout for acquisition opportunities to drive growth

Although it places internal growth at the heart of its strategy, the Group 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 the Group's network and expertise.

6.3 EXCEPTIONAL FACTORS THAT HAVE INFLUENCED THE GROUP'S PRINCIPAL ACTIVITIES OR PRINCIPAL MARKETS

None.

6.4 THE GROUP'S DEGREE OF DEPENDENCE

6.4.1 DEPENDENCE ON PATENTS AND SOFTWARE AND BRAND LICENSES

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

6.4.2 DEPENDENCE ON ADMINISTRATIVE AUTHORIZATIONS

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

6.4.3 DEPENDENCE ON MAIN SUPPLIERS

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

- agreements entered into by the Group through its subsidiaries, Free and Iliad Italia, granting it Indefeasible Rights of Use ("IRU") relating to the dark optical fibers it uses, notably for its long-distance network. Most of these agreements were signed with other operators such as Interoute and Fastweb in Italy and the SFR group and Completel in France, but some were entered into with local authorities;
- interconnection and unbundling agreements, primarily signed with the incumbent operator to give the Group access to the incumbent operator's local loop. As described more fully in Section 6.6.1 below, these interconnection and unbundling agreements, respectively, allow the Group to (i) interconnect its own network with the incumbent operator's network by means of a physical connection to one of the incumbent operator's switches and (ii) take advantage of direct access to the segment of the network between the subscriber's telephone socket and the main distribution frame to which the subscriber is connected in order to achieve the closest possible proximity to the subscriber;
- contracts with optical fiber suppliers as well as with service providers involved in rolling out the optical fiber network in France and Italy;
- an agreement entered into at the end of 2007 with the incumbent operator for the use of its civil engineering infrastructure. This agreement allows Free to test and evaluate all processes needed for it to deploy optical fiber cables in the incumbent operator's ducts;
- contracts with equipment suppliers and external service providers involved in the rollout of the third-generation and fourth-generation networks in France and Italy;
- contracts with other operators relating to sharing base station sites for rolling out Free Mobile's network;
- interconnect contracts signed with operators in France and Italy;
- the roaming agreement signed on March 2, 2011 ensuring coverage for Free Mobile subscribers on Orange France's 2G and 3G networks for a period of six years;
- the roaming agreement (MOCN) entered into with Wind Tre on July 1, 2016 providing for Iliad Italia subscribers' traffic to be carried on the merged Wind Tre 2G, 3G and 4G networks for a period of five years, renewable by Iliad for one further five-year period;
- contracts signed between Iliad Italia and other operators, such as Wind Tre and TIM, for the sale and colocation of sites;
- contracts for the supply of mobile telephones and SIM cards.

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

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

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

6.5 BASIS FOR STATEMENTS MADE BY THE GROUP REGARDING ITS COMPETITIVE POSITION

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

6.6 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.

6.6.1 REGULATION OF ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES IN FRANCE

The regulatory framework for electronic communications

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

At EU level, in 2017 talks progressed on the new Telecoms Package which, based on the outcome of a "trilogue" meeting held between the European Commission, the European Council and the European Parliament, is expected to be adopted during 2018. As the situation currently stands, there will not be any major incompatibility between France's current national framework and the new EU regulatory framework, particularly in terms of the regulations concerning unbundling and fiber. In addition, the Commission has undertaken work to set a framework for (i) voice termination services in the wholesale market in Europe and (ii) premiums charged for international calls made between EU member states, in the retail market.

In France, no major legislative changes specifically relating to telecommunications took place in 2017. However, the Finance Act for 2017 led to a rebalancing of the IFER flat-rate tax by widening the applicable base to include cable and FTTH (rather than just copper), subject to conditions concerning the age of the lines concerned. This change will lead to relative stability in both the amount of the IFER tax per active line and the prices of copper unbundling. The 2017 Finance Act also restricted the ability for operators providing multi-media services (such as media and audiovisual services) in a multi-service package to apply a reduced rate of VAT.

Asymmetric regulation

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

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

- concerning the regulation of landline and mobile termination charges: decision 2017-1453 dated December 12, 2017 on (i) determining the relevant markets for voice call terminations on landline and mobile networks in France, and (ii) designating the operators that exercise significant power in these markets and their related obligations for the three-year period between 2017 and 2020. This decision renewed the majority of the terms of the framework that was previously in place;
- concerning the regulation of wholesale markets for Broadband and Ultra-Fast Broadband: unbundling operations for these markets are regulated by decision 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. 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 has set price caps for the rental of copper pairs from the incumbent operator at €9.31, €9.41 and €9.51 per month for 2018, 2019 and 2020 respectively, including the IFER tax for copper pairs.

Furthermore, in 2017 the Paris Court of Appeal upheld decision 2015-0971-RDPI of July 28, 2015 concerning a dispute between Free and Orange under which ARCEP authorized Free Mobile to use optical fiber links at no extra cost for traffic to transit from its mobile base stations, whether they are connected to a copper or a fiber optic main distribution frame.

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. These decisions are approved by the French Minister for Electronic Communications. FTTH networks are mainly regulated in a symmetric way.

For the optical fiber networks located in France's 148 most densely populated municipalities, ARCEP decision 2009-1106 regulates access to the terminal section of networks installed by operators in the risers of buildings. If they so wish, operators can co-invest in networks installed by other operators and can ask to have access to a dedicated fiber. Decision 2013-1475 dated December 10, 2013 amended the list of very densely populated municipalities that was originally defined in decision 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 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 landline and mobile operations. This rate will be 7.6% (pre-tax) for the three-year period from 2018 to 2020.

Roaming and shared use of mobile networks

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

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

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

In 2016, Free Mobile signed up to a new program for mobile operators to provide 2G and 3G coverage in white spots. Under this program, it benefits from 2G roaming and 3G RAN-sharing for the 2,400 existing sites in white spots and is the lead operator for the rollout of additional sites. For the sites where Free Mobile is the lead operator, a 3G RAN-sharing service is proposed to the other operators. This program will be replaced in 2018 by a new governmental action plan grouping together all the operators (see below).

Licenses to use frequencies

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

- IFW for frequencies in the 3.5 GHz band (ARCEP decision 2003-1294 dated December 9, 2003), for the rollout and operation of a Wimax network. This Wimax license expires in May 2018 and ARCEP has begun work on subsequently allocating the 3.5 GHz band to mobile operators to be used for 4G and 5G technologies.

- Free Mobile for 5 MHz in the 900 MHz band and 5 MHz in the 2,100 MHz band (ARCEP decision 2010-0043 dated January 12, 2010), for the rollout and operation of a third-generation mobile communications network.
- Free Mobile for 20 MHz in the 2,600 MHz band (ARCEP decision 2011-1169 dated October 11, 2011), for the rollout and operation of a fourth-generation mobile communications network.
- Free Mobile for 15 MHz in the 1,800 MHz band (ARCEP decision 2014-1542 dated December 16, 2014, amended by decision 2015-1080 dated September 8, 2015) for the rollout and operation of a fourth-generation mobile communications network.
- 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 2016-1520 dated November 22, 2016) for the rollout and operation of a fourth-generation mobile communications network 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 2016-1520 dated November 22, 2016) for the rollout and operation of a fourth-generation mobile communications network 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 2016-1520 dated November 22, 2016), for the rollout and operation of a fourth-generation mobile communications network 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 2016-1526 dated November 22, 2016) and 9.8 MHz in the 900 MHz band (ARCEP decision 2015-0661 dated June 25, 2015) for the rollout and operation of a second-, third- and fourth-generation mobile communications network 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 2016-1526 dated November 22, 2016) and 8.8 MHz in the 900 MHz band (ARCEP decision 2015-0661 dated June 25, 2015) for the rollout and operation of a second-, third- and fourth-generation mobile communications network in Mayotte.

Free Mobile is required to respect the obligations applicable to all network operators pursuant to Article L. 33-1 of the French Post and Electronic Communications Code. This Code – and particularly Articles D. 98-3 to D. 98-12 – sets out the general rights and obligations of all operators, which may be added to by ARCEP. Two examples of additional general obligations introduced by ARCEP are decision 2005-1083 concerning access for disabled persons to mobile telecommunications services and decision 2009-0328 dated April 9, 2009 which sets down the terms and conditions for sharing equipment for 3G mobile networks.

In addition to these general obligations applicable to all mobile operators, Free Mobile's 3G and 4G frequency licenses include a number of specific obligations, particularly concerning population coverage, service quality and opening up its network. In connection with these licenses, Free Mobile has undertaken to:

- roll out a 3G network covering at least 27% of the French population by the end of 2012, 75% by 2015 and 90% by 2018;
- roll out a 4G network covering at least 25% of the French population by the end of 2015, 60% by 2018, 75% by 2023, 98% by 2027 and 99.6% by 2030;
- allow MVNOs access to its 3G and 4G mobile networks. To date, no MVNOs have taken up a Free Mobile offering;
- adopt a responsible approach to rolling out the networks, in coordination with the relevant local authorities and respect the maximum exposure levels set in Decree 2002-775 dated May 3, 2002;
- finance network rollouts in white spots. For this purpose, in 2015 Free Mobile entered into agreements with the three other network operators to (i) access their 2G and 3G coverage in the white spots where these operators are responsible for the rollouts, and (ii) reciprocally give the other operators access to Free Mobile's coverage at some 200 new sites in white spots for which Free Mobile will be responsible for the rollouts.

In early January 2018, Free Mobile notified ARCEP that its 3G network covered 90% of the French population, and that it had therefore fulfilled the commitment for the second stage of its coverage obligations as specified in its license. In accordance with the conditions applicable for the 4G license bidding process, as a shareholder of Free Fréquences – which submitted a valid but unsuccessful bid – Free Mobile has a roaming right on the 4G network that will be rolled out in the 800 MHz band by SFR.

In 2016, Free Caraïbe was allocated mobile frequencies in Martinique, Guadeloupe, French Guiana, Saint Martin and Saint-Barthélemy. The licenses to use frequencies in the 800 MHz, 900 MHz (only in French Guiana), 1,800 MHz, 2,100 MHz and 2,600 MHz bands and the related rollout obligations are as follows:

In Guadeloupe, French Guiana, Martinique, Saint-Barthélemy and Saint Martin:

- roll out a 4G network covering at least 50% of the population of Guadeloupe by the end of 2018, 90% by the end of 2022, and 99.8% by the end of 2026;
- roll out a 4G network covering at least 30% of the population of French Guiana by the end of 2018 and 70% by the end of 2022;
- roll out a 4G network covering at least 50% of the population of Martinique by the end of 2018, 90% by the end of 2022 and 99.5% by the end of 2026;
- roll out a 4G network covering at least 75% of the population of Saint-Barthélemy and Saint-Martin by the end of 2018, 90% by the end of 2022 and 99.5% by the end of 2026;
- hire, by the end of 2019, at least 28 employees in Guadeloupe and Martinique, 12 in French Guiana, and three in Saint-Barthélemy and Saint Martin, to build, operate and maintain mobile networks, market offers and carry out all other duties as required;
- invest a minimum amount in setting up and operating a mobile network in Guadeloupe and Martinique, French Guiana, and Saint-Barthélemy and Saint Martin over the period from January 1, 2017 to December 31, 2021;

- market offers that contribute to creating a dynamic mobile market and developing the digital economy in each of these territories.

Telco OI's obligations under its licenses for Reunion Island and Mayotte are as follows:

- roll out a 4G network covering at least 95% of the population of Reunion Island by the end of 2018, 98% by the end of 2022 and 99.2% by the end of 2026;
- roll out a 4G network covering at least 95% of the population of Mayotte by the end of 2018, 98% by the end of 2022 and 99.4% by the end of 2026;
- not to make any layoffs (except for gross or serious misconduct) in Reunion Island and Mayotte between December 1, 2016 and December 31, 2019;
- invest a minimum amount in setting up and operating a mobile network in Reunion Island and Mayotte over the period from January 1, 2016 to December 31, 2020;
- market offers that contribute to creating a dynamic mobile market and developing the digital economy within 6 months of ARCEP's decision 2016-1526 dated November 22, 2016.

Governmental plan to improve mobile coverage in France

In early 2018, ARCEP and the French government announced that they had entered into an agreement with France's four mobile operators (including Free Mobile) to improve LTE coverage across the country. Under this agreement:

- the 900 MHz and 2,100 MHz frequency portfolios will be reallocated in a balanced manner among the four operators when the current licenses expire (between 2021 and 2024). The spectrum will be allocated or the licenses extended for 10 years, with no auction process and no change in fees. However, this spectrum re-balancing between France's four operators is contingent on no fifth MNO entering the market;
- the four operators have undertaken to cover, at their own expense, 2,000 additional white spots through RAN-sharing and up to 3,000 grey spots per operator, through passive infrastructure sharing;
- the operators have undertaken to accelerate their respective 4G rollouts in white spots where the requisite infrastructure is already in place, and to densify their networks and jointly offer solutions that enable them to improve indoor coverage.

These undertakings given by the operators will take the form of binding commitments in the licenses applicable to existing and new frequencies in Metropolitan France. Details of the commitments are provided in the document published by ARCEP on its website on January 22, 2018. The above-described spectrum rebalancing process is scheduled to take place during the course of 2018.

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 (TDM mode) with France's three incumbent mobile operators and the main national landline operators. Discussions have been launched with a view to changing these interconnections to IP mode. Interconnection with other operators' networks or international networks is achieved through commercial transit agreements.

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. Orange has lodged a claim with ARCEP concerning a dispute with Free and Free Mobile about the implementation of standards and protocols for the interconnection of IP networks, which will be settled by ARCEP in the first half of 2018.

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 governmental order 2011-1012 dated August 24, 2011, ARCEP has the power to arbitrate any disputes. In addition, by way of decision 2012-0366 dated March 29, 2012, ARCEP introduced a process whereby Internet service providers and the main providers of public online communication services are required to report information on Internet interconnections to ARCEP on a twice-yearly basis. This information collection process is currently being reviewed.

Portability

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

Directories and provision of subscriber lists

All landline and mobile operators that connect end-subscribers are required to supply their subscriber lists for the purpose of publishing directories and/or providing information services. The terms and

conditions governing whether or not subscribers are included in these lists depend on the type of service concerned: landline subscribers have to opt out if they do not wish their details to be published whereas mobile subscribers need to opt in. ARCEP decision 06-0639 – which was approved by a government order dated March 8, 2007 – sets out the technical and pricing terms and conditions applicable to supplying subscriber lists.

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

Contribution to universal service funding

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

In accordance with the applicable law no. 2015-990, the cost of the universal service is shared between operators pro rata to their revenues derived from electronic communication services "excluding revenues from interconnection and access services subject to the agreements defined in paragraph I of Article L. 34-8, and other services provided or billed on behalf of third party operators".

France's economic reform law dated August 6, 2015 removed the public phone component from the universal service as well as the need for the government to designate an operator responsible for providing the universal subscriber directory and information services.

Broadcasting of audiovisual services

The EU's "2002 Telecoms Package" provides that the transmission and broadcast of radio and television services must be overseen by the national regulatory authorities. Act 2004-669 dated July 9, 2004 extended the oversight powers of the French broadcasting watchdog, the *Conseil supérieur de l'audiovisuel*, to cover all radio and television services and set up a more flexible regulatory framework for the distribution of these services.

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 2007-309, like all television distributors, broadcasters of television channels via ADSL are required to pay contributions to the *Compte de Soutien à l'Industrie de Programmes Audiovisuels* ("COSIP") – via the television services tax (see above) – which is calculated based on the revenue generated by 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).

6.6.2 REGULATION OF THE CONTENT OF ELECTRONIC COMMUNICATIONS 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 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;
- posting providers can only be held civilly liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances making this unlawful nature obvious, or if, as soon as they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it;
- access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances where either they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or selected and/or modified the transmitted content;
- electronic communications operators are required to store the technical data related to connections that is necessary for criminal investigations or for the *Autorité Nationale de la Sécurité des Systèmes d'Information* (ANSSI) or the *Haute Autorité pour la Diffusion des Oeuvres et la Protection des droits sur Internet* (HADOPI) to carry out their regulatory duties. They may also keep the technical data required for their invoice payments. Apart from these two specific cases, the operators concerned must delete or render anonymous all data relating to a communication once the

communication concerned has been carried out. However, the applicable law on storing and accessing personal data may change in the future following the December 21, 2016 judgment issued by the Court of Justice of the European Union in Joined Cases C-203/15 Tele2 Sverige AB v Post-och telestyrelsen and C-698/15 Secretary of State for the Home Department v Tom Watson and Others, which held that EU Member States may not impose a general obligation to retain data on providers of electronic communications services.

Statutory provisions have also been introduced in France concerning requirements for ISPs to block access to certain websites and online content (such as illegal gaming sites and pedo-pornographic content), where ordered by ARJEL (France's online gaming regulator) or the Ministry of the Interior (Act 2010-476 of May 13, 2010 on online betting and gaming and Act 2011-267 of March 14, 2011 on internal security).

French Act 2016-1321 dated October 7, 2016 (the "French Digital Republic Act") requires providers of electronic communications services to make their services accessible to end-customers who are deaf, hard of hearing, blind or aphasic, by providing a written and visual simultaneous translation service for calls made and received. An implementing decree will be issued to set the terms and conditions for applying this requirement. The French Digital Republic Act also introduces the right for disadvantaged people to temporarily keep their Internet connection if they fail to pay for the service. In such a case, the connection must be maintained by the provider for the time it takes for the person's application to the local authorities for financial assistance to be processed.

Intellectual property rights and the Internet

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

These provisions were initially transposed into French law by way of Act 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 2009-669) and October 29, 2009 (Act 2009-1311).

Act 2009-669 promotes the dissemination and protection of creative works on the Internet and introduced a specific "graduated response" system in the aim of combating illegal downloads. The first stage in this system is an email sent to any Internet subscriber whose connection is used to illegally download a protected work, which informs the subscriber that they have breached the applicable law and warns them that they need to protect their Internet access to ensure it does not happen again. An independent administrative body – the *Haute Autorité pour la Diffusion des Oeuvres et la Protection des Droits sur Internet* (HADOPI) – was specifically created in order to manage and issue these messages.

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

These statutory provisions have been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (Decree 2010-536 of March 5, 2010), (ii) the obligation for ISPs to act as a vector for the recommendations issued by the HADOPI (Decree 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 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 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 Postal 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 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 2004-801 of August 6, 2004 on the protection of individuals with respect to the processing of personal data, amending Act 78-17 of January 6, 1978 relating to information technology, computer files and civil liberties, transposed the Framework Directive of October 24, 1995 and certain provisions of the directive of July 12, 2002 into French law. Act 2004-575 of June 21, 2004 on confidence in the digital economy and Act 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 2011-1012 of August 24, 2011 transposed into French law the new EU directives adopted in November 2009.

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

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

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

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

Certain provisions of the Digital Republic Act were an early adoption of requirements that will be applicable under 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"). The GDPR, which repeals directive 95/46/EC and will enter into force on May 25, 2018 – 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.

Transposing the provisions of the GDPR into French law will require amendments to the existing Data Protection Act (Act no. 78-17 dated January 6, 1978) which are currently going through the legislative process. The new draft legislation not only gives additional powers to the CNIL but also removes the existing system of prior declaration to and authorization from the CNIL for personal data processing.

In order to take into account the specific requirements for the electronic communications sector after the GDPR comes into force, 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.

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

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

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

- 5 MHz in the 900 MHz band: this license expires on December 31, 2019 but AGCOM decision 541/08/CONS provides that it may be extended until December 31, 2021 if requested by the license holder;
- 5 MHz duplex in the 1,800 MHz band: this license expires on June 30, 2018 but the Italian 2017 Budget Act adopted in late 2016 provided that it could be extended until December 31, 2029 if the license holder submitted a request before February 15, 2017 and undertook to pay the related fees in a lump sum. Iliad Italia submitted its renewal request and the related undertaking within the required timeframe;
- 5 MHz duplex in the 2,100 MHz band: this license expires on December 31, 2029;
- 5 MHz duplex in the 2,600 MHz band: this license expires on December 31, 2029.

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

7

ORGANIZATIONAL STRUCTURE

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7.1 BRIEF DESCRIPTION OF THE GROUP

A presentation of the Group's businesses and its main subsidiaries is provided in Chapter 6, Section 6.2 of this Registration Document.

The Group is organized around Iliad S.A. which acts as a holding Company and performs a strategic coordination role. In this role it defines the Group's overall corporate strategy and manages its equity interests and financial strategy, including sources of financing.

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

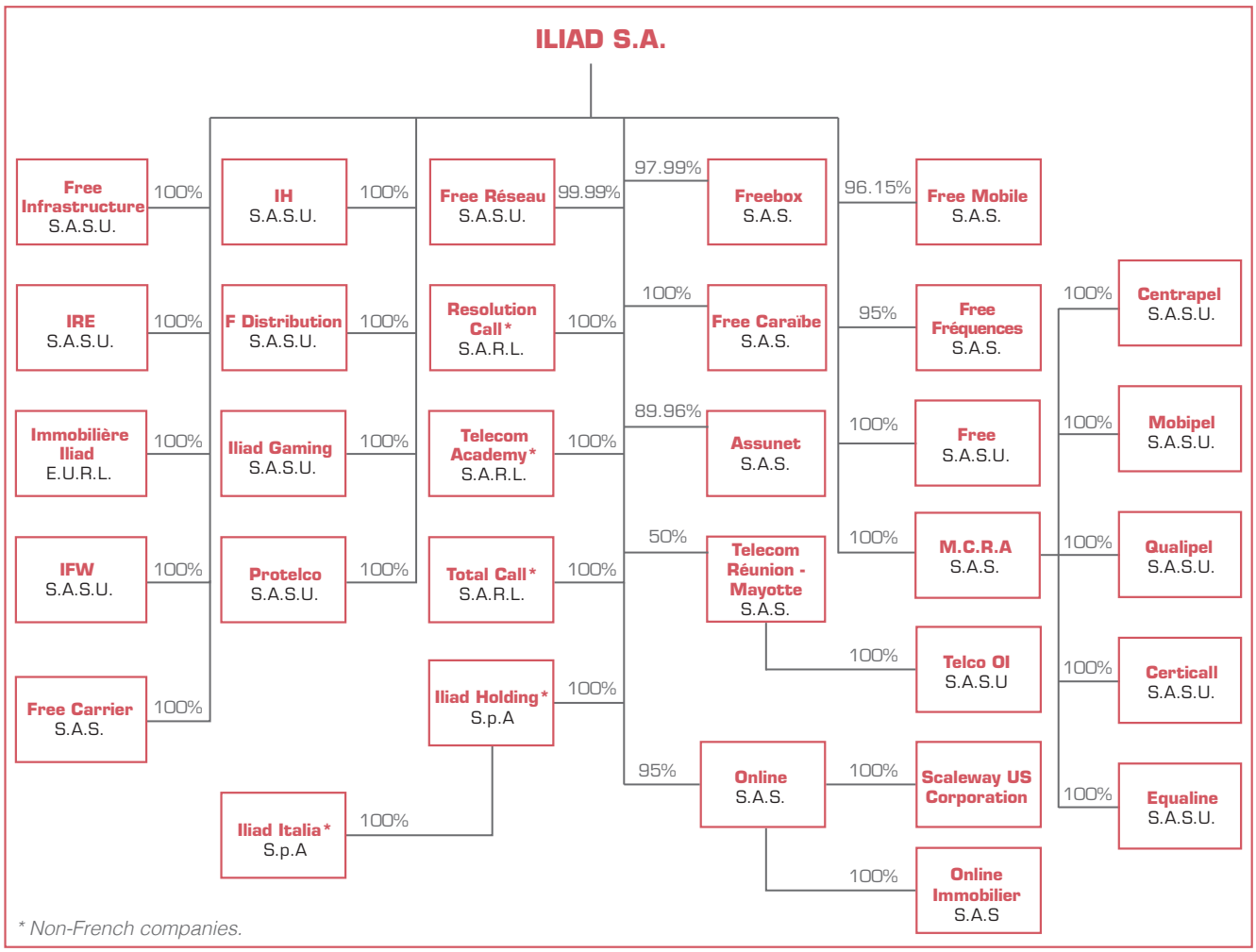
Senior Management functions within the Group are centralized at the holding Company level, with senior managers of the parent company performing the same duties in the Group's main subsidiaries. Group Management is structured around a Management Committee, which constitutes an operational decision-making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

There are strong operating links between the Group's subsidiaries at several levels: (i) the Group's telecommunications network is lodged 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.

7.2 GROUP ORGANIZATION CHART AT DECEMBER 31, 2017

The Group's organization chart is as follows.



See Note 36 to the consolidated financial statements (Chapter 20, Section 20.1) for a list of the Group's consolidated companies at December 31, 2017 and Note 2.3.4 to the parent company financial statements (Chapter 20, Section 20.2) for a list of Iliad's subsidiaries and affiliates.

After receiving clearance from the relevant authorities, the Group acquired a 31.6% minority interest in eir – Ireland's incumbent operator – for an amount of €318.6 million[1] on April 6, 2018.

(1) See Section 9.4.1 of this Registration Document for a presentation of the transaction.

7 ORGANIZATIONAL STRUCTURE

8

PROPERTY, PLANT AND EQUIPMENT

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8.1 EXISTING OR PLANNED MATERIAL TANGIBLE FIXED ASSETS

The Group provides its subscribers with equipment (Freeboxes) which requires the use of cutting-edge technologies, such as in the design of the Freebox modem/TV/DSLAM units, and the development of innovative software solutions. See Chapter 6, Section 6.2.1.1.2 of this Registration Document for further details.

In order to enable its subscribers to use this equipment and the related services, the Group has to have access to the local loop. This entails the payment of fees to the incumbent operator for access to unbundling services (also known as access fees), which are described in Chapter 9, Section 9.2.3. All of these items (access fees and logistics, modem and DSLAM costs) are capitalized and depreciated over a period of five years as from the date the related assets are brought into service.

Information on the Group's other items of property, plant and equipment is provided below.

8.1.1 BACKBONE TRANSMISSION INFRASTRUCTURE

8.1.1.1 Backbone transmission network technology

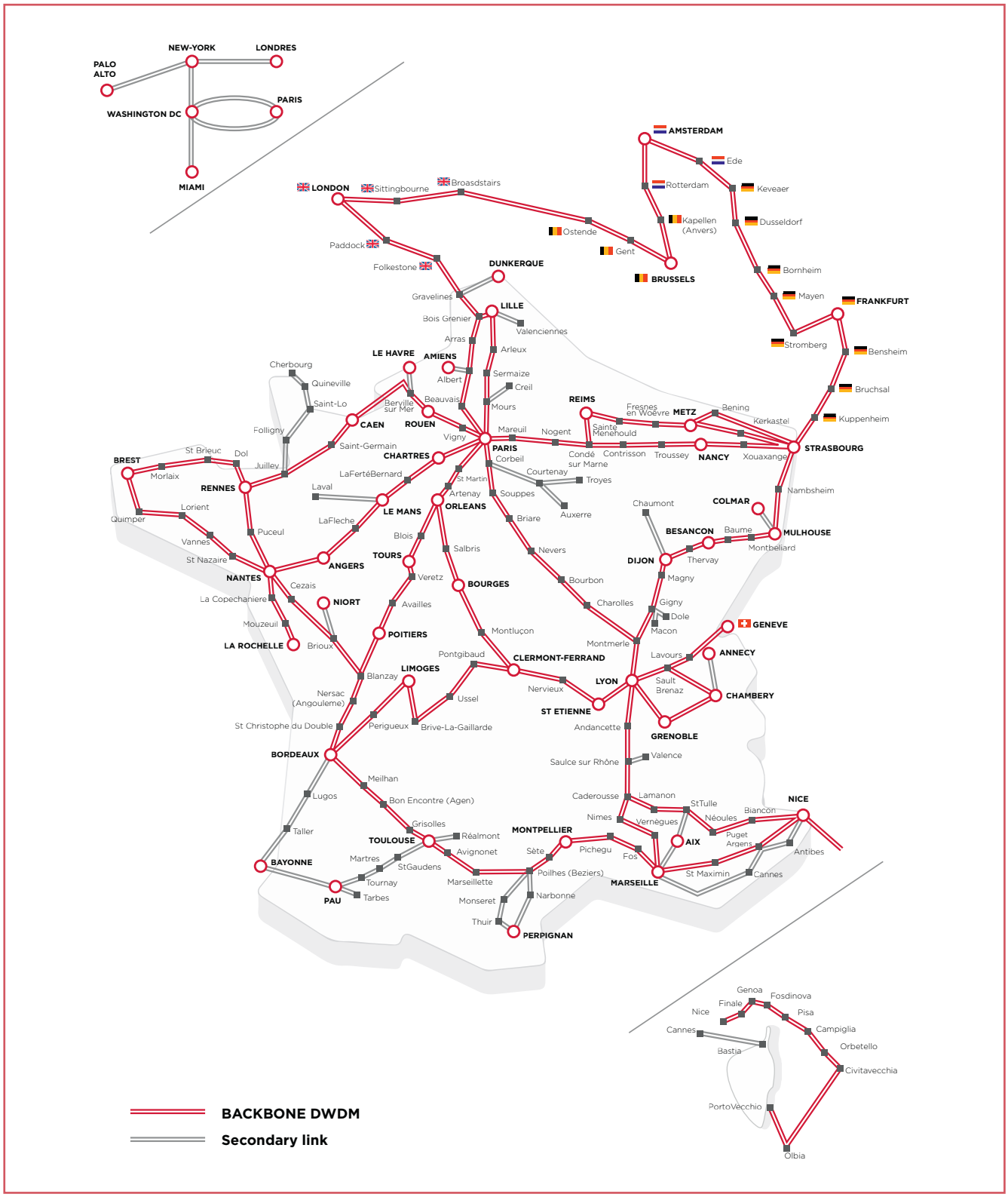
The Group's backbone transmission network is entirely built with optical fiber. Its optical communications technology is based on the Dense Wavelength Division Multiplexing (DWDM) technique which enables several wavelengths to be carried on the same optical fiber.

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

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

France

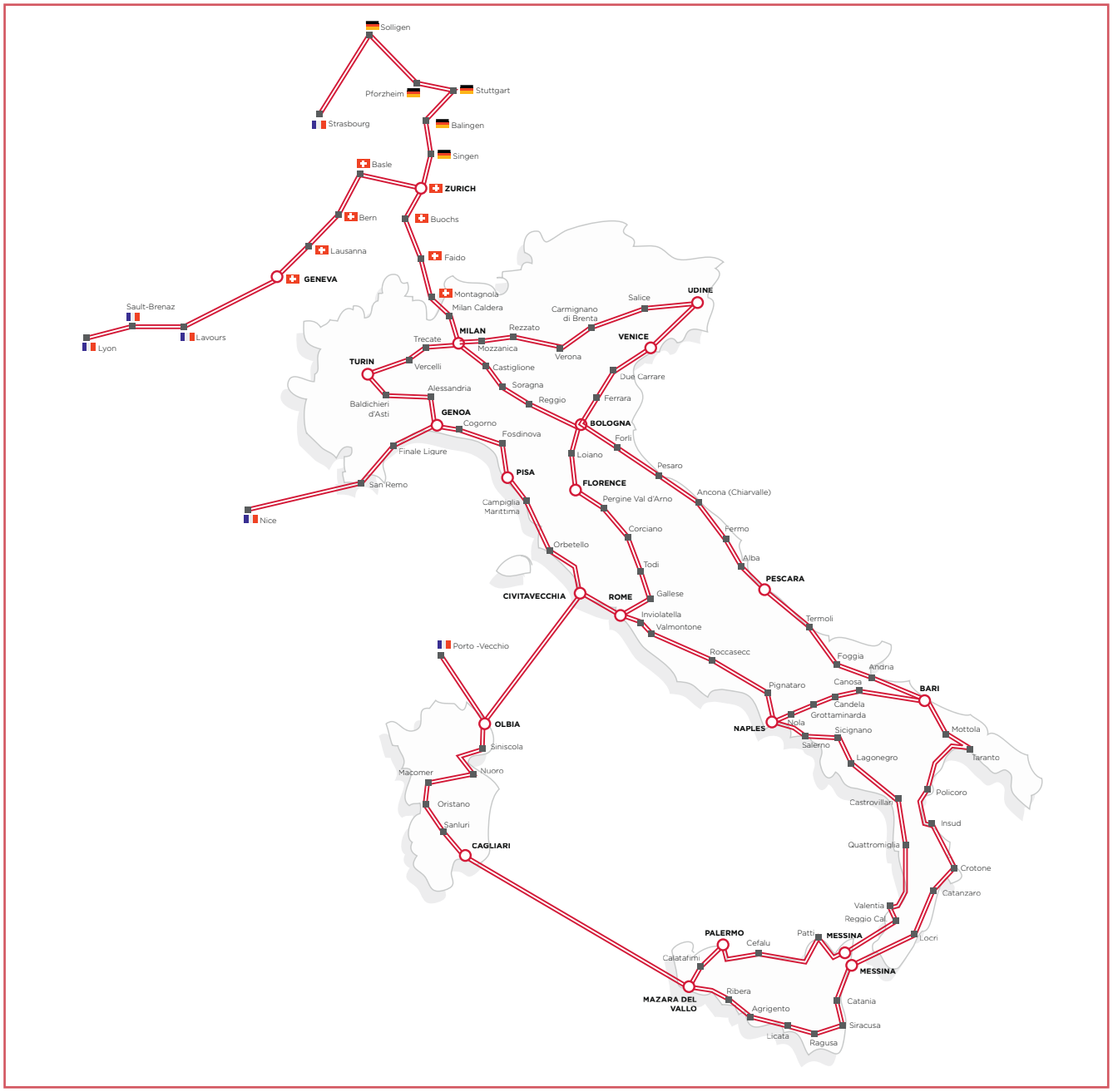
MAP SHOWING THE GROUP'S BACKBONE NETWORK IN FRANCE



Italy

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

MAP SHOWING THE GROUP'S BACKBONE NETWORK IN ITALY



At December 31, 2017, the Group's backbone network comprised over 120,000 linear km of optical fiber, including some 10,000 km in Italy.

8.1.1.2 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.

8.1.2 LANDLINE NETWORKS AND LOCAL LOOPS IN FRANCE

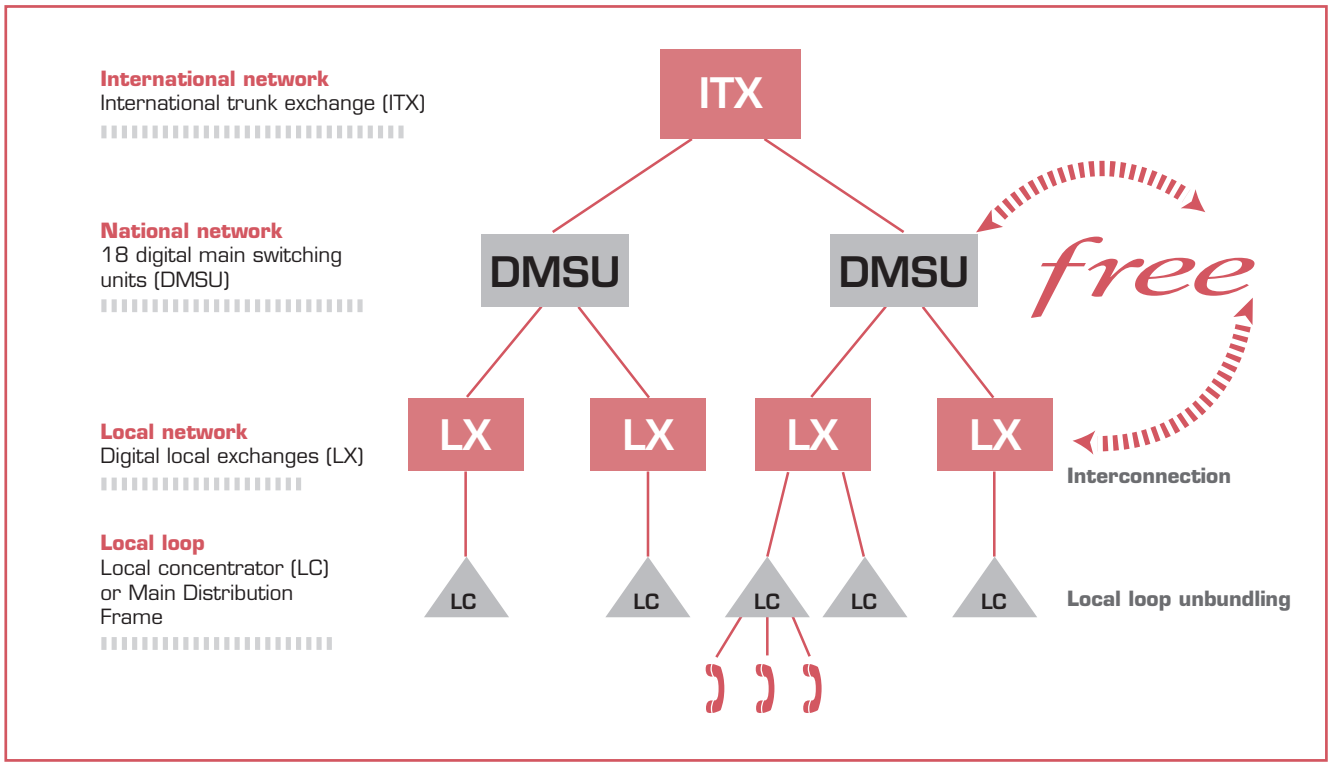
8.1.2.1 Interconnection architecture between the Group's network and the incumbent operator's network

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

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

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

The diagram below shows the architecture for connections between the POPs in the Group's network and the incumbent operator's digital main switching units and digital local exchanges.



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.

8.1.2.2 Local loop unbundling

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

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

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

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

8.1.2.4 Rollout of an ultra-fast landline network

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

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

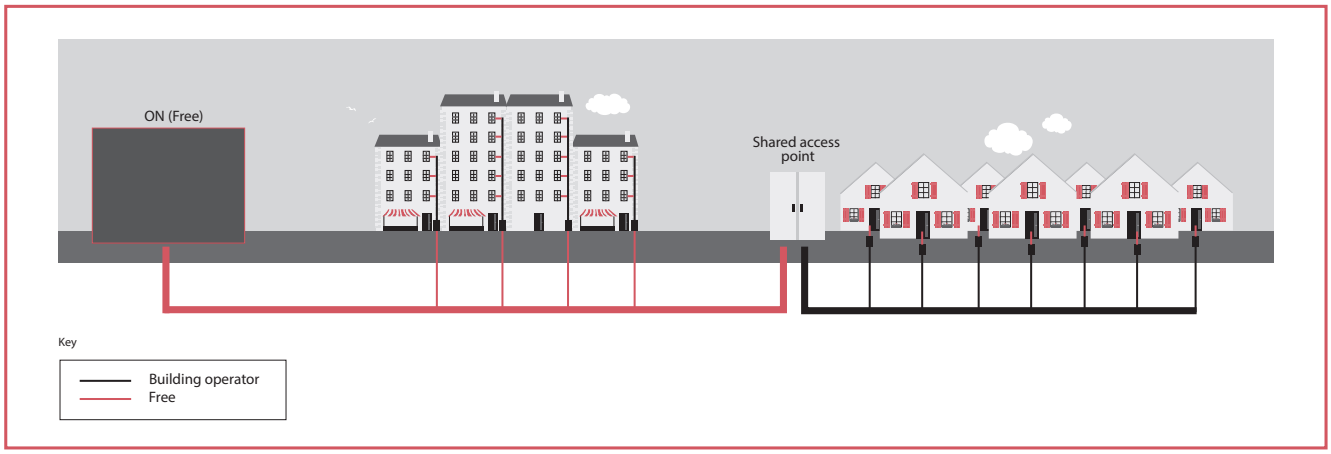
The FTTH rollout is a logical extension of Iliad's strategy of investing in the deployment of its own infrastructure with the aim of increasing margins and profitability.

The regulatory and operational framework for rolling out optical fiber local loops differs depending on the geographic areas concerned.

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

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

To support the rollout of its FTTH (fiber-to-the-home) optical fiber network, the Group is making major investments in network infrastructure.



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

- acquiring and fitting out premises to house optical nodes (ONs);
- carrying out horizontal rollouts, which consist of laying optical fiber cables between the ONs and the shared access points. The Group's horizontal rollout phase is being undertaken using (i) the accessible galleries of the underground wastewater network in Paris, and (ii) the incumbent operator's access offer under which third parties can access its existing cable ducts in other areas of France;
- connecting the horizontal network to the shared access points;
- carrying out the final connection phase, which entails fitting an optical fiber socket in the subscriber's home and connecting it to the building's vertical fiber cables through the floor distribution box.

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

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

8.1.2.4.1 Rollout of an optical fiber local loop in non-densely populated areas

In non-densely populated areas, in order to optimize fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP decision 2010-1312 dated December 14, 2010) provides for more extensive infrastructure-sharing as it requires operators that roll out networks to create shared access points located outside private property boundaries which can each be used for around 1,000 lines.

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



Private co-financed areas (approximately 14 million lines)

In August 2012, the Group was the first operator to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve, through purchases of 5% tranches. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node.

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

Public Initiative Networks (PINs) in the rest of France

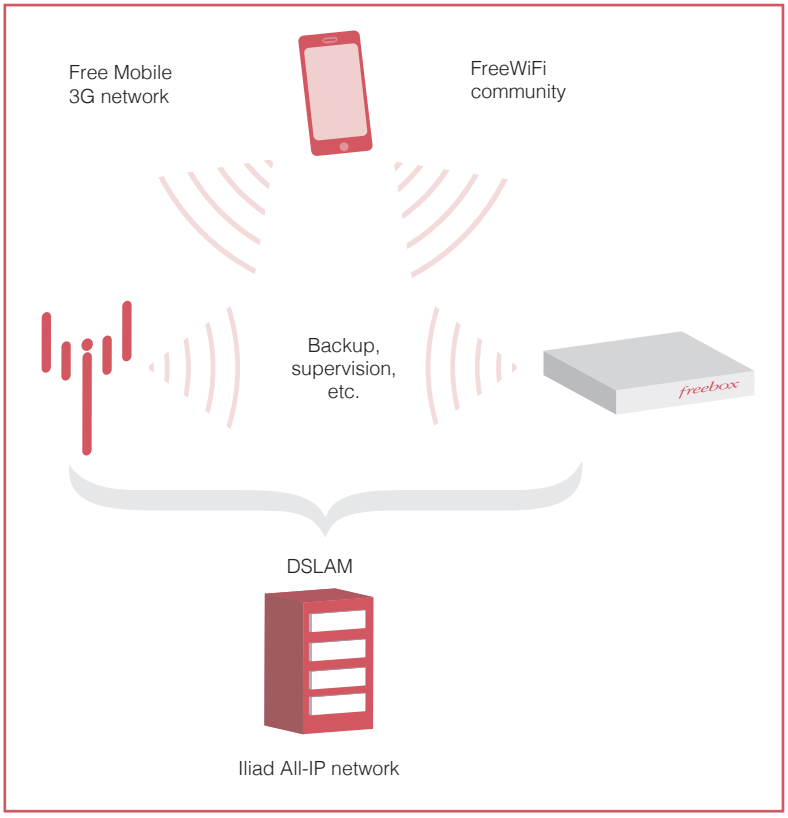
In 2017, the Group gave its first commitments relating to the Public Initiative Networks (PINs) that are being rolled out in sparsely populated areas of France, notably by signing (i) an agreement with Axione which will ultimately give the Group access to more than 2 million additional FTTH sockets, and (ii) a co-financing agreement with the Group's incumbent operator concerning 110,000 FTTH sockets in the Mayenne *département*. These agreements mark a new stage in the Group's investment strategy for optical fiber networks in non-densely populated areas.

8.1.3 ROLLOUT OF A THIRD- AND FOURTH-GENERATION MOBILE COMMUNICATIONS NETWORK IN FRANCE

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

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

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



The Free Mobile network has therefore simply been grafted onto the Group's existing network infrastructure.

Since it acquired its 3G license in January 2010, the Group has put in place a specific organizational structure to manage and oversee the rollout process for its mobile network, which notably involves:

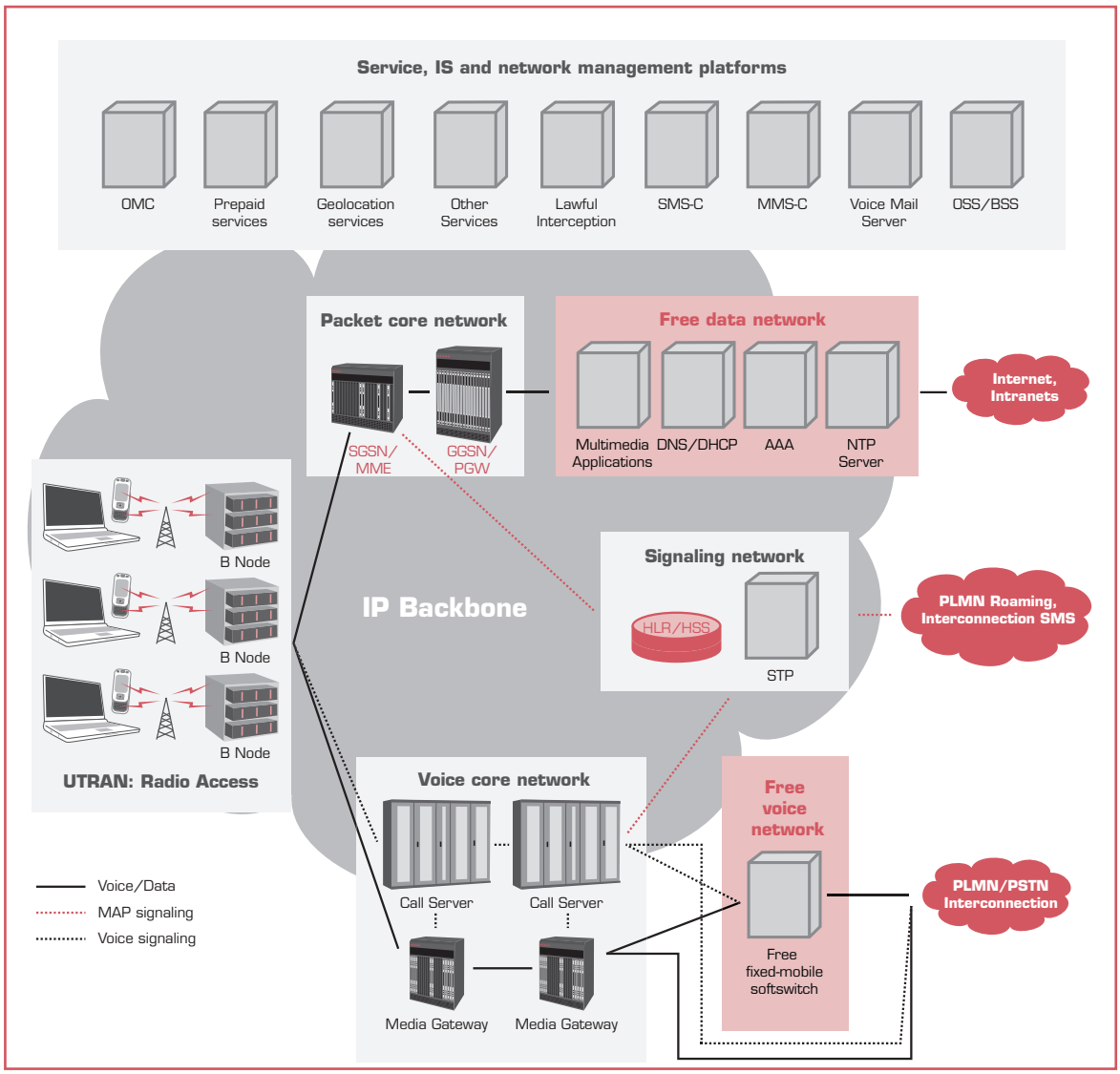
- seeking out sites, which entails site identification and reporting on each site's mobile coverage potential;
- undertaking discussions with all types of lessors, including private individuals, condominium owners, housing associations, corporate and institutional lessors, mobile operators and companies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

The Group intends to draw on this organizational structure to roll out its network of mobile masts in order to have its own network that will offer national coverage across France. The progress of the mobile network rollout process is described in Chapter 9 of this Registration Document.

8.1.3.1 Architecture of the mobile network

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

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



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

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

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

France networks are necessary for carrying traffic (Internet, voice, SMS, etc.) of subscribers in areas not covered by the Free Mobile network.

8.1.4 ROLLOUT OF A THIRD- AND FOURTH-GENERATION MOBILE COMMUNICATIONS NETWORK IN ITALY

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

- rolling out the core network and interconnections with Wind Tre to manage traffic under the selected MOCN (Multi-Operator Core Network) solution. This technical solution for connecting up Wind Tre's radio equipment to the Group's core network will create 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-2019 under agreements signed in July 2016, and (ii) sites made available by major tower companies and other lessors in Italy. At December 31, 2017, almost 300 mobile sites had already been transferred;
- 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.

8.2 REAL ESTATE

The Group acquires, either directly or under finance leases, premises to house optical nodes (ONs) for the purpose of rolling out its FTTH network.

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 2017 consolidated financial statements in Chapter 20, Section 20.1 of this Registration Document.

9

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KEY CONSOLIDATED FINANCIAL DATA

In € millions	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
INCOME STATEMENT			
Revenues	4,987.5	4,722.1	4,414.4
EBITDA	***1,776.7***	***1,675.7***	***1,489.9***
Profit from ordinary activities	862.0	744.1	666.2
Other operating income and expense, net	(0.9)	(4.5)	(4.2)
Finance costs, net	(28.0)	(43.8)	(58.0)
Other financial income and expense, net	(63.3)	(48.3)	(24.5)
Corporate income tax	(366.0)	(245.6)	(244.5)
Share of profit of equity-accounted investees	0.9	0.7	-
Profit for the period	404.6	402.7	335.0
Profit for the period from recurring operations	**480.3**	**402.7**	**335.0**
BALANCE SHEET			
Non-current assets	7,424.0	7,262.3	5,755.3
Current assets	972.1	947.8	1,432.7
Of which cash and cash equivalents	216.1	238.5	720.1
Assets held for sale	19.6	21.4	26.0
Total assets	**8,415.7**	**8,231.5**	**7,214.0**
Total equity	3,374.1	3,001.8	2,637.2
Non-current liabilities	2,882.0	2,882.1	1,899.1
Current liabilities	2,159.6	2,347.6	2,677.7
Total equity and liabilities	**8,415.7**	**8,231.5**	**7,214.0**
CASH FLOWS			
Cash flows from operations	1,757.9	1,603.8	1,472.7
Capital expenditure – France[1]	(1,738.5)	(1,757.8)	(1,219.9)
Capital expenditure – Italy[2]	(313.9)	-	-
Net change in cash and cash equivalents – Group (excluding payments for frequencies, financing activities and dividends)[2]	(226.4)	39.2	(76.1)
Net change in cash and cash equivalents – Group (excluding financing activities and dividends)[3]	(754.0)	(432.3)	(76.1)
Dividends	(25.9)	(24.1)	(23.0)
Net debt	2,449.2	1,642.8	1,191.4

(1) Including payments for frequencies.
(2) Including €271 million related to (i) purchases of frequencies from Wind Tre and (ii) the extension of 1,800 MHz licenses.
(3) Including interest paid.

9.1 OVERVIEW

Fueled by the success of its Broadband and Ultra-Fast Broadband offerings marketed under the Free brand, the Iliad Group (also referred to as the "**Group**") has positioned itself as a major player in the French landline telecommunications market. In addition, since 2012 when it first launched its mobile offerings, the Group has become an integrated operator present in both the landline Broadband and Ultra-Fast Broadband and mobile segments. The Group's success in these two segments has been built on four fundamentals – straightforward offerings, attractive prices, excellent service quality and innovation.

Just six years after it entered the mobile market, the Group has become one of the leading electronic communications operators in France, with more than 20 million subscribers, of which 13.7 million mobile subscribers and more than 6.5 million Broadband and Ultra-Fast Broadband subscribers. At December 31, 2017, it had market shares of 24%(1) for Broadband and Ultra-Fast Broadband and 19%(2) for mobile. During 2017, the Group continued its profitable growth trajectory, generating close to €5 billion in revenues – up 5.6% on 2016.

As substantially all of its operations are in France, the Group only has one geographic segment. Following its signature of an agreement with the Hutchison and VimpelCom groups in connection with the plan to merge their respective H3G and Wind subsidiaries, Iliad acquired assets enabling it to become Italy's fourth mobile operator. As no commercial operations had yet been launched in Italy at December 31, 2017, the Group did not make any changes to its geographic segments for the year then ended. The material underlying assets recognized for Italy in the consolidated financial statements at December 31, 2017 primarily correspond to licenses and initial network assets. The Group will change the presentation of its geographic segments when it launches its commercial operations in Italy, and its segment reporting may be changed again in the future, depending on operating criteria and the development of the Group's businesses.

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

- EBITDA, which corresponds to profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets;
- Mobile services revenues, which corresponds to mobile revenues excluding handset-related revenues (sales and rentals).

(1) Company estimate.

(2) Metropolitan France excluding M2M.

9.1.1 BREAKDOWN OF REVENUES

(a) Landline offerings (Broadband and Ultra-Fast Broadband)

Offerings and services available under the Free and Alice brands

The Group offers its subscribers a number of different Internet access solutions (at prices ranging from €9.99 to €39.99 per month), with a box provided.

Depending on the eligibility of the subscriber's line, the following Broadband and Ultra-Fast Broadband offers are available:

- **via ADSL**, which allows subscribers to access the Internet at a speed of at least 2 Mbps and up to 22.4 Mbps in areas where the local loop is unbundled, and 17.6 Mbps in non-unbundled areas, depending on whether a subscriber's line is eligible (IP speeds);
- **via VDLS2**, which gives subscribers in unbundled areas and with short lines Internet access at speeds of up to 100 Mbps download and 40 Mbps upload;
- **via optical fiber (FTTH)**, which is available in selected areas covered by Free and provides subscribers with Ultra-Fast Broadband (up to 1 Gbps download and up to 200 Mbps upload).

Through these offerings, depending on the package they choose, subscribers are provided with the services described below:

- **Telephony.** All subscribers are provided with a telephone service under which they can make calls through their Freebox to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to 60 or over 110 landline destinations outside Metropolitan France depending on the terms of their package. Additionally, certain of the Group's offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France;
- **Free proposes the largest audiovisual offering in the market,** comprising some 600 channels (of which between 90 and over 280 – depending on the type of subscription – are included in the basic packages), with 240 high definition channels and a catch-up TV service covering more than 100 channels. Since September 2016, the Freebox Revolution offer has included the TV by CANAL Panorama package, which has added 50 channels to the offer, including 30 that are exclusive to Freebox TV;
- **Free also offers its subscribers numerous value added services** including Freebox Replay (its catch-up TV service), video on demand (VOD or S-VOD), subscription to pay-TV packages and channels (Canal+, beIN Sports, etc.) and video games. The TV by CANAL offer gives subscribers access to over 100 live channels and more than 8,000 items of on-demand content on all types of screen (smartphone, tablet, Xbox 360, Xbox One and PC/Mac). Freebox Crystal and Freebox mini 4K subscribers can sign up to the Famille by CANAL offer and benefit from all of the above channels, minus the sports.

When a subscriber signs up to one of the Group's offerings they are provided with a box. Two main boxes are currently available:

- **the Freebox Revolution**, which allows subscribers to connect several terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative services, such as the NAS server which has storage capacity of up to 250 GB accessible from anywhere at any time, a Blu-Ray™ player and calls to mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and speakers.
- **the Freebox mini 4K**, which is the Group's entry-level offering and has replaced the Freebox Crystal. The Freebox mini 4K is the world's first triple-play box that has integrated AndroidTV™ – the Google™ platform for TV – and is compatible with 4K technology (Ultra High Definition). It has Bluetooth™ technology and offers many other innovative services, such as a remote control with a voice search function and the possibility of using a mobile phone as the remote control. It is also the most compact box on the market, measuring 11 x 15 cm.
- **in addition, in 2017 the Group carried out specific promotional sales of the Freebox Crystal** and – to a lesser extent – of the Freebox Revolution. The Freebox Crystal has not featured in the Group's commercial offerings since it was replaced by the Freebox mini 4K as the entry-level offering. However, in order to reuse already-existing Freebox Crystals, in 2017 the Group offered a number of promotional deals on these boxes.

Hosting offers and services available under the Online, Dedibox, Scaleway and Iliad Entreprises brands

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

- **shared hosting services**, which correspond to website hosting and the purchase and resale of domain names. These services are invoiced to customers based on an annual subscription and are primarily targeted at private individuals and very small businesses that have relatively low data storage requirements.
- **dedicated hosting services**, which correspond to the provision of dedicated servers to private individuals and SMEs that wish to secure their data. This offering is invoiced based on a monthly subscription.
- **collocation services**, which consist of providing physical space in a data center, as well as the associated electrical capacity, in order to house bays and servers that generally belong to end-customers.
- **cloud computing**, which is a model enabling convenient, on-demand network access to a shared pool of configurable computing resources. The Scaleway offering provides such access, with small virtual servers that can be scaled up to dedicated physical servers.

(b) Mobile offerings

The Group has proposed two straightforward value-for-money mobile offerings since the commercial launch of its mobile business:

- **the €2/month plan (€0/month for Freebox subscribers)**, which includes:
  - 120 minutes of voice calls per month in Metropolitan France and (i) to mobiles in the United States, Canada, China and the French overseas departments (*départements d'outre-mer* – DOM) as well as to 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM;
  - unlimited texts/MMS in Metropolitan France and from Europe and the DOM to Metropolitan France, Europe and the DOM;
  - 50 MB of 3G/4G mobile data plus an additional 50 MB usable in Europe and the DOM, as well as unlimited access to the FreeWifi network;
  - this no-commitment plan – which also includes services such as voice mail, caller display and usage monitoring – was primarily designed for subscribers mainly wanting to make voice calls at competitive prices. Under the plan, subscribers can opt for extra minutes and data volume as well as for calls to additional foreign countries and from abroad.
- **the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers) **at €19.99/month (€15.99/month for Freebox subscribers)**, which includes:
  - unlimited voice calls (i) to mobiles and landlines in Metropolitan France, mobiles in the United States, Canada, China and the DOM and 100 landline destinations outside Metropolitan France, and (ii) from Europe and the DOM to landlines and mobiles in Metropolitan France, Europe and the DOM and from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating call and in Metropolitan France;
  - unlimited texts/MMS in Metropolitan France and (i) from Europe and the DOM to Metropolitan France, Europe and the DOM, and (ii) from the United States, South Africa, Australia, Canada, Israel and New Zealand to landlines and mobiles in the same country as the originating message and in Metropolitan France;
  - unlimited Internet data for Freebox subscribers in Metropolitan France (100 GB/month for non-Freebox subscribers) and 25 GB/month of mobile Internet in Europe, the DOM, Switzerland, the United States, South Africa, Australia, Canada, Mexico, Israel, New Zealand, Thailand, Algeria and Turkey.

In tandem, the Group offers a selection of the latest mobile phones on the market. With a view to being as transparent as possible, Free 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 €69 and €199 and then pays a monthly rental fee of between €12 and €25 (again, depending on the phone) over a period of 24 months. At the end of this period, subscribers can either return their phone and get a latest-generation phone under a new rental agreement, or extend the rental period for their existing phone.

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

9.1.2 THE GROUP'S MAIN OPERATING COSTS

(a) Main operating costs of the Group's landline offerings

- **Option 1** (subscribers on an unbundled line), whereby the Group markets services entirely on its own network (excluding the local loop).

Under Option 1, direct costs per subscription and per month, as set out in the incumbent operator's basic unbundling offer, were as follows at December 31, 2017:

- **Operating costs (partial unbundling)**
  - Rental of the copper pair and the ADSL splitter: €1.77
- **Operating costs (full unbundling)**
  - Rental of the copper pair: €9.45[1]

- **Option 5** (subscribers not on an unbundled line), representing a wholesale offer proposed by the incumbent operator that is sold on to subscribers by Free and Alice.

Under Option 5, for a subscription that is sold at the same price, costs per subscription and per month are made up of access costs and the costs of the IP transit service.

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

Option 5 costs also include IP transit service costs which vary depending on the bit rate used by all Option 5 subscribers. The price terms applicable in 2017 were as follows:

- Usage fee per Mbps: €7.00
- Access fees: €5.40

Option 1 gross margin and EBITDA margin are therefore significantly higher than Option 5 margins. Consequently, the Group's objective is to maximize the proportion of Option 1 subscribers and, where technically feasible, to directly offer Option 1 to new subscribers living in an area where the local loop has been unbundled.

- **The Group also offers its subscribers in eligible areas the possibility of migrating to an FTTH offering**

Gross margin and EBITDA margin on FTTH offerings are much higher than Option 1 margins as the Group no longer has to pay the operating costs related to renting the copper pair from the incumbent operator.

The Group's objective is thevefore to maximize the proportion of FTTH subscribers in eligible areas where technically feasible.

(b) Mobile call termination charges

These charges amounted to 0.74 euro cents in 2017 compared with 0.76 euro cents in 2016.

(c) Roaming charges

The Group has to pay roaming charges for the roaming services provided to it, which are defined in a roaming agreement signed with France's incumbent operator in 2011. The agreement applies to 2G and 3G technologies and has been amended since it was first signed – notably in relation to interconnection capacity – in order to take into account the increase in mobile subscriber numbers. It had an initial term of six years commencing from the commercial launch of the Group's mobile offerings, but was extended on June 15, 2016 and now expires at end-2020.

The roaming agreement allows the Group to:

- offer a service to subscribers with a 2G phone;
- provide 3G mobile coverage in addition to that available under its own network, which is still in the expansion phase.

Both gross margin and EBITDA margin are significantly higher for Free Mobile's own-network traffic than for roaming traffic. Margin levels also depend on (i) changes in subscriber usage patterns, particularly in relation to data, and (ii) the proportion of subscribers on the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers).

The Group's objective is therefore to maximize the proportion of traffic carried directly on its own network, by pursuing the rollout targets, and to increase the proportion of subscribers on the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers), notably by migrating subscribers on the €2/month plan (or €0/month for Freebox subscribers) to the Unlimited 4G Plan (100 GB for non-Freebox subscribers). Achieving this objective is being helped by the fact that people are increasingly using mobile Internet on a daily basis.

In accordance with the new powers assigned on August 6, 2015 to the French electronic communications regulatory authority (*Autorité de Régulation des Communications Electroniques et des Postes* – ARCEP) under the "Macron Act" (France's economic reform law), in 2015 ARCEP began work on analyzing the mobile network sharing agreements in place in France (roaming and RAN-sharing agreements).

Following this analysis, on January 12, 2016 ARCEP issued a working document for public consultation, which included draft guidelines on mobile network sharing. The final guidelines – which were published on May 25, 2016 – notably invited operators to set the dates for gradually phasing out their current roaming arrangements.

On June 15, 2016, Iliad and Orange announced that they had signed an addendum to their 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming

(1) Fee applicable from January 1, 2017 through December 31, 2017 (compared with €8.78 for January and February 2016 and €9.10 from March 1, 2016 through December 31, 2016). Since January 1, 2018 the applicable fee has been €9.31.

subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020.

On June 30, 2016, ARCEP decided that, based on the guidelines published on May 25, 2016, it was not necessary to launch a formal review of the roaming agreement between Free Mobile and Orange using the powers assigned to it under the Macron Act of August 6, 2015.

9.1.3 CAPITAL EXPENDITURE AND DEPRECIATION

(a) Broadband

(i) Transmission network and unbundling the local loop

Having laid over 120,000 km of fiber, Iliad has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. The Group draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In 2017, the Group continued to extend its coverage by opening around 2,400 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to over 11,600 at the year-end and gave Free a network coverage rate of almost 90% of the French population. 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

Just as operating costs differ significantly between Option 1 and Option 5, so do levels of capital expenditure.

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

- the boxes provided to subscribers;
- 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.

(b) Rollout of an FTTH network

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

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

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

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

(i) 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" (representing around 6 million homes). In these areas, each operator is responsible for rolling out its own network up to shared access points which are generally located inside buildings. The in-building cabling is then shared by the operators.

To support the rollout of its FTTH (fiber-to-the-home) optical fiber network, the Group is making major investments in network infrastructure.

The Group is rolling out its own infrastructure in very densely populated areas, which requires:

- acquiring and fitting out premises to house optical nodes (ONs);
- carrying out horizontal rollouts, which consist of laying optical fiber cables between the ONs and the shared access points. The Group's horizontal rollout phase is being undertaken using (i) the accessible galleries of the underground wastewater network in Paris, and (ii) the incumbent operator's access offer under which third parties can access its existing cable ducts in other areas of France;
- connecting the horizontal network to the shared access points;
- carrying out the final connection phase, which entails fitting an optical fiber socket in the subscriber's home and connecting it to the building's vertical fiber cables through the floor distribution box.

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

(ii) Outside very densely populated areas

Outside very densely populated areas, in order to optimize fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP decision 2010-1312 dated December 14, 2010), provides for more extensive infrastructure sharing as it requires

operators that roll out networks to create shared access points located outside private property boundaries which can each be used for around 1,000 lines.

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

The Group was the first operator, as of August 2012, to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. This offer enables each operator to access all of the lines deployed and to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve, through purchases of 5% tranches. It enables the co-financing not only of the line between the shared access point and the building but also the backhaul fibers between the shared access point and the optical node.

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

Public Initiative Networks – PINs (rest of France):

In 2017, the Group gave its first commitments to the Public Initiative Networks that are being deployed in non-densely populated areas in France, notably by signing (i) an agreement with Axione which will ultimately give Free access to more than 2 million additional FTTH sockets, and (ii) an agreement with France's incumbent operator concerning 110,000 sockets in the Mayenne *département*. These agreements mark a new stage in Free's investment strategy for optical fiber networks in non-densely populated areas.

(iii) FTTH progress report at December 31, 2017

As in 2016, during 2017 the Group continued to step up the pace of its FTTH rollouts and capital expenditure projects. Consequently, during the year:

- the number of connectible sockets increased by almost 2 million to 6.2 million at December 31, 2017 (versus 4.4 million at December 31, 2016) and the Group's fiber offerings are now available in over 420 municipalities;
- the Group recruited nearly 250,000 new FTTH subscribers, more than double the number for 2016 and exceeding its initial target of over 200,000 additional subscribers being connected up to FTTH during the year. At December 31, 2017, the Group had a total of 556,000 FTTH subscribers. The increase in 2017 was due to three main factors:
  - French households' growing appetite for FTTH technology,
  - the gradual start-up of marketing of Free's FTTH offerings outside very densely populated areas,
  - the successful reorganization of internal procedures for connecting FTTH subscribers, which began in late 2016. In order to ensure that it can carry out FTTH connections in an effective and large-scale way, the Group has hired and trained more than 1,400 technicians over the past 18 months.

The year 2017 marked a major milestone in the Group's FTTH project, with some 250,000 new subscribers connected. This sharp increase in subscriber connections has enabled the Group to consolidate its position as France's leading alternative FTTH operator. Drawing on these encouraging results, the Group plans:

- to have installed a total of 9 million connectible sockets in 2018 and 20 million by 2022; and
- to connect up between 300,000 and 500,000 new FTTH subscribers a year as from 2018.

(c) A comprehensive and enriched frequency portfolio

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

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group rounded out its portfolio in Metropolitan France in 2015 and 2016 by acquiring the following frequencies:

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

Consequently, the Group now has a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to provide high-performing services in both 3G and 4G.

In addition, in early 2018 ARCEP will launch work on reassigning frequencies in the 900 MHz, 1,800 MHz and 2,100 MHz bands, whose licenses are due to expire in the coming years. This work consists of setting up a procedure that makes regional development targets a priority, within an overall context of creating stability of the related revenues. The Group will take part in this procedure with the aim of further enriching its frequency portfolio, especially in the 900 MHz and 2,100 MHz bands.

(d) Rollout of a network of mobile masts

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

Despite the more restrictive regulatory framework now applicable in France for the installation of mobile masts (following the introduction of the "Abeille Act" and the "ALUR Act"), 2017 was a record year for the Group in terms of its mobile network rollout, with nearly 3,700 new sites deployed (including sites shared with other operators in non-densely populated areas). At December 31, 2017, the Group had 12,157 sites in service (exceeding its target of over 12,000 sites at end-2017), giving it a direct 3G mobile coverage rate of nearly 94% of the French population.

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

- **a record number of new 3G sites opened.** During the year the Group brought into service nearly 3,700 new 3G sites, giving it a total of over 12,000 at end-2017;
- **ongoing large-scale deployment of 4G technology,** which has been a priority for the Group since it first launched its Mobile business. This priority was put into practice in 2017, with (i) new 1,800 MHz frequencies made available at over 4,300 additional sites and (ii) the deployment of 700 MHz frequencies at more than 700 extra sites, in accordance with regulatory deadlines and availability. The continued deployment of these new 700 MHz and 1,800 MHz frequencies during the year enabled the Group to increase its 4G coverage level (exceeding its initial objective of 85% at end-December 2017) and to improve the indoor quality of its network. At December 31, 2017, the Group had a 4G coverage rate of 86% of the French population, with a total of 9,667 4G sites in service;
- **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, 2017, over 90% of its sites in very densely populated areas were fiber-connected, enabling the Group to offer its subscribers the best 4G speeds.

In view of the progress achieved, Iliad confirms its intention to (i) continue its rollout of new sites, deploying around 2,000 new sites in 2018, (ii) finalize bringing into service 1,800 MHz frequencies at its directly-owned 4G sites and (iii) pursue the gradual deployment of 700 MHz frequencies in eligible areas in accordance with regulatory deadlines and availability. In view of these operational aspects, the Group's objective for end-2018 is to achieve a 3G coverage rate of 95% of the French population and a 4G coverage rate of close to 90%.

The depreciation/amortization periods applied for the main assets brought into service in 2017 are as follows:

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

(e) Rollout of the distribution network: stores and dispensers

During 2017, the Group strengthened its physical presence in France by:

- opening two new stores, raising the total number of Free Centers to 57;
- continuing to roll out its network of self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser, in partnership with the Maison de la Presse and Mag Presse store network. At December 31, 2017, the Group had approximately 1,500 such kiosks across France.

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

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

- (i) A balanced portfolio of 35 MHz (duplex) frequencies

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

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

The purchase price of this portfolio of frequencies was €450 million. The first payment – amounting to €50 million – was made to Wind Tre in the first half of 2017 and the remaining €400 million will be paid during 2018 and 2019.

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

In its 2018 Finance Act published in late 2017, the Italian government issued its planned procedures for the future 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 Italian Ministry of Economic Development (*Ministero dello Sviluppo Economico* – "MISE") has been tasked with organizing the auction for these frequencies in 2018, which the Iliad Group intends to bid for.

- (ii) Rollout of a mobile network in Italy

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

- deploying a backbone of some 10,000 km in order to connect up Italy's principal towns and cities to the Group's main mobile network centers located in Milan and Rome;
- rolling out the core network and interconnections with Wind Tre to manage traffic under the selected MOCN (Multi-Operator Core Network) solutions. This technical solution for connecting up Wind Tre's radio equipment to the Group's core network will create a more effective and optimal flow of traffic between the two networks compared with a more "conventional" roaming solution;
- setting up a local structure for deploying the mobile sites using (i) sites that are scheduled to be decommissioned by Wind Tre, mainly from 2018 through 2020 and (ii) sites made available by major infrastructure lessors and operators;
- leveraging synergies by regularly consulting with the various French technical and operations teams concerning issues such as network management, information systems, Network architecture, radioplanning and distribution.

9.2 SIGNIFICANT EVENTS OF THE YEAR

The most significant events of 2017 were as follows:

In € millions	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	% change
Consolidated revenues	**4,987.5**	**4,722.1**	**+5.6%**
Landline	2,782.5	2,689.6	+3.5%
Mobile	2,214.3	2,043.0	+8.4%
Intra-group sales	(9.3)	(10.5)	-11.4%
Consolidated EBITDA	**1,776.7**	**1,675.7**	**+6.0%**
Profit from ordinary activities	**862.0**	**744.1**	**+15.8%**
Profit for the period from recurring operations	**480.3**	**402.7**	**+19.3%**
LEVERAGE RATIO	**1.4X**	**1.0X**	**0.4X**

Operational information:

- **Landline business: Free confirmed its position as France's leading alternative Broadband and Ultra-Fast Broadband operator, with over 6.5 million subscribers at December 31, 2017.** The number of new subscribers during the year (net of cancellations) came to 135,000, representing a net add market share of 21%[1]. This was achieved despite a mature and highly competitive market, with numerous promotions launched by competitors, particularly in the second half of the year.
- **FTTH: a record year in terms of subscriber connections, with some 250,000 additional FTTH subscribers connected during the period, i.e., more than double the number in 2016.** The Group continued its FTTH rollout drive during 2017, with (i) nearly two million new connectible sockets installed, bringing the total to 6.2 million at December 31, 2017, and (ii) some 250,000 additional subscribers connected to fiber during the year. This means that the Group's FTTH subscriber base increased by 80% in the space of a year and at December 31, 2017 it stood at 556,000.
- **Mobile business: the Group has been France's leading recruiter of mobile subscribers for six consecutive years now, with nearly one million net adds in 2017.** This steady growth in the mobile subscriber base demonstrates the strength of the Free brand and the fact that the Group has got its strategy right by regularly enriching its mobile offerings. At December 31, 2017, the Group had 13.7 million mobile subscribers, giving it a market share of 19%[2].
- **Mobile business: a further improvement in the subscriber mix, with the majority of subscribers now on the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers). In 2017, all of the Group's new subscribers signed up for the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) and for the first time since the launch of the Mobile business, the plan had more subscribers than the €2/month plan (€0/month for Freebox subscribers).
- **A broad portfolio of 4G frequencies, enabling the Group to propose an excellent user experience.** At December 31, 2017, the Group had 8.2 million 4G subscribers, up by 2.3 million year on year and accounting for almost 60% of its total mobile subscriber base. As well as growth in the number of 4G subscribers, 2017 saw

(1) Company estimate.

(2) Metropolitan France excluding M2M.

data usage surge more than 70% compared with 2016 and the Group now has one of the highest volumes of data usage in Europe with 8.4 GB in average monthly data usage per subscriber.

- **A record year for deployment of the mobile network.** During 2017, the Group opened some 3,700 new 3G sites, bringing its total to almost 12,200 at December 31, 2017 and exceeding its original target of having 12,000 by that date. Its 3G coverage rate at end-2017 was 94% of the French population.
- **Ongoing intense rollout of the 4G network in 2017**. The Group pursued its 4G rollout drive throughout 2017, which enabled it to (i) equip over 4,300 4G sites to use 1,800 MHz frequencies and (ii) open more than 700 sites using 700 MHz frequencies. These rollout efforts explain the Group's high score for 4G connections in France in the nPerf mobile connections performance survey. During the year the Group continued to extend and enhance the quality of its 4G network, which covered 86% of the French population at end-December 2017.
- **Italy's fourth mobile network operator: the Group made good progress in preparing for the launch of its mobile offerings.** Throughout the course of 2017 the Group set up the technical architecture necessary for launching its mobile services in Italy. At the same time, it put in place the organizational structure for its Italian subsidiary by (i) hiring some 80 people and (ii) taking on an entire management team based in Italy in order to successfully carry through its project.

Financial information:

- **Consolidated revenues up by 5.6% year on year.** Despite a highly competitive environment, the Group once again reported robust growth, with consolidated revenues rising 5.6% to almost €5 billion.
- **A 9% increase in Mobile services revenues. This would have been a double-digit rise excluding incoming revenues**, the growth of which has slowed as a result of fewer text messages being sent due to the use of new communication platforms. 2017 saw a significant improvement in the subscriber mix, with the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) now counting more subscribers than the €2/month plan (€0/month for Freebox subscribers).
- **A 6% overall increase in consolidated EBITDA, with a mixed picture for the two businesses: a sharp rise in profitability for Mobile and a contraction for Landline.** Consolidated EBITDA came to €1,777 million in 2017. The year-on-year rise was wholly attributable to the sharp increase in profitability for the Mobile business, thanks to a higher proportion of traffic carried directly on the Group's own network and an improved mobile subscriber mix. Conversely, EBITDA for the Landline business was negatively affected during the year by (i) regulatory decisions, notably a €0.35 rise in unbundling fees to €9.45 per month, (ii) higher payroll costs due to the acceleration of the FTTH network rollout, (iii) the measures taken to enrich the Group's offerings, notably the TV by CANAL Panorama package, and (iv) carrying out one-off promotions. Consolidated EBITDA was also adversely affected by initial losses incurred by the start-up of operations in Italy.
- **Double-digit growth in profit from ordinary activities (up 16% to €862 million) and profit for the period from recurring operations (up by nearly 20% year on year).** The increase in profit from ordinary activities was fueled by the higher EBITDA figure as well as slightly lower depreciation and amortization expense for the year. Profit for the period from recurring operations (i.e. excluding the exceptional income tax contribution for 2017) increased sharply once again, coming in at €480 million, despite the negative effect of the start-up losses in Italy. Between 2014 and 2017, profit for the period from recurring operations was up by almost 75%.
- **Major capex programs focused on rolling out the Group's landline and mobile Ultra-Fast networks, backed by a solid financial structure.** The Group invested €1,482 million in its landline and mobile infrastructure in France in 2017, enabling it to become more autonomous and increase its profitability while at the same time enhancing its subscriber service. It also invested €314 million in its Italian development plan during the year (including €50 million for the frequencies purchased from Wind Tre and €220 million paid to the Italian government for renewing the 1,800 MHz frequencies until 2029). Despite this outlay, the Group's financial structure maintained its flexible financial structure and its leverage ratio was once again low, at 1.4x EBITDA at December 31, 2017.
- At the Annual General Meeting on May 16, 2018, the Group will propose the payment of a dividend of €0.68 per share for 2017[1].

(1) Which will be paid on June 22, 2018.

9.3 COMPARISON OF RESULTS FOR 2017 AND 2016

In € millions	2017	2016	% change
Revenues	**4,987.5**	**4,722.1**	**+5.6%**
Purchases used in production	(2,357.0)	(2,323.0)	+1.5%
Gross profit	**2,630.5**	**2,399.1**	**+9.6%**
as a % of revenues	***52.7%***	***50.8%***	***+1.9 pt***
Payroll costs	(255.6)	(242.9)	+5.2%
External charges	(417.2)	(342.1)	+22.0%
Taxes other than on income	(107.7)	(82.1)	+31.2%
Additions to provisions	(53.5)	(49.6)	+7.9%
Other income and expenses from operations, net	(19.7)	(6.8)	+189.7%
EBITDA	**1,776.7**	**1,675.7**	**+6.0%**
as a % of revenues	***35.6%***	***35.5%***	***+0.1 pt***
Share-based payment expense	(4.1)	(2.0)	+105.0%
Depreciation, amortization and provisions for impairment of non-current assets	(910.7)	(929.6)	-2.0%
Profit from ordinary activities	**862.0**	**744.1**	**+15.8%**
Other operating income and expense, net	(0.9)	(4.5)	-80.0%
OPERATING PROFIT	**861.1**	**739.6**	**+16.4%**
Finance costs, net	(28.0)	(43.8)	-36.1%
Other financial income and expense, net	(63.3)	(48.3)	+31.1%
Corporate income tax	(366.0)	(245.6)	+49.0%
Share of profit of equity-accounted investees	0.9	0.7	+28.6%
PROFIT FOR THE PERIOD	**404.6**	**402.7**	**+0.5%**
PROFIT FOR THE PERIOD FROM RECURRING OPERATIONS	**480.3**	**402.7**	**+19.3%**

9.3.1 ANALYSIS OF CONSOLIDATED RESULTS

(a) Key indicators

Subscriber numbers (in thousands)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Total mobile subscribers	**13,695**	**12,700**	**11,685**
Of which 4G	8,200	5,900	3,700
Total Broadband and Ultra-Fast Broadband subscribers	**6,520**	**6,385**	**6,138**
Of which FTTH	556	310	200
TOTAL NUMBER OF SUBSCRIBERS	**20,215**	**19,085**	**17,823**

Other indicators	2017	2016	2015
Broadband and Ultra-Fast Broadband ARPU (in €)	**33.9**	**34.7**	**34.5**
Freebox Revolution ARPU (in €)*	*>38.00*	*>38.00*	*>38.00*
Number of connectible FTTH sockets	**6.2 m**	**4.4 m**	**2.5 m**
Average 4G data usage (in GB per month per subscriber)	**8.4 GB**	**4.9 GB**	**3.2 GB**

* *Excluding promotions.*

(b) Revenues

Consolidated revenues for 2017 rose by 5.6%, or €265 million, reaching nearly €5 billion. Despite persistently fierce competition, the Group recorded a 3.5% increase in Landline revenues (to €2,783 million) and an 8.4% rise in Mobile revenues (to €2,214 million).

The table below shows the breakdown of consolidated revenues by category for 2017 and 2016 as well as the percentage change between the two years.

In € millions	2017	2016	% change
Landline	**2,782.5**	**2,689.6**	**+3.5%**
Mobile	**2,214.3**	**2,043.0**	**+8.4%**
Intra-group sales	(9.3)	(10.5)	-11.4%
TOTAL CONSOLIDATED REVENUES	**4,987.5**	**4,722.1**	**+5.6%**

Landline revenues

Against a backdrop of even fiercer competition, revenues for the Landline business climbed 3.5% to €2,783 million. The main factors that drove this performance were as follows:

- **Free confirmed its position as France's leading alternative Broadband and Ultra-Fast Broadband operator, with over 6.5 million subscribers at December 31, 2017.** The number of new subscribers during the year (net of cancellations) came to 135,000, representing a net add market share of 21%(1). This was achieved despite fierce competition, with numerous promotions launched by competitors, particularly in the second half of the year.
- **FTTH: a record year in terms of subscriber connections, with some 250,000 additional FTTH subscribers connected during the period, i.e., more than double the number for 2016.** The Group continued its FTTH rollout drive during 2017, with (i) nearly two million new connectible sockets installed, bringing the total to 6.2 million at December 31, 2017, and (ii) some 250,000 additional subscribers connected to fiber during the year. This means that the Group's FTTH subscriber base increased by 80% in the space of a year and at December 31, 2017 it stood at 556,000.
- **Broadband and Ultra-Fast Broadband ARPU came to €33.90 in the fourth quarter of 2017**, down slightly on 2016 due to competitive pressures. However, ARPU for the Freebox Revolution offer once again exceeded €38(2).

Mobile revenues

2017 was another year of robust growth for the Mobile business, with revenues advancing 8.4% to €2,214 million. The main factors that drove the Mobile business's performance in 2017 were as follows:

- **The Group was France's leading recruiter of mobile subscribers for the sixth year in a row, with nearly one million net adds in 2017.** This steady growth in the mobile subscriber base demonstrates the strength of the Free brand and the fact that the Group has got its strategy right by regularly enriching its mobile offerings. At December 31, 2017, the Group had 13.7 million mobile subscribers, giving it a market share of 19%.
- **A further improvement in the subscriber mix, with the majority of subscribers now on the Free Mobile Unlimited 4G Plan** (100 GB for non-Freebox subscribers). In 2017, all of the Group's new subscribers signed up for the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers) and for the first time since the launch of the Mobile business, the plan had more subscribers than the €2/month plan (€0/month for Freebox subscribers).
- **A broad portfolio of 4G frequencies, enabling the Group to propose an excellent user experience.** At December 31, 2017, the Group had 8.2 million 4G subscribers, up by 2.3 million year on year and accounting for almost 60% of its total mobile subscriber base. As well as growth in the number of 4G subscribers, 2017 saw data usage surge more than 70% compared with 2016 and the Group now has one of the highest volumes of data usage in Europe with 8.4 GB in average monthly data usage per subscriber. These figures reflect the quality of the 4G experience offered by the Group's network, which, in the fourth quarter of 2017, obtained the best score for 4G connections in France in the nPerf mobile connections performance survey for the 11th consecutive quarter.
- **A 9% increase in Mobile services revenues. This would have been a double-digit rise excluding incoming revenues**, the growth of which has slowed as a result of fewer text messages being sent due to the use of new communication platforms.

Intra-group sales

Intra-group sales correspond to sales between companies from the Group's two different businesses and mainly consist of billings of interconnection operations. They are eliminated in consolidation.

(1) Company estimate.

(2) Excluding promotions.

(c) Gross profit

At €2,630 million, consolidated gross profit was almost 10% higher than in 2016.

As a percentage of revenues, gross profit climbed nearly 2 percentage points to 52.7%, reflecting the combined impact of two contrasting trends: (i) a very sharp increase in profitability for the Mobile business, particularly thanks to the improvement in the subscriber mix and higher volumes carried directly on the Group's own network, and (ii) a contraction in Gross profit margin for the Landline business due to the effects of promotions, higher unbundling fees, and the impact of the TV by CANAL Panorama package.

(d) Payroll costs

The Group created over 600 direct jobs in France in 2017 under permanent contracts. At December 31, 2017 it had a total headcount of more than 9,700 people, with the year-on-year increase mainly reflecting the Group's pro-active strategy of accelerating the rollouts of its FTTH and mobile networks as well as the creation of teams in Italy.

In view of these developments, payroll costs (excluding employee benefits and capitalized costs) rose to €256 million during the year, representing 5.1% of revenues (stable compared with 2016).

(e) External charges

The Group's external charges increased by €75 million to €417 million. This item mainly includes network costs (maintenance, rental of mobile sites, etc.) and the costs of equipment hosting, insurance, advertising and sub-contracting. The year-on-year rise chiefly reflects the much higher number of mobile sites in service (with some 3,700 new sites opened over the year) as well as the development of the FTTH network, which resulted in additional energy and maintenance costs.

(f) Taxes other than on income

Taxes other than on income rose by €26 million to €108 million, primarily due to mobile rollouts (IFER tax) and the growth in consolidated revenues (COPE tax, UMTS tax and COSIP tax).

(g) Additions to provisions

Additions to provisions for bad debts, impairment of inventories and contingencies and charges totaled €54 million in 2017, representing a slight €4 million increase compared with 2016. The main additions recognized during the year related to provisions for bad debts.

(h) Other income and expenses from operations, net

This item represented a net expense of €20 million in 2017 compared with a net expense of €7 million in 2016.

(i) EBITDA

Consolidated EBITDA advanced 6% year on year to €1,777 million and the EBITDA margin widened slightly to 35.6%.

The EBITDA margin posted by the Mobile business rose sharply whereas for the Landline business it was weighed down by various adverse effects. The main factors affecting EBITDA in 2017 were as follows:

- **further economies of scale achieved for the Mobile business's fixed costs.** The continued significant growth of the Mobile business enabled the Group to achieve further economies of scale in terms of its fixed cost base (network, advertising and administrative costs, etc.) and to capitalize on its status as an integrated operator (landline/mobile), despite the extension of roaming services to additional countries and the end of roaming charges in Europe since June 2017;
- **better mobile network coverage.** Thanks to the intense rollout of new mobile sites in 2017 the Group was able to considerably improve its mobile network coverage during the year (with the coverage rate up by 5 percentage points for the 3G network and 10 points for 4G). This enabled it to increase the volume of traffic carried directly on its own network;
- **the fact that more than one in two mobile subscribers are now signed up to the Free Mobile Unlimited 4G Plan (100 GB for non-Freebox subscribers).** All new subscriptions in 2017 were for the Free Mobile Plan and the subscriber base has begun to decrease for the €2/month plan (€0/month for Freebox subscribers);
- **lower profitability for the Landline business**, stemming from the dilutive impact of (i) the €0.35 rise in unbundling fees per month and per subscriber during 2017 (from €9.10 to €9.45), (ii) the new TV by CANAL Panorama package, (iii) the increase in certain taxes (the COPE tax and IFER tax), (iv) the payroll rise due to the expansion of the FTTH business, and (v) promotions;
- **a slight negative impact caused by the losses incurred in 2017 on the start-up of operations in Italy,** corresponding to initial project launch costs.

(j) Profit from ordinary activities

Profit from ordinary activities amounted to €862 million, up 16% on the 2016 figure. The year-on-year increase reflects (i) the higher EBITDA figure and (ii) slightly lower depreciation/amortization expense. Depreciation/amortization expense decreased to €911 million in 2017, primarily due to the end of the Freebox Revolution's depreciation cycle (which began in 2010). As a percentage of revenues, profit from ordinary activities rose by 1.5 points to 17.3%.

(k) Profit for the period

Profit for the period from recurring operations also rose sharply, climbing almost 20% in 2017 to €480 million and representing a near-75% hike over the last three years. However, the bottom-line figure of profit for the period edged up just 0.5% to €405 million. This was attributable to the highly adverse effect of the exceptional income tax contribution introduced by the French government towards the end of the year, which amounted to €76 million.

9.3.2 CASH FLOWS AND CAPITAL EXPENDITURE

In € millions	2017	2016	% change
Consolidated cash flows from operations	**1,757.9**	**1,603.8**	**+9.6%**
Change in working capital requirement	(74.9)	25.6	-
Operating Free Cash Flow	**1,683.0**	**1,629.4**	**+3.3%**
Capital expenditure – France (excluding payments for frequencies)	(1,481.5)	(1,286.3)	+15.2%
Capital expenditure – Italy (excluding payments for frequencies)	(43.2)	-	-
Income tax paid	(333.7)	(239.4)	+39.4%
Other[1]	(51.0)	(64.5)	-20.9%
Consolidated Free Cash Flow (excluding payments for frequencies and dividends)	**(226.4)**	**39.2**	**-**
Capital expenditure – payments for frequencies – France	(257.0)	(471.5)	-45.5%
Capital expenditure – payments for frequencies – Italy	(270.6)	-	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	**(754.0)**	**(432.3)**	**+74.4%**
Dividends	(25.9)	(24.1)	+7.5%
CASH AND CASH EQUIVALENTS AT YEAR-END	**214.7**	**235.7**	**-8.9%**

(1) Including interest paid.

Consolidated Free Cash Flow

In 2017, the Group kept up its intense pace of landline and mobile network rollouts, which pushed up its capital expenditure in France (excluding payments for frequencies) by 15%, or almost €200 million, compared with 2016.

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

- a near-10% increase in consolidated cash flows from operations to €1,758 million;
- a €75 million negative change in working capital requirement, due to the advance payment in 2017 of an amount due in respect of 2018;
- capital expenditure incurred in France in line with the objectives set at the beginning of 2017, representing €1,482 million. During 2017 the Group significantly stepped up its outlay on its Ultra-Fast networks both for Landline (with some 250,000 new subscribers connected up to FTTH) and Mobile (with the deployment of nearly 3,700 new sites);
- payment of the third installment for the purchase of 700 MHz frequencies in France, amounting to €243 million;
- €314 million in initial capital expenditure in Italy, notably including the first payment for the purchase of frequencies from Wind Tre (amounting to €50 million) and €220 million paid to the Italian government for the refarming of 1,800 MHz frequencies;
- €334 million in income tax paid, of which a large proportion (€76 million) correonds to the exceptional income tax contribution paid in the second half of 2017.

Net change in cash and cash equivalents:

The Group ended 2017 with €215 million in available cash and cash equivalents.

9.3.3 CONSOLIDATED DEBT

The Group is not subject to any liquidity risk as a result of acceleration clauses contained in loan agreements entered into by Group companies or as a result of any breaches of financial covenants (ratios, targets, etc.).

At December 31, 2017, the Group had gross debt of €2,665 million and net debt of €2,449 million. The Group maintained its solid financial structure during the year and its leverage ratio at December 31, 2017 was 1.4x EBITDA. At the same time, it also had a very strong liquidity position.

The Group's gross debt primarily comprised the following at December 31, 2017:

(a) Borrowings due within one year

- A €1 billion short-term commercial paper program

As part of the annual renewal process for its commercial paper program, the Group increased the size of the program from €800 million to €1 billion in early 2017. At December 31, 2017, €405 million of this program had been used.

(b) Borrowings due beyond one year

Bank borrowings:

- Loans granted by the European Investment Bank (EIB)

  The EIB has granted Iliad several loans in order to help finance the rollout of its ADSL and FTTH networks. These loans – which are repayable in installments and have long maturities – were as follows at December 31, 2017:

  - a €150 million loan granted in 2010 with the final installment due in July 2020;
  - a €200 million loan granted in 2012 with the final installment due in May 2022;
  - a €200 million loan granted in 2016 with the final installment due in September 2030.

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

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

  The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.10% per year depending on the Group's Leverage ratio,

- a €500 million syndicated credit facility maturing in 2021

  In view of the favorable conditions in the banking market and in order to extend the average maturity of its debt, on January 8, 2016 the Group set up a €500 million credit facility with a pool of 11 international banks in the form of a five-year term loan,

- a €1,400 million syndicated credit facility maturing in 2022

  The Group has a €1,400 million syndicated credit facility set up with a pool of 12 international banks, which matures in 2022.

  The applicable interest rate is based on Euribor for the period plus a margin of between 0.35% and 1.10% per year depending on the Group's leverage ratio.

The Group's bank borrowings are subject to financial covenants based on the Group's leverage and interest cover ratios. None of these covenants had been breached at December 31, 2017.

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.

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

In € millions	Maturity	Type of repayment/ redemption	Total amount of financing	Amount used	Amount available
BANK BORROWINGS					
EIB -2010	July 2020	In installments	150	83	-
EIB -2012	May 2022	In installments	200	167	-
EIB -2016	September 2030	In installments	200	200	-
KFW -2017	May 2029	In installments	90	-	90
Syndicated credit facility -2016	January 2021	At maturity	500	500	-
Syndicated credit facility -2015	October 2022	At maturity	1,400	-	1,400
BONDS					
Ordinary bonds -2015	December 2022	At maturity	650	650	-
Ordinary bonds -2017	October 2024	At maturity	650	650	-

(c) Finance lease commitments

The Group uses finance leases to finance (i) the purchase of real estate assets required for its FTTH network rollout and (ii) a portion of the technical equipment in its datacenters. At December 31, 2017, the Group's total obligations under finance leases amounted to €50 million.

9.4 ADDITIONAL INFORMATION

9.4.1 ACQUISITION OF A 31.6% STAKE IN EIR

On December 20, 2017 the Group announced its acquisition, for c. €320 million, of a 31.6% minority interest in eir – Ireland's incumbent telecom operator, alongside NJJ (Xavier Niel's private holding Company). The existing shareholders of eir – Anchorage Capital Group, L.L.C. and Davidson Kempner Capital Management LP – have retained an interest in the Company, through a 35.5% equity stake and a non-recourse loan instrument.

Iliad's minority stake in eir forms the basis of a strategic partnership with a leading operator, with a possibility of ultimately taking over control of the Company thanks to a call option granted. This call option is exercisable in 2024 and would enable Iliad to acquire 80% of NJJ's stake in eir (i.e., 26.3% of eir's capital) at a 12.5% discount to fair market value, as determined by an independent valuation expert, and with a floor calculated based on an annual yield of 2%.

In the medium term through this investment, Iliad expects to benefit from a dividend stream and a double-digit return on equity. Over the medium/long-term, Iliad has a possibility of ultimately taking over control of the Company thanks to a call option granted to Iliad by NJJ on 26.3% of eir's capital, exercisable in 2024.

Accounting treatment:

The minority investment in eir will be accounted for under the equity method, in accordance with International Financial Reporting Standards (IFRS 10, IFRS 11 and IAS 28), and will therefore have a limited impact on the Group leverage (c.+0.2x EBITDA) because eir's debt will not be consolidated.

Iliad will consequently retain the financial flexibility it needs to continue its expansion plan in Italy, to pursue its profitable capital expenditure plan in France for NGN landline and mobile networks and seize consolidation opportunities in markets where Iliad is present.

A transaction executed in accordance with best governance practices:

The transaction constitutes a related-party transaction and as a result Iliad is applying the highest governance standards throughout the process:

- review of the transaction by a specific committee composed exclusively of Iliad's independent Board members;
- appointment of an independent financial expert to issue a fairness opinion;
- the transaction was approved, unanimously by the directors present and represented, at the Board of Directors' meeting held on December 18, 2017. The parties involved in the transaction (Xavier Niel and Olivier Rosenfeld) did not vote at Board level and will not vote in their capacity as shareholders.

The completion of the transaction, which is scheduled for the first half of 2018, is subject to clearance from the relevant authorities[1].

9.4.2 STRATEGIC OBJECTIVES

With a view to continuing to implement its strategy of achieving profitable growth, the Group has set itself the following objectives:

- Landline business:
  - Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term.
  - Increase the FTTH subscriber base by 300,000 to 500,000 subscribers per year as from 2018.
  - Have 9 million connectible FTTH sockets by end-2018.
  - Have 20 million connectible FTTH sockets by end-2022.
- Mobile business:
  - Open around 2,000 new sites in 2018, with a 4G coverage of around 90% and a 3G coverage of 95%.
  - Achieve a 25% share of the mobile market in the long term.
  - Finalize the migration of 4G sites to 1,800 MHz in 2018.
- Group:
  - Achieve a further increase in EBITDA margin in France in 2018.
  - Generate consolidated EBITDA margin in France of over 40% by 2020.
  - Have capital expenditure in France (excluding purchases of frequencies and the launch of a new Freebox) of between €1.4 billion and €1.5 billion in 2018.
  - Generate more than €1 billion in EBITDA less CAPEX in France as from 2020 thanks to:
    - *Lower charges related to the roaming agreement.*
    - *An improved mobile subscriber mix.*
    - *A national mobile network in 2020.*
  - Achieve an EBITDA break-even in Italy with less than 10% market share.

9.4.3 EVENTS AFTER THE REPORTING DATE

No significant events occurred after the balance sheet date that require disclosure in this report.

(1) The transaction took place on April 6, 2018.

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CAPITAL RESOURCES

The main information on cash flows, debt and equity is provided in Chapter 9 of this Registration Document, notably in Sections 9.4.2 and 9.4.3.

At December 31, 2017, the Group's Leverage ratio (Net debt to EBITDA) was 1.4x.

Further information on capital resources is provided in Chapter 4, Section 4.3.2 of this Registration Document as well as in Notes 24, 26 and 29 to the consolidated financial statements (Chapter 20, Section 20.1).

10 CAPITAL RESOURCES

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RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

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11.1 RESEARCH AND DEVELOPMENT

The Group devotes significant resources to creating innovative products and services within the information and communication technologies sector. Its research and development policy is structured around two main objectives: (i) offering differentiated services to subscribers through 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 Freebox modems that incorporate the latest technical innovations, and is deploying innovative xDSL, optical fiber and mobile network equipment.

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

In 2017, the Group spent €10.8 million on R&D related to its xDSL, optical fiber and mobile activities.

11.2 INTELLECTUAL PROPERTY

11.2.1 PATENTS

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

11.2.2 TRADEMARKS

See Chapter 4, Section 4.4.4 of this Registration Document for further information on intellectual property.

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TREND INFORMATION

At the date this Registration Document was filed, the Group was confident about (i) the expansion of its Mobile business, (ii) the profit-making capacity of its operations in France, and (iii) its ability to launch its operations in Italy.

Information concerning events after the balance sheet date of December 31, 2017 is presented in Note 35 to the consolidated financial statements (Chapter 20, Section 20.1) and in Chapter 9, Section 9.4.3.

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PROFIT FORECASTS OR ESTIMATES

The Company does not issue any profit forecasts or estimates.

However, it has issued the following objectives:

- Landline business:
  - achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term;
  - increase the FTTH subscriber base by 300,000 to 500,000 subscribers per year as from 2018;
  - have 9 million connectible FTTH sockets by end-2018;
  - have 20 million connectible FTTH sockets by end-2022.
- Mobile business:
  - open around 2,000 new sites in 2018 and achieve 4G coverage of close to 90% and 3G coverage of 95%;
  - achieve a 25% share of the mobile market in the long term;
  - finalize the migration of 4G sites to 1,800 MHz in 2018.
- Group:
  - achieve a further increase in EBITDA margin in France in 2018;
  - generate consolidated EBITDA margin in France of over 40% by 2020;
  - have capital expenditure in France (excluding purchases of frequencies and the launch of a new Freebox) of between €1.4 billion and €1.5 billion in 2018;
  - generate more than €1 billion in EBITDA less CAPEX in France as from 2020 thanks to:
    - lower charges related to the roaming agreement;
    - an improved mobile subscriber mix;
    - a national mobile network in 2020.
  - reach breakeven for EBITDA in Italy, with less than 10% market share.

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ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

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14.1 MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

14.1.1 MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

14.1.1.1 Rules relating to the governance of the Board of Directors

General principles concerning the membership structure of the Board of Directors

The membership structure of the Board of Directors complies with the recommendations contained in the AFEP-MEDEF Code of corporate governance for listed companies in France (the "AFEP-MEDEF Code").

At December 31, 2017, the Board comprised twelve members (listed below), including six independent directors and one director representing employees.

Iliad's directors have complementary professional skills and experience. They either have in-depth knowledge or experience of the Group or have several years' experience in creating and managing companies, which they can then contribute to the Group. These diverse and complementary profiles are a great asset for the quality of the Board's discussions and the decisions it has to make.

Director representing employees

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

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

Gender equality

Of the Board of Directors' 12 members (excluding the director representing employees, who is not taken into account in compliance with the law and the AFEP-MEDEF Code), five are women – i.e., a proportion of 42%. In addition, both of the Board's committees are chaired by women. The Board of Directors regularly assesses the structure of the Board and its committees as well as the different skills and experience contributed by each of their members. The Board also uses its best efforts to ensure that it has the best possible balance by seeking members with complementary profiles based on international experience as well as diversity in terms of nationality, gender and expertise.

Independent directors

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

He or she must not:

Criterion 1	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	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	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	Have close family ties with an officer or director of the Company.
Criterion 5	Have been a Statutory Auditor of the Company at any time in the past five years.
Criterion 6	Have been a director of the Company for more than 12 years.
Criterion 7	Hold a significant percentage (over 10%) of the Company's capital or voting rights.

In accordance with the recommendations of the AFEP-MEDEF Code, at its meeting on March 12, 2018, the Board examined on a case-by-case basis the situation of each of its members based on the above independence criteria and the advice put forward by the Nominations and Compensation Committee.

Concerning Criterion 3 and the related recommendations of 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 revenue that the revenue generated from the business relationship represents). Accordingly, the Board's independence assessment must take into account any business relationships that may exist between Iliad Group companies and the companies in which certain directors hold an executive position or a directorship or similar office.

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

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

Independent directors therefore make up 50% of the Board's members, which is in excess of the third recommended in the AFEP-MEDEF Code for controlled companies. Consequently, the Board can carry out its duties with the required level of independence and objectivity and can ensure that its discussions are of the highest quality while taking into account the interests of all of the Company's shareholders.

Duration and renewal of directors' terms of office

In order to comply with the principles of the AFEP-MEDEF Code and to enable the Company's shareholders to vote more frequently on the election and re-election of directors, the Company's bylaws provide that the duration of directors' terms of office is four years.

However, in order to avoid all directors being re-elected at the same time, the Company's bylaws also provide that exceptionally, and for the sole purpose of gradually putting in place a staggered renewal system for directors' terms of office, shareholders in an Ordinary General Meeting may reduce the term of office of one or more directors.

Responsible directors

The rights and duties of directors – and particularly their Code of Conduct – are set out in the Board of Directors' Internal Rules which are presented in Chapter 16, Section 16.1.1 of this Registration Document.

14.1.1.2 Members of the Board of Directors and its committees at December 31, 2017

At the date this Registration Document was filed, the Board of Directors had 12 members, as listed below. There are no family ties between the Company's directors. The following information is presented on an individual basis for each director in the Board of Directors' corporate governance report:

- the names of the members of the Board of Directors at December 31, 2017, the date on which they were first elected and the expiration date of their current term of office, the main positions they hold outside the Group, as well as any positions they have held in administrative, management or supervisory bodies of French and non-French companies outside the Group during the past five years;
- their experience and expertise in corporate management.

Summary table of the members of the Board of Directors and its committees

Name	Age	Date first elected as a director	Expiration of current term	Number of years on the Board	Audit Committee	Nominations and Compensation Committee
Executive directors (executive officers of the Company)						
Maxime Lombardini Chief Executive Officer and a director *French nationality*	52	May 29, 2007	2017 AGM	10		
Cyril Poidatz Chairman of the Board of Directors *French nationality*	56	Dec. 12, 2003	2019 AGM	14		
Antoine Levavasseur Senior Vice-President and a director *French nationality*	40	May 27, 2005	2019 AGM	12		
Xavier Niel Senior Vice-President, a director and Vice Chairman of the Board of Directors *French nationality*	50	Dec. 12, 2003	2020 AGM	14		
Thomas Reynaud Senior Vice-President and a director *French nationality*	44	May 29, 2008	2019 AGM	9		
Directors qualified as independent by the Board						
Virginie Calmels *French nationality*	47	June 23, 2009	2020 AGM	8		✔
Marie-Christine Levet *French nationality*	51	May 29, 2008	2019 AGM	9	Chair	
Orla Noonan *Irish nationality*	48	June 23, 2009	2020 AGM	8	✔	
Pierre Pringuet *French nationality*	68	July 25, 2007	2020 AGM	10		✔
Corinne Vigreux *French nationality*	53	May 19, 2016	2019 AGM	1.5		Chair
Bertille Burel *French nationality*	48	May 17, 2017	2020 AGM	1	✔	
Director						
Olivier Rosenfeld *Belgian nationality*	47	Dec. 12, 2003	2019 AGM	14		
Director representing employees						
Ilan Dahan *French nationality*	37	Nov. 18, 2015	2019 AGM	2		
NUMBER OF MEETINGS IN 2017				9	5	3
AVERAGE ATTENDANCE RATE				94%	97.8%	100%

14.1.2 ORGANIZATION AND OPERATING PROCEDURES OF SENIOR MANAGEMENT

On December 12, 2003, the Board of Directors decided to segregate the roles of the Chairman of the Board of Directors and the Chief Executive Officer, with a view to ensuring (i) a clear separation between executive powers and the role of the Board of Directors and (ii) transparent relations with shareholders.

The Company's executive management is therefore carried out under the responsibility of an individual appointed by the Board who holds the title of Chief Executive Officer. 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 except for those matters which by law may only be dealt with in Shareholders' Meetings or by the Board of Directors. The Board of Directors can restrict the powers of the Chief Executive Officer, but such restrictions are not binding on third parties. Iliad's Board has decided that certain projects or transactions must be submitted to the Board of Directors in advance for approval. This is notably the case for (i) any acquisition or divestment representing over €100 million per transaction, (ii) any plan to dispose of a strategic asset that would significantly affect the Group's business strategy, and (iii) any transaction or commitment representing over €200 million, even when such transactions or commitments form part of Iliad's normal course of business.

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

The Board of Directors, in agreement with the Chief Executive Officer, determines the scope and duration of the powers granted to Senior Vice-Presidents. Senior Vice-Presidents have the same powers as the Chief Executive Officer vis-à-vis third parties.

At the date this Registration Document was filed, the Company's Senior Management team comprised the following members:

Name	Position	Date first appointed	Expiration of current term[1]
Maxime Lombardini[2]	Chief Executive Officer	June 14, 2007	2021
Xavier Niel	Senior Vice-President	June 14, 2007	2021
Antoine Levavasseur	Senior Vice-President	June 14, 2007	2021
Rani Assaf	Senior Vice-President	June 14, 2007	2021
Thomas Reynaud	Senior Vice-President	March 18, 2010	2021
Alexis Bidinot[3]	Senior Vice-President	December 4, 2017	2021

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) At its March 12, 2018 meeting, the Board of Directors renewed the term of office of Maxime Lombardini as the Company's Chief Executive Officer as well as the terms of office of the Senior Vice-Presidents, for a period of four years.
(3) Alexis Bidinot was appointed Senior Vice-President on December 4, 2017.

The biographies of the Company's senior managers are set out in Appendix A.

14.2 CONVICTIONS, BANKRUPTCY, CONFLICTS OF INTEREST AND OTHER INFORMATION

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

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

At the date this Registration Document was filed, there were no potential conflicts of interest between any duties to the Company owed by the persons referred to in Section 14.1 above and their private interests and/or other duties. In addition to the provisions of the French Commercial Code concerning related-party agreements, the Board of Directors' Internal Rules specify that all directors must inform the Board whenever they are aware of any actual or potential conflict of interest in which they may be directly or indirectly involved and they must abstain from discussing and voting on the issues concerned. Directors are required to resign in the event of a permanent conflict of interest.

The Board of Directors' organizational and operating structure enables it to prevent any abusive exercise of control by a shareholder, notably due to the fact that there are six independent directors on the Board.

No arrangements or understandings with major shareholders, customers or suppliers have been entered into pursuant to which a representative of the shareholder, customer or supplier concerned was selected as a member of Iliad's Board of Directors or Senior Management team.

At the date this Registration Document was filed, to the best of the Company's knowledge, none of the persons referred to in Section 14.1 above have agreed to any restrictions on the disposal within a certain time period of their holdings in the Company's capital, apart from (i) the thirty-day periods preceding the release of half-yearly and annual results figures and the fifteen-day periods preceding the release of quarterly results figures, and (ii) the requirement set out in the bylaws that each director must hold at least one hundred Iliad shares.

14.3 DIRECTORS' AND SENIOR MANAGERS' INTERESTS IN THE COMPANY AND THE GROUP

At February 28, 2018, Iliad's directors and senior managers held the following interests in the Company:

Shareholder	Number of shares	% capital	% voting rights
Xavier Niel	30,820,250	52.21%	66.86%
Rani Assaf	760,000	1.29%	1.66%
Cyril Poidatz	670,614	1.14%	1.47%
Antoine Levavasseur	506,658	0.86%	1.11%
Maxime Lombardini	10,729	0.02%	0.02%
Thomas Reynaud	7,030	0.01%	0.01%
Olivier Rosenfeld	5,210	0.01%	NM
Pierre Pringuet	2,037	NM	NM
Marie-Christine Levet	350	NM	NM
Orla Noonan	300	NM	NM
Virginie Calmels	150	NM	NM
Corinne Vigreux	100	NM	NM
Bertille Burel	100	NM	NM
TOTAL	**32,783,528**	**55.53%**	**71.14%**

In addition, at December 31, 2017 a number of Iliad's directors and senior managers held interests in the Company's subsidiaries, as follows:

- **Free Mobile:** Cyril Poidatz, Rani Assaf, Antoine Levavasseur, Maxime Lombardini and Thomas Reynaud each hold an interest in Free Mobile (see Chapter 15, Section 15.1.2.3.2 of this Registration Document). Their combined interests represent 2.30% of Free Mobile's capital.
- **Freebox:** Xavier Niel, Cyril Poidatz and Antoine Levavasseur each hold one share in Freebox, and Rani Assaf holds 232 shares, representing total interests of approximately 0.94% of Freebox's capital and voting rights.
- **Free Réseau:** Cyril Poidatz holds one share in Free Réseau, which does not represent a significant holding in the Company.
- **Assunet:** Xavier Niel holds one share in Assunet, representing approximately 0.02% of the Company's capital and voting rights.

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COMPENSATION AND BENEFITS

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15.1 DIRECTORS' AND OFFICERS' COMPENSATION

15.1.1 COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

The rules for allocating the shareholder-approved aggregate amount of directors' fees among the individual directors are set by the Board based on recommendations put forward by the Nominations and Compensation Committee.

In the tenth resolution of the May 17, 2017 Annual General Meeting, the shareholders set the aggregate amount of directors' fees for 2017 at €210,000. The Board allocated this amount between the seven independent and non-salaried directors based on their actual attendance at Board meetings and their degree of involvement in the work of the Board and its committees.

The annual compensation of directors comprises a fixed portion of €21,000 based on actual attendance at Board meetings (of which €1,500 may be deducted if a director fails to attend more than one meeting during the year).

Each director also receives variable compensation amounting to €9,000, based on their actual participation and involvement in the work of the Board's various committees.

The Chairman of the Board, the Chief Executive Officer and the Senior Vice-Presidents do not receive any directors' fees.

The following table shows the amounts of directors' fees paid in 2016 and 2017.

Fees received by the Company's non-executive directors (based on Table 3 of the AMF template)

Non-executive directors	Amount paid in 2017 *(in €)*	Amount paid in 2016 *(in €)*
BERTILLE BUREL		
Directors' fees	21,200	N/A
Other compensation	N/A	N/A
VIRGINIE CALMELS		
Directors' fees	27,000	30,000
Other compensation	N/A	N/A
MARIE-CHRISTINE LEVET		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
ORLA NOONAN		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
PIERRE PRINGUET		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
OLIVIER ROSENFELD		
Directors' fees	22,800	30,000
Other compensation	N/A	N/A
CORINNE VIGREUX		
Directors' fees	30,000	20,667
Other compensation	N/A	N/A

At its March 12, 2018 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 16, 2018 that they set the aggregate amount of directors' fees payable for 2018 at €210,000.

15.1.2 COMPENSATION OF EXECUTIVE OFFICERS

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

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

15.1.2.1 Compensation paid to each executive officer in 2017 and 2016

Summary of compensation paid and stock options and shares granted to each executive officer free of consideration (based on Table 1 of the AMF template)

(in €)	2017	2016
Cyril Poidatz		
Compensation due for the year	180,000	180,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	3,069,400	N/A
TOTAL	**3,249,400**	**180,000**
Maxime Lombardini		
Compensation due for the year	384,000	384,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	3,258,168	N/A
TOTAL	**3,642,168**	**384,000**
Rani Assaf		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	3,069,400	N/A
TOTAL	**3,258,400**	**189,000**
Alexis Bidinot*		
Compensation due for the year*	31,800	N/A
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	N/A	N/A
TOTAL	**31,800**	**N/A**
Antoine Levavasseur		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	3,069,400	N/A
TOTAL	**3,258,400**	**189,000**

* *Alexis Bidinot was appointed Senior Vice-President by the Board of Directors on December 4, 2017.*

(in €)	2017	2016
Xavier Niel		
Compensation due for the year	189,000	189,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	N/A	N/A
TOTAL	**189,000**	**189,000**
Thomas Reynaud		
Compensation due for the year	384,000	384,000
Value of multi-year variable compensation awarded during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of shares granted free of consideration	3,258,168	N/A
TOTAL	**3,642,168**	**384,000**

Breakdown of the compensation of each executive officer (based on Table 2 of the AMF template)

Cyril Poidatz Chairman of the Board of Directors *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	180,000	180,000	180,000	180,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**180,000**	**180,000**	**180,000**	**180,000**

Maxime Lombardini Chief Executive Officer *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	384,000	384,000	384,000	384,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**384,000**	**384,000**	**384,000**	**384,000**

Rani Assaf Senior Vice-President *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	189,000	189,000	189,000	189,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

Alexis Bidinot Senior Vice-President *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	31,800	31,800	N/A	N/A
Annual variable compensation	-	-	N/A	N/A
Multi-year variable compensation	-	-	N/A	N/A
Exceptional compensation	-	-	N/A	N/A
Directors' fees	-	-	N/A	N/A
Benefits-in-kind	-	-	N/A	N/A
TOTAL	**31,800**	**31,800**	**N/A**	**N/A**

Antoine Levavasseur Senior Vice-President *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	189,000	189,000	189,000	189,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

Xavier Niel Senior Vice-President *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	189,000	189,000	189,000	189,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**189,000**	**189,000**	**189,000**	**189,000**

Thomas Reynaud Senior Vice-President *(in €)*	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	384,000	384,000	384,000	384,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**384,000**	**384,000**	**384,000**	**384,000**

15.1.2.2 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 commitment. The most recent stock option plan put in place for Iliad's executive officers was in 2008. Historical information on stock option grants is provided in Chapter 21, Section 21.1.4.1 of this Registration Document (Table 8).

Stock options granted to each executive officer by the Company and any other Group company in 2016 and 2017 (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	No stock options were granted to executive officers in either 2016 or 2017					
Maxime Lombardini						
Rani Assaf						
Antoine Levavasseur						
Xavier Niel						
Thomas Reynaud						

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 2017 (based on Table 5 of the AMF template)

Executive officer	Grant date	Number of options exercised during the year	Exercise price
Cyril Poidatz	-	-	-
Maxime Lombardini	Nov. 5, 2008 June 14, 2007	1,610 125	€53.79 €74.62
Rani Assaf	-	-	-
Antoine Levavasseur	-	-	-
Xavier Niel	-	-	-
Thomas Reynaud	-	-	-

Stock options exercised by each executive officer in 2016 (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	1,784	€53.79
Rani Assaf	-	-	-
Antoine Levavasseur	-	-	-
Xavier Niel	-	-	-
Thomas Reynaud	Nov. 5, 2008	1,780	€53.79

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 Chapter 17, Section 17.1.1.3 of this Registration Document (Table 9).

15.1.2.3 Share grants

15.1.2.3.1 Performance shares

Using the shareholder authorization given at the May 19, 2016 Annual General Meeting, and acting on the recommendations of the Nominations and Compensation Committee, on August 30, 2017 the Board of Directors decided to grant 293,360 performance shares to 61 Group employees and officers.

All of these performance shares will vest in four successive tranches following a vesting period of between three and six years, with no lock-up period.

The tranches, vesting dates and vesting conditions are as follows:

- 40% of the shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017.
- 10% of the shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%.
- 10% of the shares will vest on October 30, 2022 if the total number of fiber subscribers is 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 of the Company are required to hold in registered form at least 10% of the performance shares that vest at the end of each vesting period, until they leave their position as an executive officer.

In addition, the beneficiary must still be with the Group at the vesting date, unless he or she has retired, died or become disabled, or if there is a change in control of the Group within two years of the grant date.

Shares granted free of consideration to each director and officer in 2017 (based on Table 6 of the AMF template)

Shares granted free of consideration by Iliad or any other Group company 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	End of lock-up period	Performance conditions
Cyril Poidatz	Aug. 30, 2017	8,000	1,227,760	Aug. 30, 2020	Aug. 30, 2020	See paragraph above
		2,000	306,940	Aug. 30, 2021	Aug. 30, 2021	
		2,000	306,940	Aug. 30, 2022	Aug. 30, 2022	
		8,000	1,227,760	Aug. 30, 2023	Aug. 30, 2023	
Maxime Lombardini	Aug. 30, 2017	8,492	1,303,267	Aug. 30, 2020	Aug. 30, 2020	See paragraph above
		2,123	325,817	Aug. 30, 2021	Aug. 30, 2021	
		2,123	325,816	Aug. 30, 2022	Aug. 30, 2022	
		8,492	1,303,267	Aug. 30, 2023	Aug. 30, 2023	
Rani Assaf	Aug. 30, 2017	8,000	1,227,760	Aug. 30, 2020	Aug. 30, 2020	See paragraph above
		2,000	306,940	Aug. 30, 2021	Aug. 30, 2021	
		2,000	306,940	Aug. 30, 2022	Aug. 30, 2022	
		8,000	1,227,760	Aug. 30, 2023	Aug. 30, 2023	
Antoine Levavasseur	Aug. 30, 2017	8,000	1,227,760	Aug. 30, 2020	Aug. 30, 2020	See paragraph above
		2,000	306,940	Aug. 30, 2021	Aug. 30, 2021	
		2,000	306,940	Aug. 30, 2022	Aug. 30, 2022	
		8,000	1,227,760	Aug. 30, 2023	Aug. 30, 2023	
Xavier Niel	N/A	-	-	-	-	-
Thomas Reynaud	Aug. 30, 2017	8,492	1,303,267	Aug. 30, 2020	Aug. 30, 2020	See paragraph above
		2,123	325,817	Aug. 30, 2021	Aug. 30, 2021	
		2,123	325,816	Aug. 30, 2022	Aug. 30, 2022	
		8,492	1,303,267	Aug. 30, 2023	Aug. 30, 2023	
Bertille Burel	N/A	-	-	-	-	-
Virginie Calmels	N/A	-	-	-	-	-
Marie-Christine Levet	N/A	-	-	-	-	-
Orla Noonan	N/A	-	-	-	-	-
Pierre Pringuet	N/A	-	-	-	-	-
Olivier Rosenfeld	N/A	-	-	-	-	-
Corinne Vigreux	N/A	-	-	-	-	-

Shares granted free of consideration to each director and officer in 2016 (based on Table 6 of the AMF template)

Shares granted free of consideration by Iliad or any other Group company 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	End of lock-up period	Performance conditions
Cyril Poidatz						
Maxime Lombardini						
Rani Assaf						
Antoine Levavasseur						
Xavier Niel						
Thomas Reynaud						
Virginie Calmels			None			
Marie-Christine Levet						
Orla Noonan						
Pierre Pringuet						
Olivier Rosenfeld						
Alain Weill						
Corinne Vigreux						

Directors' and officers' free shares whose lock-up period expired in 2017 and 2016 (based on Table 7 of the AMF template)

Director/officer	Plan number and date	Number of shares whose lock-up period expired during the year	Vesting conditions
Cyril Poidatz			
Maxime Lombardini			
Rani Assaf			
Antoine Levavasseur			
Xavier Niel			
Thomas Reynaud			
Virginie Calmels		None	
Marie-Christine Levet			
Orla Noonan			
Pierre Pringuet			
Olivier Rosenfeld			
Alain Weill			
Corinne Vigreux			

15.1.2.3.2 Free Mobile shares granted free of consideration in 2010 to executive officers in connection with their position held in Free Mobile

On May 3, 2010 the Board of Directors authorized an incentive plan to be set up for employees and officers of Free Mobile, involving share grants representing up to 5% of Free Mobile's capital. Accordingly, three successive share grant plans were set up, in May 2010, December 2010 and November 2011 for 23 employees and officers of Free Mobile.

The shares vested after a period of two years, following which a two-year lock-up period applied. Under the plans, the shares have to be held for a minimum of five years after the end of the lock-up, bringing the overall compulsory holding period to a total of nine years, except if Iliad offers an early cash-payment option. The agreements entered into in connection with this incentive plan are described in Section 15.2 below.

Beneficiaries of these plans who were executive offices are required to hold in registered form at least 5% of their share grants until they leave their position as an executive officer.

Executive officers granted Free Mobile shares free of consideration in connection with their position in Free Mobile whose lock-up period has expired	Plan number and date	Number of shares held by executive officer at December 31, 2017[1]	Vesting conditions
Cyril Poidatz	May 12, 2010	1,825,694	N/A
Maxime Lombardini	May 12, 2010	1,725,281	N/A
Rani Assaf	May 12, 2010	1,825,694	N/A
Antoine Levavasseur	May 12, 2010	1,277,987	N/A
Xavier Niel	N/A	N/A	N/A
Thomas Reynaud	May 12, 2010	1,725,281	N/A
TOTAL		**8,379,937**	

(1) Shares vested on May 12, 2012 whose lock-up period ended on May 12, 2014. At December 31, 2017, 2.30% of Free Mobile's capital was held by Free Mobile's executive officers and 1.55% by its employees.

Historical information on free share grants within Free Mobile is provided in Chapter 21, Section 21.1.4.2 of this Registration Document (Table 10).

At its March 6, 2017 meeting, the Board of Directors proposed a cash payment to Free Mobile's shareholders for a maximum of 12.5% of their Free Mobile shares at the end of their holding period. For the executive officers who accepted this offer (Maxime Lombardini, Antoine Levavasseur and Thomas Reynaud) the cash payment was based on a valuation of €13.5 per Free Mobile share, as determined by an independent valuer. Following this settlement, at December 31, 2017 Maxime Lombardini, Antoine Levavasseur and Thomas Reynaud respectively held 0.47%, 0.35% and 0.47% of Free Mobile's capital.

In 2017, the cash payment amounted to an aggregate €16.61 million for the nine executive officers and employees who accepted the offer.

15.1.2.4 Commitments given to executive officers

Employment contracts held by executive officers (based on Table 11 of the AMF template)

	Employment contract		Defined benefit pension plan		Compensation or benefits due or potentially due for termination of or change in duties		Non-compete indemnity	
Name and position	Yes	No	Yes	No	Yes	No	Yes	No
Cyril Poidatz								
Chairman of the Board of Directors		x		x		x		x
Maxime Lombardini								
Chief Executive Officer		x		x		x(*)		x
Rani Assaf								
Senior Vice-President	x			x		x		x
Antoine Levavasseur								
Senior Vice-President	x			x		x		x
Xavier Niel								
Senior Vice-President	x			x		x		x
Thomas Reynaud								
Senior Vice-President	x			x		x		x

(*) Since his most recent re-appointment by the Board of Directors' meeting of March 12, 2018.

At its March 4, 2015 meeting, the Board of Directors re-appointed Maxime Lombardini as Chief Executive Officer for a three-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, 2017. Also at this meeting, the Board decided, on the recommendation of the Nominations and Compensation Committee, that Maxime Lombardini's compensation would be kept at €384,000 and that he would still be eligible for the payment of a termination benefit (contingent on performance conditions) in the event of an involuntary departure from the Group resulting from a change in control or strategy of the Company. This commitment was approved by shareholders at the May 20, 2015 Annual General Meeting and was included in the Statutory Auditors' special report on related party agreements and commitments.

At its March 12, 2018 meeting, the Board of Directors re-appointed Maxime Lombardini as Chief Executive Officer 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, 2021. At the request of Maxime Lombardini himself, the Board decided that he would no longer be eligible for this termination benefit.

Other commitments

At December 31, 2017, within the Company there were no:

- specific pension plans in place for executive officers;
- leaving bonuses;
- commitments given to executive officers by the Company that provide for the payment of indemnities and/or benefits relating to or resulting from the termination of their duties within the Company;
- indemnities payable to executive officers under non-compete clauses.

15.1.3 COMPENSATION DUE OR PAID FOR 2017 TO EACH EXECUTIVE OFFICER, SUBMITTED TO THE SHAREHOLDERS UNDER A "SAY-ON-PAY" VOTE

In accordance with Article L. 225-100 II of the French Commercial Code, as introduced by the French "Sapin II" Act, on May 16, 2018 Iliad's shareholders will be asked to vote on the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2017 to each of the Company's executive officers, namely:

- Cyril Poidatz
- Maxime Lombardini
- Rani Assaf
- Alexis Bidinot
- Antoine Levavasseur
- Xavier Niel
- Thomas Reynaud

Compensation and benefits paid or awarded for 2017 to Cyril Poidatz (Chairman of the Board of Directors), submitted to the shareholders under a say-on-pay vote

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€180,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Cyril Poidatz does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Cyril Poidatz does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Cyril Poidatz does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: • 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. • 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. • 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. • 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	As is the case for all executive directors, Cyril Poidatz does not receive any directors' fees.
Value of benefits-in-kind	N/A	Cyril Poidatz does not receive any benefits-in-kind.
Termination benefit	N/A	Cyril Poidatz is not eligible for a termination benefit.
Non-compete indemnity	N/A	Cyril Poidatz is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Cyril Poidatz is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Maxime Lombardini (Chief Executive Officer), submitted to the shareholders under a say-on-pay vote

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€384,000	Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee.
Annual variable compensation	N/A	Maxime Lombardini does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Maxime Lombardini does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Maxime Lombardini does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,258,168 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 21,230 shares Applicable tranches, vesting dates and performance conditions: • 8,492 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. • 2,123 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. • 2,123 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. • 8,492 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	As is the case for all executive directors, Maxime Lombardini does not receive any directors' fees.
Value of benefits-in-kind	N/A	Maxime Lombardini does not receive any benefits-in-kind.
Termination benefit	No termination benefit was due for 2017.	Maxime Lombardini was eligible for a termination benefit, which was subject to performance conditions and was capped at 1.5 times his gross annual compensation. This commitment was authorized by the Board of Directors on March 4, 2015 and approved by shareholders in the fifth resolution of the May 20, 2015 Annual General Meeting, as required under the procedure applicable to related-party agreements and commitments.
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.

Compensation and benefits paid or awarded for 2017 to Rani Assaf (senior Vice-President), submitted to the shareholders under a say-on-pay vote

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Rani Assaf does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Rani Assaf does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Rani Assaf does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: • 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. • 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. • 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. • 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Rani Assaf does not receive any directors' fees.
Value of benefits-in-kind	N/A	Rani Assaf does not receive any benefits-in-kind.
Termination benefit	N/A	Rani Assaf is not eligible for a termination benefit.
Non-compete indemnity	N/A	Rani Assaf is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Rani Assaf is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Alexis Bidinot (senior Vice-President), submitted to the shareholders under a say-on-pay vote

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€31,800	Fixed compensation set by the Board of Directors on December 4, 2017 based on the recommendation of the Compensation Committee (based on annual fixed compensation of €200,400).
Annual variable compensation	N/A	Alexis Bidinot does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Alexis Bidinot does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Alexis Bidinot does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	N/A	Alexis Bidinot did not receive any free share grants in 2017.
Directors' fees	N/A	Alexis Bidinot does not receive any directors' fees.
Value of benefits-in-kind	N/A	Alexis Bidinot does not receive any benefits-in-kind.
Termination benefit	N/A	Alexis Bidinot is not eligible for a termination benefit.
Non-compete indemnity	N/A	Alexis Bidinot is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Alexis Bidinot is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Antoine Levavasseur (senior Vice-President), submitted to the shareholders under a say-on-pay vote

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Antoine Levavasseur does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Antoine Levavasseur does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Antoine Levavasseur does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: • 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. • 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. • 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. • 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Antoine Levavasseur does not receive any directors' fees.
Value of benefits-in-kind	N/A	Antoine Levavasseur does not receive any benefits-in-kind.
Termination benefit	N/A	Antoine Levavasseur is not eligible for a termination benefit.
Non-compete indemnity	N/A	Antoine Levavasseur is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Antoine Levavasseur is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Xavier Niel (senior Vice-President), submitted to the shareholders under a say-on-pay vote

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Xavier Niel does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Xavier Niel does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Xavier Niel does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	N/A	Xavier Niel does not receive any stock options or performance shares.
Directors' fees	N/A	Xavier Niel does not receive any directors' fees.
Value of benefits-in-kind	N/A	Xavier Niel does not receive any benefits-in-kind.
Termination benefit	N/A	Xavier Niel is not eligible for a termination benefit.
Non-compete indemnity	N/A	Xavier Niel is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Xavier Niel is not a member of an Iliad supplementary pension plan.

Compensation paid or awarded for 2017 to Thomas Reynaud (senior Vice-President), submitted to the shareholders under a say-on-pay vote

Compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€384,000	Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee.
Annual variable compensation	N/A	Thomas Reynaud does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Thomas Reynaud does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Thomas Reynaud does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,258,168 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 21,230 shares Applicable tranches, vesting dates and performance conditions: • 8,492 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. • 2,123 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. • 2,123 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. • 8,492 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Thomas Reynaud does not receive any directors' fees.
Value of benefits-in-kind	N/A	Thomas Reynaud does not receive any benefits-in-kind.
Termination benefit	N/A	Thomas Reynaud is not eligible for a termination benefit.
Non-compete indemnity	N/A	Thomas Reynaud is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Thomas Reynaud is not a member of an Iliad supplementary pension plan.

15.2 AGREEMENTS ENTERED INTO BY THE COMPANY OR MEMBERS OF THE GROUP WITH THE COMPANY'S EXECUTIVE OFFICERS OR PRINCIPAL SHAREHOLDERS

Agreements entered into between the Company and Rani Assaf, Antoine Levavasseur, Maxime Lombardini, Cyril Poidatz and Thomas Reynaud.

As part of the incentive plan set up within Free Mobile, 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 these executive officers:

- a shareholders' agreement setting out the rights and obligations of the Company and its executive officers in terms of sales of Free Mobile shares. This 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;
- 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.

Agreements concerning sales of Free Mobile shares entered into between the Company and Antoine Levavasseur, Maxime Lombardini and Thomas Reynaud.

As part of the incentive plan set up within Free Mobile presented above, at its March 6, 2017 meeting, the Board of Directors proposed a cash payment to Free Mobile's shareholders for up to 12.5% of the Free Mobile shares they held at that date. The cash payment was based on a valuation of €13.50 per Free Mobile share, as determined by an independent valuer. Maxime Lombardini, Antoine Levavasseur and Thomas Reynaud took up this cash settlement option.

Agreement entered into between the Company and NJJ Tara, a company that is wholly owned by NJJ Holding.

On December 4, 2017, a project for the Company to invest alongside NJJ Tara in order to acquire a stake in eir – Ireland's incumbent telecom operator – was presented to Iliad's Board of Directors. In view of the fact that NJJ Tara and Iliad have directors in common, the investment agreement entered into between the Company and NJJ Tara constitutes a related-party agreement.

Consequently, drawing on best corporate governance practices, the Board decided to (i) appoint the independent financial services firm Finexsi to give its opinion on the fairness of the transaction, (ii) appoint a legal expert to issue a recommendation to the Board of Directors, and (iii) set up a special committee solely comprising independent directors, tasked with monitoring the work of these independent financial and legal experts.

Following a favorable recommendation issued by the special committee, the Board of Directors authorized the signature of an investment agreement between the Company and NJJ Tara, providing for the Company to purchase, for €318.5 million, a 49% stake in the French company NJJ Boru alongside NJJ Tara (which would own the remaining 51% interest), in order for NJJ Boru to acquire 64.5% of the capital of the Irish company Carraun Telecom which would then indirectly purchase the entire capital of eir. The aim of this investment was for Iliad to forge a strategic partnership with a leading telecom operator.

The appendices to the investment agreement include the main terms and conditions of the shareholders' agreement to be signed between Iliad and NJJ Tara, which sets out the rights and obligations of each party in relation to NJJ Boru. The shareholders' agreement notably provides for a call option for Iliad in relation to 80% of NJJ Tara's stake in NJJ Boru for a price equal to market value (as determined by an independent valuer) less a 12.5% discount. If Iliad decides to exercise this option it will be able to pursue its geographic diversification by developing its business in a dynamic market with profitable growth opportunities.

Agreement entered into between the Company and NJJ Holding.
At its March 12, 2018 meeting, Iliad's Board of Directors authorized the Company to sign an agreement with NJJ Holding – Xavier Niel's personal holding company. NJJ Holding's corporate purpose is to acquire interests in different types of companies and assets, notably in the media and telecommunications sectors. As NJJ Holding and Iliad could be interested in the same opportunities for investing in a particular landline and/or mobile telecommunications operator, the agreement provides for a specific procedure designed to clarify the positioning of NJJ Holding and the Company when such a situation occurs, in the interests of their respective shareholders. Consequently, if NJJ Holding were to consider acquiring a stake in a landline and/or mobile telecommunications operator in France or abroad, NJJ Holding would be required to inform Iliad's Board of Directors of the potential investment project and provide it with a description thereof 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.

Current account agreement between Xavier Niel and Iliad (authorized prior to its signature at the February 9, 2005 Board of Directors' meeting). Xavier Niel's current account had a credit balance of €3,513.80 at December 31, 2017 and no interest was paid in relation to this account during the year.

15.3 LOANS AND GUARANTEES GRANTED TO MEMBERS OF THE COMPANY'S ADMINISTRATIVE OR MANAGEMENT BODIES

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

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OPERATING PROCEDURES OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

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In accordance with Article L. 225-37 of the French Commercial Code, the Company hereby states that it uses the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFAP-MEDEF Code") as its basis of reference for corporate governance practices. This Code can be viewed on the AFEP website.

The Board of Directors' report on corporate governance is presented in Appendix A to this Registration Document.

As required under the "Comply or Explain" rule provided for in Article L. 225-37 of the French Commercial Code and referred to in Article 27.1 of the AFEP-MEDEF Code, the Company hereby states that it considers its corporate governance practices comply with the recommendations of said Code. However, the Company has elected not to apply certain recommendations, for the reasons presented in this report.

16.1 ORGANIZATION OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

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. The choice of which of these two options to use is made by the Board of Directors.

On December 12, 2003, Iliad's Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer, with a view to ensuring transparency in the Company's governance. Consequently, 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. 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 except for those matters which by law may only be dealt with in Shareholders' Meetings or by the Board of Directors.

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

This governance structure chosen for the Company enhances the Board's operational effectiveness as it means that one person is exclusively dedicated to acting as its Chairman, and also strengthens the Board's oversight role with respect to the Company's management. It also provides a clear distinction between the duties of the Chairman – which consist of ensuring that the Board operates effectively – and the executive powers assigned to the Chief Executive Officer. In addition, as the Chief Executive Officer is also a director, he can be involved in the same way as the Company's other Board members in the decision-making processes concerning the Company's strategy, which he is responsible for implementing. When it re-appointed the Chief Executive Officer at its March 12, 2018 meeting, the Board stated that it wished to continue with this governance structure whose effectiveness has been proven since 2003.

16.1.1 ORGANIZATION AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The principles governing the membership structure of the Board of Directors as well as information on its individual members are set out in Chapter 14, Section 14.1.1.1 of this Registration Document.

The Board's operating procedures are governed by the applicable laws and regulations, as well as by the Company's bylaws and the Board of Directors' Internal Rules as originally adopted by the Board on December 12, 2003 and subsequently amended several times. The most recent amendments were made on January 30, 2017, notably in order to take into account the latest revisions to the AFEP-MEDEF Code. The main provisions of the Board's Internal Rules are summarized below.

16.1.1.1 Roles and responsibilities of the Board of Directors

The Board of Directors is a collegiate body whose members all have the same powers and duties and whose decisions must be taken on a collective basis. It answers to all of the shareholders and acts in all circumstances in the best interests of the Company.

The Board of Directors is responsible for defining the Company's overall strategy and overseeing its implementation. Except for the powers directly vested in shareholders, and within the scope of the corporate purpose, the Board is responsible for dealing with all matters related to the efficient running of the Company and for making all related decisions. The Board of Directors meets as often as is required in the Company's interests, on notice from the Chairman. It 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. The Board also authorizes certain transactions in advance, as provided for in its Internal Rules.

16.1.1.2 Meetings of the Board of Directors

The Board of Directors meets as often as is required in the Company's interests, and at least four times a year.

The meetings may take place by videoconference or using any other means of telecommunication technology (except for decisions that, by law, may not be taken using such means), 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.

Board meetings are held in the presence of executive directors so that all directors have the same degree of information and in order to strengthen the collegiate nature of the Board. In addition, the Board of Directors' Internal Rules give the Company's non-executive directors the possibility of meeting annually without the executive or "in-house" directors being present.

16.1.1.3 Information provided to directors

The Chairman provides each director with all the documents and information necessary for performing their duties, and between Board meetings he relays to them any significant information concerning the Company. Each director has a duty to request from the Chairman any information that they consider would be useful for performing their role.

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.

The directors can also meet with the Company's senior managers whenever they so wish.

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

16.1.1.4 Assessment of the Board of Directors' work

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

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

The Board's Internal Rules specify that the Board must discuss its operating procedures at least on a yearly basis, and that it must regularly (and at least once every three years) carry out a formal self-assessment of its work and operating procedures. This formal self-assessment is based on a questionnaire approved by the Board and is carried out under the supervision of the Chairman of the Board, helped by the Board Secretary who is responsible for organizing the overall process.

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

The self-assessment process carried out in early 2018 enabled the Company to obtain a full update on how the operating procedures of the Board and its committees are working, as well as to verify that important issues are being properly prepared and debated and to appraise each director's contribution to the Board's overall work. The main area for improvement identified in the process was enhancing the international dimension of the directors' profiles. In addition, the directors gave a number of constructive suggestions that they felt would improve the Board's work. Based on these suggestions the Board made the following proposals:

- to devote more time to the reports on the work carried out by the Board's committees.
- to deepen the Board's knowledge of the Group, notably by inviting operations managers to give presentations at Board meetings.

16.1.1.5 Directors' Code of Conduct

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

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

Acting in the Company's best interests

Directors are mandated by the Company's shareholders and must act in all circumstances in the best interests of both the shareholders and the Company itself.

Attendance and diligence

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

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

Loyalty and declaring conflicts of interest

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

They must always ensure that their personal situation does not give rise to any conflicts of interest with the Group. If they find themselves in a situation where there is a conflict of interests, they must inform the Board of Directors so that it can deliberate on the issue, and must not take part in the related discussions or vote.

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

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

It is the personal responsibility of each director to assess whether or not the information they possess is inside information and consequently to decide whether or not to use or relay such information.

In their capacity as "insiders", the Company's directors have been informed of the legal provisions currently in force concerning the possession of inside information, the rules concerning insider trading, the sanctions that may be imposed in the event of insider trading and the prevention measures put in place.

The Board of Directors' Internal Rules were amended on January 30, 2017 to take into account the recent regulatory changes resulting from EU regulation no. 596/2014 dated April 16, 2014 on market abuse (the "MAR").

The revised version of the Internal Rules states that 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 shares or debt securities or in any derivatives or other financial instruments related to the Company's shares or debt securities during the following periods: (i) the 30 calendar days before the date on which the annual and half-yearly results are released, (ii) the 15 calendar days before the release of quarterly financial information, and (iii) any other periods in which they are privy to inside information.

Rules relating to compulsory disclosures to the AMF of transactions in the Company's securities

As required under the applicable legislation, Iliad's directors and executives and any 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 table showing the transactions in Iliad shares carried out by the Company's directors and officers in 2017 is provided in Chapter 18, Section 18.1.1 of this Registration Document.

16.1.1.6 Work conducted by the Board of Directors in 2017

In 2017 the Board of Directors:

- made decisions regarding all major strategic, economic and financial matters affecting the Company and the Group and ensured that these decisions were implemented;
- approved the annual and interim financial statements;
- prepared and called the Annual General Meeting;
- drew up the budget;
- assessed the independence of the Company's directors;
- allocated directors' fees;
- authorized a bond issue and the purchase of a minority interest in eir (Ireland's incumbent telecom operator), alongside NJJ (Xavier Niel's personal holding company);
- authorized the grant of free shares to employees and executives of the Group.

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

The Board of Directors met nine times in 2017, with a 94% average attendance rate. Each meeting lasted two hours on average.

16.1.2 SENIOR MANAGEMENT

Information concerning the organizational structure and operating procedures relating to the Company's Senior Management team is provided in Chapter 14, Section 14.1.2 as well as in the Board of Directors' report on corporate governance set out in Appendix A to this Registration Document.

16.2 SERVICE CONTRACTS ENTERED INTO BETWEEN THE COMPANY AND MEMBERS OF ITS ADMINISTRATIVE AND MANAGEMENT BODIES

No service contracts have been entered into between the Company and the members of its administrative or management bodies. Agreements entered into between the Company or other Group entities and executive officers are described in Chapter 15, Section 15.2 of this Registration Document.

16.3 CORPORATE GOVERNANCE BODIES

16.3.1 COMMITTEES OF THE BOARD OF DIRECTORS

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

These committees act strictly within the remit assigned to them by the Board and make recommendations to the Board based on their preparatory work, but have no decision-making powers. The membership structure of the Board committees as well as their roles and responsibilities and the work they performed in 2017 are described in the Board of Directors' report on corporate governance set out in Appendix A to this Registration Document.

16.3.2 COMMITTEES REPORTING TO SENIOR MANAGEMENT

Several specialist committees reporting to Senior Management have been set up within the Group to apply – or verify the application of – internal guidelines that are reviewed by the Audit Committee. The main committees – which comprise operations, accounting, finance and legal staff – are described in the Board of Directors' report on corporate governance in Appendix A to this Registration Document.

16.4 INTERNAL CONTROL

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

Presentation and organization of the Group

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

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

Internal control objectives

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

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

The stated objective of the internal control system is therefore to anticipate and control all the risks arising in the course of the Group's business, particularly in the areas of accounting and finance – including

the risks of error and fraud – as well as various operational risks, strategic risks and compliance risks.

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

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

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

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

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

16.4.1 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, the Chief Executive Officer and the Senior Vice-Presidents as well as the senior managers of the Group's main subsidiaries in certain cases. The issues covered also 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 Senior Management

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

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

- the Debt Recovery Committee, which monitors receivables and collection procedures in order to ensure that adequate provisions are set aside to cover any risks of non-recovery;
- the Cash Management Committee, which sets the framework for the Group's debt management policy, particularly concerning liquidity, interest rate and currency risks, as well as counterparty risks that may arise on future financial transactions;
- the Operators Committee, which examines purchases from operators in order to assess whether proper internal controls are in place in terms of approvals and accounting treatment. It also examines the Group's main claims, litigation and commitments in this area, to ensure that there are adequate provisions to cover the related risks;
- the Audiovisual Committee, which analyzes the performance of the Group's audiovisual operations and related marketing campaigns. It verifies that business performance is effectively monitored and that the terms and conditions of contracts entered into with content providers, service suppliers and subscribers are respected;
- the Fiber Committee, which is tasked with ensuring the effective application of the Group's strategy for acquiring premises to house optical nodes (ONs), for the "horizontal" and "vertical" rollouts of the FTTH network, and for connecting subscribers to the network;
- the Mobile Committee, which is in charge of monitoring the progress of the rollout of the Group's network, as well as negotiations with suppliers and levels of financial commitments;
- the Manufacturing/Freebox Committee, which verifies that production cycles are effectively managed and that all necessary measures are taken to meet the Group's targets;
- the Accounting Committee, which sets the framework for the Group's accounts closing procedures and ensures that they are formally documented. It examines the financial statements and checks that accounting standards are properly applied and that adequate provisions are set aside to cover any risks. It also verifies that the financial statements give a true and fair view of the Group in accordance with the applicable accounting principles. Lastly, it schedules pre-closes, carries out reviews of the accounts and ensures that financial data is effectively shared, which helps strengthen the financial control function;
- the Subscriber Relations Committee, comprising the heads of the contact centers and managers from the Subscriber Relations Department. This committee meets monthly in order to coordinate the work of the contact centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the contact centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals for defining and implementing 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.

16.4.2 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 Senior Management. A detailed analysis of these risks is provided in Chapter 4 of this 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 Senior Management – by the IT teams through automated controls, and the finance teams through consistency checks and manual controls.

Senior 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 Senior 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 Senior Management.

Lastly, the Group's research and development team – which reports directly to Senior 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.

In addition, the rollouts of the Group's optical fiber network and third- and fourth- generation mobile communications network are contingent on obtaining the requisite authorizations (e.g., occupancy of public or private property). Any delay in obtaining such authorizations could slow down these rollouts. Any such delays in the rollout schedule could result in the Group not being able to meet either its contractual obligations with its main partners or its regulatory coverage requirements. The sustainability of the Group's mobile business depends on Iliad's ability to achieve a high direct coverage rate and appropriate service quality for its 3G and 4G network and to control the operational risks inherent to this business. The teams responsible for rolling out the Group's networks and ensuring that the relevant regulations are respected meet regularly in order to analyze the risks related to the network rollouts.

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

In the normal course of its business, the Group is involved in a certain number of legal proceedings. It considers that the provisions recognized to cover the contingencies, litigation or disputes of which it was aware or were in progress at the date this Registration Document was filed were sufficient to ensure that there would be no material impact on the Group's consolidated financial position in the event of unfavorable outcomes. A detailed analysis of legal risks – which are tracked by the Group Legal Affairs Department – is provided in Chapter 4 of this Registration Document.

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 Senior Management.

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

16.4.3 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 approved by Senior 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 landline and mobile networks. The reports prepared by the financial controllers are transmitted to the Finance Department and incorporated into the overall Group reporting schedule, which contains the key data used for monitoring the Group's operations and results. This process forms one of the cornerstones of the internal control and financial information systems and it is the main tool used by Senior 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 investments and the management costs for the telecommunication network's assets are performed through a procedure based on predetermined authorized thresholds and budgets.

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

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

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

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

17

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THE ILIAD GROUP'S COMMITMENT

The Iliad Group's overall CSR system was launched in 2012 with the creation of an Environment and Sustainable Development Committee (the "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 Department, the external communication of data concerning the Company and the Group. By setting up this committee the Group created a formal CSR framework for the numerous measures and initiatives that had already been implemented by its various subsidiaries over previous years.

The committee met three times in 2017 and worked on improving the definitions of the Group's CSR indicators by ensuring that the definitions used are harmonized across the Group. The committee is also responsible for Group-level indicators and ensures their accuracy and consistency through internal control measures.

In 2017, the Group decided that, in addition to the independent third-party report on its CSR practices, it would request a reasonable assurance report from one of its Statutory Auditors on the reliability of the information disclosed in its CSR report, based on a sample of indicators. Reasonable assurance is the highest level of assurance that can be provided and means that the reviewed indicators were produced in accordance with the applicable standards.

The Group also continued to apply its responsible purchasing policy in 2017 and social and environmental aspects were determining factors in the following:

- the launch in late-2017 of a program to renew the Group's automobile fleet, with a view to having a majority of petrol rather than diesel engines in order to reduce particulate matter emissions.
- the decision taken in late-2017 to supply some of the Group's datacenters with hydroelectric power in order to offset the impact of the increasing amount of energy required to run them due to the Group's business growth.
- measures to ensure gender equality, which has been one of the Group's main focuses in recent years. 2017 was the first year when the ratio of men's to women's basic salary in France (managerial and non-managerial staff combined) was less than 1.

The CSR reporting system is now gaining maturity and forms part of an overriding aim to have in place all of the processes and systems required for implementing a clear and continuously improving CSR strategy. The reporting protocol rolled out across the Group – which serves as a set of practical guidelines for operations staff – will be enhanced every year to factor in the developments and changes that shape the Group's business and to align indicator calculation methods throughout all of the subsidiaries, in France and abroad. This will provide assurance that the data reported is reliable. The reporting system is continuously honed in order to collect ever-more relevant information and facilitate the implementation of targeted measures that will enhance the Group's CSR performance.

The information presented in this report has been prepared based on the nature of the Group's business activities and the impact they may have on its employees, the environment and the community at large.

The reporting scope and methodology are described in the Note on Methodology at the end of this chapter.

Iliad's 2017 Corporate Social Responsibility Report (CSR Report) – which forms an integral part of the management report – has been drawn up in compliance with the legal and regulatory disclosure requirements provided for in the French Grenelle 2 Act on corporate social responsibility and its implementing decree. It also describes the "Duty of Care Plan" set up by Iliad in accordance with the new French legislation that imposes a "duty of care" on parent companies with respect to identifying and preventing human rights violations and environmental damage.

17.1 HUMAN RESOURCES DATA

Ever since the Group's formation, our human resources policy has been underpinned by two priorities – recruiting talent and developing skills. Our management team has built up a profitable Group, creating new jobs in France to partner our growth, while at the same time focusing on developing employees' skill sets. It is by adopting this approach that we have been able to rapidly grow our headcount while retaining the "start-up" approach that shaped our beginnings.

The Group's culture is rooted in the entrepreneurial mindset of its founder as well as the very significant impact of Free's positive brand image, which helps unite our employees around a common goal. Our people are proud to be part of a Group whose corporate values are grounded in trust, integrity, honesty and professionalism.

The human resources departments, working in conjunction with the Management Committee, are responsible for overseeing the Group's HR policy and implementing the priorities that have been set. The Management Committee's members are the key managers of the Company and its subsidiaries.

The Group takes its HR performance very seriously and has set itself the objective of creating a work environment where all of its employees feel valued and fulfilled.

We pay particular attention to the employability and personal development of our people, as demonstrated by the measures contained in our training plan. We also offer employment opportunities for young people by giving them their first job and subsequently the possibility of building their skills and gradually moving up to higher positions within the Group.

We are also very vigilant about respecting the principles of equality, diversity and non-discrimination, both during the recruitment process and throughout employees' time with the Group.

17.1.1 EMPLOYMENT

17.1.1.1 Changes in headcount

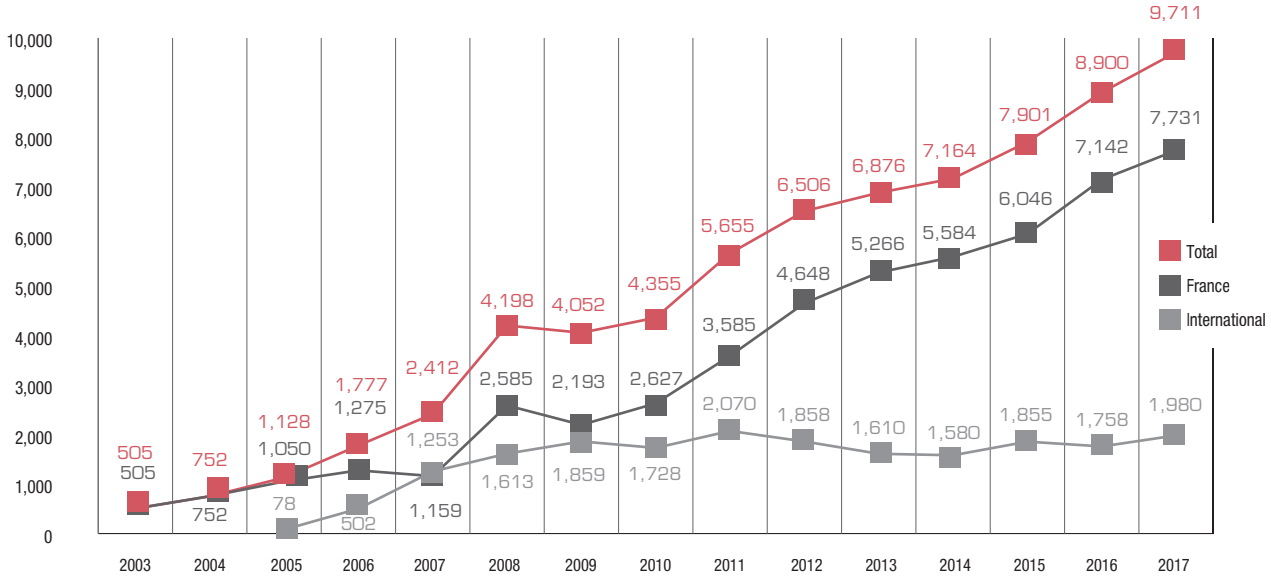
Breakdown of workforce by geographical area

	2017	2016	2015
Number of employees based in France	7,731	7,142	6,046
Number of employees based outside France	1,980	1,758	1,855
Total headcount	9,711	8,900	7,901

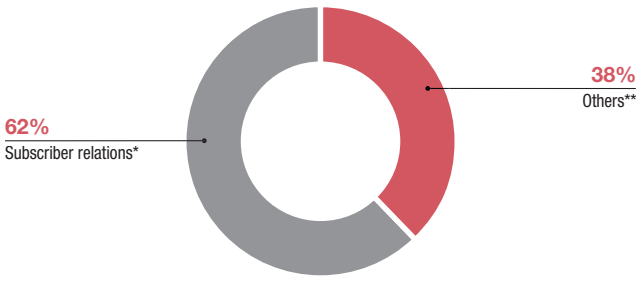
The Group's growth is underpinned by an assertive strategy of recruiting talent and building skill sets. To this end, it pursued its pro-active recruitment policy in 2017, focusing on increasing its headcount. During the year it created over 600 jobs on open-ended contracts in France, and at the year-end its French subsidiaries made up 80% of the total workforce (unchanged from one year earlier).

The Group's buoyant business growth over the last ten years has resulted in a large number of hires, with headcount increasing four-fold during that period.

In recent years the intensified rollout of our landline and mobile networks has led to a large number of recruitments under open-ended contracts.



Breakdown of workforce by business



* *Subscriber relations: teams working at the Group's contact centers and Free stores, and employees responsible for technical interventions.*

** *Other: teams working in areas such as the network rollout, information systems development, innovation and support functions.*

Subscriber relations are a key priority for the Group. It was with this in mind, and with the aim of ensuring best-in-class service, that it decided from the very outset to have its own "in-house" contact centers.

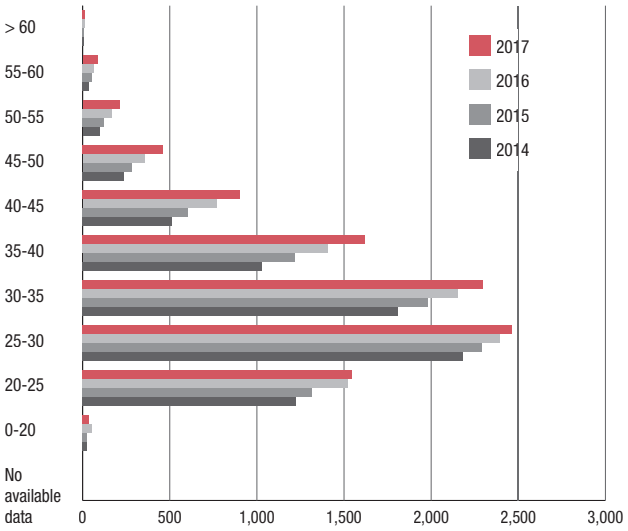
The Subscriber Relations Department comprises the employees of the Group's seven contact centers (most of which are located in France) as well as the employees of the 57 Free Centers (stores) and teams of roaming technicians who provide after-sales support at subscribers' homes.

In 2017, the number of employees dedicated to subscriber relations totaled over 6,000, representing 62% of the Group's internal resources. This percentage was 6 points lower than in 2016 due to the large number of hires during the year of employees working on the Group's FTTH network rollout.

Breakdown of workforce by age

The Group is a responsible employer, and as such offers employment opportunities for young people by giving them their first job and the possibility of developing their skill sets. Forty per cent of our new hires are under 26 years old. Most of these young recruits left school at eighteen or after two years of higher education, and we take them on for their motivation, skills and ability to perform a particular job.

At end-2017, two thirds of the Group's employees were aged under 35.



Breakdown of workforce by gender

		2017	2016
Women	France	1,573	1,588
	Outside France	912	830
Men	France	6,158	5,554
	Outside France	1,068	928
TOTAL		9,711	8,900

The proportion of women in the Group's overall workforce decreased by 1 point in 2017 to 26%, reflecting the high number of people recruited for network rollouts (a job that is male-dominated).

The proportion of women working in the Group's contact centers was higher than the overall proportion of women in the workforce, representing 42% at December 31, 2017.

17.1.1.2 Recruitment policy

For many years Iliad's employment policy has been rooted in actively managing careers, motivating and supporting employees and recognizing and rewarding their input.

This approach has enabled the Group to forward plan job and skills requirements, and put in place a targeted HR strategy focused on the needs of its landline and mobile operations. Recruitment is one of the Group's strategic priorities and is vital for its growth and business development.

The Group does not have any difficulty recruiting employees, either for managerial or non-managerial positions. We favor open-ended rather than fixed-term contracts, demonstrating our commitment to forging long-term relations with our people and providing them with a stable employment situation. At December 31, 2017, more than 98% of the Group's total employment contracts were open-ended.

In 2017, we had some limited recourse to temporary staff in order to meet short-term increases in business volumes, notably due to the launch of new products and services and the growth of new activities.

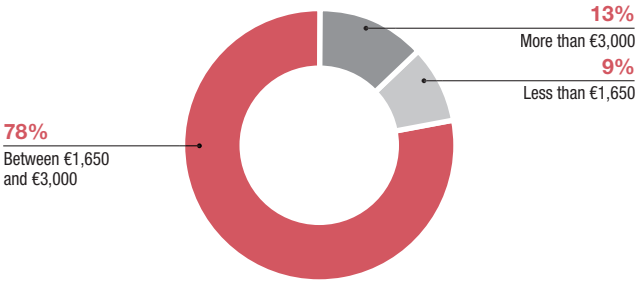
Departures by type

Despite the growing workforce, there were fewer departures in 2017 than in the previous year.

The two main reasons for employee departures in 2017 were resignations and the termination of probationary periods, either at the initiative of the Group or the employee concerned.

There were no redundancies in 2017 and the Group has never put in place a redundancy plan. Dismissals during the year were on individual grounds (disciplinary or other).

17.1.1.3 Compensation policy



France

The Group's pay policy is determined each year by the Human Resources Department in agreement with the Management Committee. Together they have set up a system for monitoring compensation in order to ensure that compensation packages are consistent across all Group entities.

Rewarding both individual and team performance is central to Iliad's compensation policy, based on an underlying objective of motivating the best talents and fostering their loyalty. Differences between employees' salaries are justifiable and reflect people's different levels of responsibility, experience and potential.

Depending on the entities concerned, compensation comprises either only a basic salary, or a fixed portion and a variable component intended to incentivize employees and reward excellent performance. The performance targets are regularly reviewed in order to ensure that they are realistic and achievable.

Some teams may at times be paid special bonuses, which can represent several months' salary, in recognition of their commitment or as a reward for carrying out projects successfully.

Pay rise talks are organized by the Senior Management team each year as part of the annual pay negotiations that are compulsory under French law. The trade unions representing the Group's employees are invited to these talks and make their pay proposals to the Senior Management team. Pay rises for managerial staff are based on individual merit.

In its operations outside France, the Group ensures that the salaries it pays are significantly higher than the statutory minimum wage in the countries concerned.

The Group's total payroll costs are set out in Note 6 to the consolidated financial statements in Chapter 20, Section 20.1 of this Registration Document.

Statutory and discretionary profit-sharing, stock options and shares granted free of consideration

For many years now, the Group has had a policy of closely involving its employees in its results, in order to strengthen their commitment to the Group and secure their overall motivation.

In line with this, the Group signed a statutory profit-sharing agreement (*accord de participation*) in 2009 with a view to involving employees in the Group's financial performance. The overall amount of the special profit-sharing reserve corresponds to the total of all of the profit-sharing reserves set up in each company covered by the agreement, based on their aggregate earnings and determined using calculation methods prescribed in the applicable law. This reserve is allocated among all employees who have at least three years' seniority, in proportion to their annual salaries.

In 2017 the Board of Directors decided to make a top-up payment into the special profit-sharing reserve, representing 10% of the employee profit-share allocated for 2016.

Also during the year, the Group pursued its policy of involving employees in its financial performance by putting in place a new discretionary profit-sharing agreement (*accord d'intéressement*) that is more advantageous to employees than the previous agreement. This type of profit-sharing is provided for under French law but, unlike the statutory profit-sharing regime, it is not compulsory.

Employees can choose to receive their profit share immediately or for it to be invested in one of the corporate mutual funds that form part of the Group Employee Savings Plan. Amounts invested in these funds are locked in for five years, after which they become tax exempt.

The total amount paid by the Group under the statutory and discretionary profit-sharing plans amounted to €7,619,773 in 2017, up by almost 3% on the 2016 figure of €7,420,338.

In addition, since 2004 the Group has set up stock option plans for its employees and/or plans to grant employees shares in certain subsidiaries free of consideration.

As part of its overall policy to encourage employee share ownership and closely involve its people in its performance, in 2017 the Group set up a free share plan for certain key personnel.

The main characteristics of the stock options granted by Iliad that were outstanding at December 31, 2017 are set out in Chapter 21, Section 21.1.4.1 of this Registration Document.

The following table shows the main characteristics of the stock options granted to the ten Group employees (other than executive officers) who received or exercised the most options in 2017.

Stock options granted to and exercised by employees in 2017 (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	Jan. 20, 2004 plan	Dec. 20, 2005 plan	June 14, 2007 plan	Aug. 30, 2007 plan	Nov. 5, 2008 plan	Aug. 30, 2010 plan	Nov. 7, 2011 plan
Stock options granted during the year to the ten Group employees who received the largest number of stock options	None	-	-	-	-	-	-	-	-
Stock options exercised during the year by the ten Group employees who exercised the largest number of options	58,153	72.81	-	-	-	10,710	5,894	18,603	22,946

Health insurance plans, personal protection insurance and other welfare benefits

The Group also provides its employees with various types of welfare benefits:

- 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. In anticipation of the regulatory changes occurring between 2016 and 2018, since 2012 Iliad has provided a Group-wide plan for all of its employees and their families, which offers particularly attractive cover. In 2012, a new agreement was signed with employee representatives in order to redefine the framework for the supplementary health insurance plan, pursuant to which the Group agreed to bear a larger portion of the contributions payable by employees under the plan. Then, in 2015 and in accordance with regulatory developments, new agreements were signed with employee representatives in all entities for the implementation of a Group-wide plan without seniority conditions. In compliance with new "responsible health policy" requirements, Iliad covers 50% of the cost of this plan, allowing employees and their families to benefit from mandatory health insurance with more favorable terms than the minimum laid down in the collective bargaining agreements. Employees can also choose to have an additional, individual plan, which provides excellent coverage and is very affordable;
- the Group has also set up a personal protection insurance plan that is open to all employees and provides cover for sick leave as well as death and disability coverage.

  Under this plan, employees receive a replacement income if they become incapacitated or disabled. In the event of an employee's death, a life annuity is paid to their spouse as well as an education benefit for each dependent child until their 26th birthday. We make sure that employees update us regularly on the beneficiaries of their personal protection insurance, so that they can be sure their families or other beneficiaries are covered in the event of an accident;
- in order to help its employees find housing, the Group is a member of *Action Logement* (previously *1% Logement*), an organization that manages the employer loans system provided for under French law. Under this system employees can receive loans with preferential conditions to purchase, build or rent a home as well as other assistance measures (such as the PASS Assistance for employees in financial difficulties, financing for rental deposits, special loans to help low-income home buyers, loans for renovation works, etc.);
- similarly, financial assistance with rental payments is offered to employees under the age of 30 who are working with the Group under an apprenticeship contract, a work-study program or a "first-time employment" or "back-to-work" contract (*contrat de professionnalisation*). This assistance may cover a period ranging from 6 to 18 months depending on the beneficiary's financial situation and the duration of their training;
- lastly, employees have access to a financial advisory service to help them with any real estate projects they may have and to take the stress out of the home buying process. This takes the form of an advice surgery set up by the Human Resources Department twice a year at the Group's head office.

17.1.2 WORK ORGANIZATION

17.1.2.1 Working time

Iliad takes care to ensure that all of its subsidiaries – including those outside France – comply with the applicable legal and contractual obligations concerning working time.

For non-managerial employees and managers with set hours (*cadres intégrés*), the Group complies with the 35 hour statutory working week in force in France.

The working time of managers who do not have set hours (*cadres autonomes*) is based on the overall annual number of days worked rather than hours per day so that they can organize their schedules more effectively in line with the assignments and duties entrusted to them.

Several company-level agreements have been signed within the Group's various subsidiaries in order to put in place this method for calculating managers' working time.

Within the MCRA Unité Economique et Sociale (UES), since 2014 working time has been calculated on an annual basis so that resources can be optimized and employee numbers and working hours can be adjusted throughout the year in line with seasonal peaks in call volumes.

The Group continually seeks to enhance its work organization methods and systems. For example, in order to encourage flexible working methods, the Group has made it a policy to provide many of its employees with a laptop and a smartphone so they can organize their working time more flexibly and autonomously. In addition, with this same aim of giving employees the best work/life balance, each Group entity holds talks with employee representatives and enters into collective agreements containing clauses concerning the right for workers to "disconnect" – i.e., not to engage in work-related electronic communications – outside working hours. These agreements not only set out best practices but also encourage vigilance over monitoring workloads and ensuring that the communication tools provided to employees (professional messaging and chat systems and/or a company telephone) are mainly used in working hours.

By way of example, Protelco has signed an agreement with its representative trade unions concerning quality of life in the workplace which sets out employees' rights to disconnect outside working hours. The objective of these agreements – in addition to meeting the applicable legal requirements – is to empower employees and encourage them to adopt sensible and courteous behavior and best practices when using work communication tools (which also means knowing how to switch off in the office in order to concentrate on a complex matter, not treating all e-mails with absolute urgency, using out-of-office messages and only sending messages to the recipients concerned rather than to everyone).

In a bid to constantly improve work/life balance, the Group has put in place solutions such as enabling employees to move to a more flexible job within their entity or the Group if they need to work particular hours, or studying the feasibility of part-time work requests from couples who both work for the Group and who wish to temporarily reduce their working hours for childcare reasons.

With this same aim of helping working parents achieve a work/life balance, the Group has put in place special measures for expectant mothers and maternity leave. For instance, it offers flexible working hours as follows:

- before an employee goes on maternity leave a meeting is held with her line manager and a human resources manager to prepare for her departure and discuss her planned return date and working conditions at that time;
- working hours are reduced by 30 minutes per day as from the third month of pregnancy and by one hour a day as from the sixth month;
- when an expectant mother's schedule does not include a lunch break, care is taken to ensure that she does take a break and line managers generally take a much more relaxed approach to respecting working hours;
- if the employees concerned so wish they can have specific meetings with their line managers and a human resources manager to discuss their rights;
- the Group does all that it can to accommodate requests from employees to work part time;
- a meeting can be organized in the ten months following the employee's return to work in order to discuss her situation.

All of the above subjects are regularly discussed with employee representatives in order to continuously improve gender equality within the workplace. The steps we have taken and the progress we have made in this area can be seen in the policy we have put in place for paternity leave, the additional authorizations for absence we have given to the partners of expectant mothers to accompany them to medical tests, the support we provide to employees for long-term parental leave and time off granted for the back-to-school period.

A specific procedure has also been implemented in the contact centers to help employees returning to work after a long absence. Assistance is provided both during their absence and on their return so that they can come back to work in the best possible conditions.

17.1.2.2 Absenteeism

At 5.7%, the Group's overall absenteeism rate in 2017 (excluding for long-term illnesses, work accidents, authorized absences and maternity leave) was almost one percentage point lower than in 2016. 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.

The absenteeism rate is traditionally higher for subscriber relations teams than for Iliad's *Unité Economique et Sociale* (UES)[1]. For example, in 2017 the rate was almost 10% in our contact centers in France whereas it was only 2.5% for the Iliad UES.

The stabilization of the absenteeism rate in recent years – and especially for the contact centers – reflects the resounding success of the communication and action plan put in place by the Group to raise employees' awareness about the issue. These measures are paying off and the absenteeism rates recorded in 2017 once again prove that the overall strategy is working.

17.1.3 TRAINING

17.1.3.1 Building employee skill sets

Training is a major aspect of the Group's human resources management, notably for subscriber relations teams, who account for the largest portion of our total workforce and whose job consists of providing support to subscribers. The Subscriber Relations Department has drawn up specific in-house training programs for these teams, drawing on the advice and recommendations of specialists in both vocational training and subscriber relations. These programs help to spearhead our efforts to continuously enhance our customer service quality system, which has been approved by the French standard-setting agency, AFNOR.

We also provide specific training to our roaming technicians, who often have face-to-face contact with subscribers, and for the past four years this training has been delivered by an outside firm. Our aim over the coming years is to train all of our employees who have contact with subscribers, irrespective of the communication channel used.

We use certified external trainers for specific training, notably in health and safety issues, labor and employment law and management.

Induction training

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 put subscribers into contact with specialists in their field and therefore have the best possible subscriber experience. All of the induction courses provided by the Group are designed to prepare new hires for carrying out their future duties by ensuring that each and every one of them have the skills and knowledge they will require.

The induction courses are given by in-house staff who have followed a "train the trainer" program and who not only have on-the-job knowledge but can also help ensure that the new employees are effectively integrated into the teams. These trainers are assisted by Training Managers who are responsible for monitoring the courses given and their overall quality. They provide the trainers with all of the educational material they need, which is regularly renewed and updated in line with trends and developments in each business. This training process has been officially recognized by the French government as a vocational training program.

For new roaming technicians, the Head of Quality and Training gives a four-day induction course and then regularly monitors their progress during their first three weeks on the job.

Design and rollout of the training plan

For the purpose of drawing up the Group's training policy, the human resources departments analyze and assess the skill sets and competencies required for performing each particular job. Once these requirements have been identified, the Talent Support Unit of the Subscriber Relations Department collates and analyzes the data in order to design and roll out training programs for all of the subscriber relations teams.

The Talent Support Unit comprises a team of experts in training and instructional design who are responsible for creating and deploying a wide array of training programs which draw on various learning tools and methods. These include classroom learning, mixing traditional methods with edutainment, e-learning, rapid-learning and front-line training carried out in pairs during which employees are required to deal with real-life situations, accompanied by a mentor. This strategy enables the Group to adapt its training in line with constraints in terms of time and employees' geographical mobility, as well as to tailor programs to the topics studied and each employee's method and pace of learning. Using such a complementary range of methods helps us achieve the best training results.

In addition, the teams from the Group's knowledge sharing department partner the contact center agents in their work on a daily basis with the constant aim of helping them to deliver ever-higher service quality.

Within the Group, some 230 people work on training, including more than 30 on a full-time basis and around 200 on an occasional basis.

Continuing professional development

The Group has put in place a continuing professional development system that helps to further employees' skills and expertise and enhance their in-house employability, while ensuring ongoing high levels of engagement and motivation.

To this end our employees are encouraged to build on their skills by participating in continuing professional development sessions covering a wide range of topics, such as how to lead a meeting, communication, language skills, public speaking, payroll issues, accounting, legal affairs, office software, project management, motivational management, identifying and managing psycho-social risks, labor and employment law, etc. For French employees some of this training is covered by the statutory personal training account provided for under French law. Specific e-learning and rapid learning modules have been put in place for this purpose, which are accessible at all times and cover a range of topics such as how to incentivize, manage time, effectively carry out a performance appraisal, promote well-being at work, welcome new team members, master Excel and database software, improve verbal skills, etc.

The Training Unit takes care to ensure that subscriber relations employees are as multi-skilled as possible in order to develop their employability and enable them to move between the different jobs available in the Subscriber Relations Department. We also consider that it is particularly important to leverage the knowledge of our most experienced people and share their expertise. Consequently, the Training Unit has developed a large number of training sessions dedicated to specific functions (such as business support training and specific training for team leaders and platform managers) which are led by specialized external trainers. This approach also helps enhance the quality of the services provided by our teams.

Our continuing professional development strategy not only enables us to strengthen our employees' skills but also to foster employee loyalty and increase job security for those who could be affected by economic downturns.

In 2016 the Subscriber Relations Department opened a Leadership Academy dedicated to detecting talent, sharing knowledge and skills, providing management training, compiling "success kits" and mentoring new managers, all in the aim of identifying potential managers, building skills and partnering employees who have recently been promoted to a managerial position.

During 2017, the Subscriber Relations Department in France introduced a program dedicated to training and mentoring women employees in order to help them move up to higher subscriber relations posts. This program takes the form of several months of training via a combination of methods such as continuing education courses, mentoring, brainstorming groups and peer learning. The first such program has proved very successful and more are scheduled, which will also be offered to our male employees.

Recognizing and valuing expertise and encouraging internal mobility

As well as training, we also offer employees the opportunity to change their tasks and responsibilities during their career or even move to a different job altogether. One of the ways we achieve this is by organizing skills assessments to help employees map their career paths.

This approach encourages employees to develop their expertise and commitment to our subscribers and is an excellent way of retaining staff: over 50% of the heads of the Group's contact centers and entities – who oversee more than 3,000 people – began their career with the Group as call-center agents more than a decade ago (this is notably the case at Certicall, Qualipel, Mobipel and Resolution Call). These employees are a testament to the fact that we have got our internal promotion strategy right. In addition, the vast majority of the Group's managers started out lower down in the organization before taking up a management position. A total of 730 Group employees were promoted in 2017. Also during the year three contact center employees were promoted to HR positions thanks to career development measures and/or specific training.

In order to ensure that the mobility process is properly respected, the Human Resources Department has drawn up an "Internal Mobility Charter", which sets out the rules applicable within the Group. Additionally, employees can access and apply for internal job vacancies through the intranet, and the Human Resources Department ensures that employees receive information on job vacancies by sending out general e-mails and using in-house communication tools (such as "Workplace", the social network for business, which was deployed in 2016).

A large number of methods of moving from one job to another have been created – particularly in the Subscriber Relations Department – which each year enable a number of contact center agents to move up to supervisory positions. Other contact center agents have been promoted to the post of roaming technician, allowing them to fully capitalize on the know-how built up during their time with the contact center and giving them an opportunity to further develop their careers.

Individual job assistance program (POEI)

The POEI is a specific program set up by the French national unemployment agency and run jointly by the government agency that manages training taxes from companies (OPCA) and companies seeking to recruit staff. It can be used to finance up to 400 hours of training for people who are having difficulty finding a job so that after the training they can be taken on under a "back-to-work" or apprenticeship contract. The program put in place at Iliad is designed to train participants up to the level of skills required for working in the Subscriber Relations Department and in 2017, 37% of new call center agents were POEI trainees.

Thanks to this program and the work carried out jointly between Iliad's Talent Support Unit, HR teams and contact centers, as well as the OPCA and the French national unemployment agency, a total of 139 job seekers have been brought back into the workplace and given specific training with a view to being hired by the Group. The program has helped them acquire the skills they need and 85% of the trainees have joined our teams.

17.1.3.2 Training indicators

In 2017, the Group provided some 450,000 hours of training, corresponding to the equivalent of 48 hours per employee. As the training data related to the Group's operations in Italy was not material in 2017, it has not been included in the reporting.

The number of hours training per employee decreased slightly in 2017 compared with 2016. This was directly correlated to the Group's lower staff turnover, as the ensuing lower number of hires automatically resulted in fewer hours of induction training (which represents most of the training hours). The figure for 2015 reflects a temporary rise in training hours during that year due to a specific training program for contact center team leaders.

	Average monthly headcount in 2017	Average monthly headcount in 2016	Average monthly headcount in 2015	Number of training hours in 2017	Number of training hours in 2016	Number of training hours in 2015	Number of training hours/average annual headcount in 2017	Number of training hours/ average annual headcount in 2016	Number of training hours/ average annual headcount in 2015
Total – France	7,464	6,626	6,034	260,500	300,969	351,319	35	45	58
Total – Outside France	1,788	1,840	1,808	187,970	131,173	247,143	105	71	137
TOTAL	**9,252**	**8,466**	**7,842**	**448,470**	**432,137**	**598,462**	**48**	**51**	**76**

17.1.4 EMPLOYEE RELATIONS

17.1.4.1 Organization of employee relations

In order to ensure the continued commitment and drive of our people, we take care to actively maintain high-quality relations with our employees and their representatives so that we can remain closely attuned to their needs and concerns.

Employee dialog

Internal communications play an important role in employee relations, serving as a vector for providing employees with information and encouraging discussion and exchange. We use various channels for this, such as:

- in-house communication channels, including (i) the Group intranet, which gives the latest updates on Iliad's businesses and financial performance, (ii) the internal social network, "Workplace", which is used by the contact centers and technical assistance centers and is an invaluable in-house communications tool, and (iii) more innovative, faster and open communication channels designed for quick and easy chats between employees, such as "Work Chat" (Workplace's chat app);
- "Free For You", a monthly in-house magazine put together by contact center employees which gives an insight into the daily lives of the Group's employees and their jobs through reports, interviews and articles on activities and events;
- the Resource Management Interface, which is an employee-dedicated interface that enables the HR Departments of the Group's contact and technical assistance centers to remain closely attuned to employees' needs and expectations;
- specific communications for particular projects and a human resources survey performed every two years within certain entities. The vast majority of the Group's contact center employees take part in the survey, which illustrates their strong sense of involvement in their company;
- the Leadership Academy, launched by the Subscriber Relations Department in 2016 with a view to offering innovative solutions for further enhancing the quality of the Group's management. The Group won a number of awards in 2016, particularly for the quality of its contact centers' management and working conditions. As in previous years, the contact centers participated in Great Place to Work surveys as part of their overall aim of giving employees an optimal working environment;
- specific events held throughout the year. In 2017 these included a Christmas party for employees' children and a photo contest that gave employees the opportunity to express and be rewarded for their talent and share their outside-work hobbies and interests with others;
- ambassador meetings, during which representatives from the Subscriber Relations Department regularly meet with employees from the various contact centers to listen to any questions or problems they may have. These meetings are informal, with no specific agenda, and are led by the questions the employees raise;
- business-specific events, such as the New Year events organized in January for the Subscriber Relations Department aimed at rallying employees around several objectives and challenges, as well as meetings with external personalities who relay their management values. We also hold a Best Performers day to reward the best contact center agents as well as an annual Manager Day, which brings together all of the managers from the Group's stores in a festive atmosphere with a view to building team spirit and creating an overall managerial vision.

Employee representative bodies

Employee-elected representatives are present at all levels of the Group and within each company (Works Council, Central Works Council, Employee Delegates, and the Health, Safety and Working Conditions Committee). Employee relations take the form of regular or one-off meetings with the various bodies depending on the importance and urgency of the issues at hand, as well as informal meetings that may be requested by the employee representatives or held with regard to specific events within the Group.

The employee representatives play a role at all levels of the Group, planning and coordinating labor-related dialog within the various companies. The Works Councils manage employee social and cultural activities and the related budgets, and are always consulted on issues concerning employees' quality of life and the companies' economic activities. Employee Delegates are responsible for monitoring the application of standards within the various entities and act as relays for Group Management by keeping up active, on-the-ground dialog with employees. The Health, Safety and Working Conditions Committees also help us to monitor and anticipate employee health and safety issues. We strive to maintain constructive labor relations by supporting the various bodies, which also work in coordination with one another. Lastly, in the interests of guaranteeing ongoing social dialog and providing employee representatives with pertinent information, the Group ensures that the databases containing all of the its economic and labor-related information is continually updated so that transparent information is permanently available that can be used as the basis for talks with representative bodies.

Significant and ongoing dialog took place between Management and employee representatives in France in 2017, with some 340 meetings held.

Attentive to upcoming changes in labor and employment law, during the year the Group kept a special eye on the reform of the French Labor Code resulting from the "Macron" governmental orders issued on September 22, 2017. Thanks to the upstream work we carried out on HR and legal reporting, we were ready and reactive when the reform texts were published. We gave specific training to all of our HR teams in France in December 2017 on the issues concerned, in order to give them a full and clear understanding of the operational challenges resulting from the reform. This training notably focused on the newly-introduced Social and Economic Committee, which will replace the existing Works Council and Health and Safety Committee by combining the roles of these two bodies. These anticipatory measures are crucial in view of the elections of employee representative bodies that will be taking place in the coming months.

Unions

Labor-related dialog also takes the form of collective bargaining agreements with unions, which are present in the various Group companies.

In line with its view that dialog is essential, Group Management has always agreed to employee representatives' requests for meetings. The main channel for dialog with the unions are the annual negotiations concerning the following issues as provided for by French law: (i) pay, working time and profit-sharing, (ii) gender equality and working conditions, and (iii) job management, career development and job diversity.

These negotiations lead to agreements aimed at creating an active framework for essential issues, including employee dialog itself, which was addressed in a number of Group entities in 2017. Also during the year, we continued our pro-active, long-term approach to recruiting people with disabilities, with the agreement on disabled workers in Protelco renewed in 2017 and communications campaigns carried out in several entities to raise awareness about the initiatives taken by the Group in this domain.

Furthermore, with our employees' welfare in mind we have set up a Group-wide supplementary health insurance plan for employees and their families whose reimbursement levels not only comply with, but are even more advantageous than those provided for under the new regulations applicable in France. These types of action enable Group Management to build close relations with trade unions. Seven unions are currently represented within the Group, with a balanced presence across its entities. This creates a diversity of union representation that helps to forge effective labor-management relations.

Management and the unions held 114 meetings during 2017 in France, which clearly illustrates the importance the Group places on the frequency of labor-management discussions.

17.1.4.2 Collective agreements

Thanks to our pro-active approach to fostering good employee relations, each year Group companies enter into collective agreements which add to and consolidate the existing framework of labor regulations and practices. In 2017, some 50 new agreements were signed with the unions. The wide range of topics covered by these agreements demonstrates the cooperation that exists between the various labor-management bodies and the breadth and depth of the Group's employee relations framework.

In the interests of transparency, the Group provided information to its employee representatives on a large number of topics during the year even when such information was not required by law.

Similarly, 2017 was marked by in-depth discussions on diverse issues such as working conditions, gender equality, the right to disconnect and employee dialog.

Lastly, in 2017 we continued the process of applying legislative and regulatory reforms that we began in 2016. The French Employment Act of August 8, 2016 followed by the "Macron" governmental orders dated September 22, 2017 provide for an in-depth reform of the French Labor Code regarding not only the roles of employee representatives (e.g., company-level agreements, majority agreements, the social and economic committee, Works Councils and local representatives) but also employees themselves throughout the duration of their employment contracts (on issues such as training, strenuous working conditions, dismissals and remote working). Throughout the year, the Group kept a particular eye on these new rules and regulations in anticipation of their application in 2018.

17.1.5 HEALTH, SAFETY AND WELL-BEING AT WORK

The Group has a well-established policy for the health, safety and well-being of its employees that it applies on a daily basis.

Measures put in place for workplace health and safety

Several employees who are workplace health and safety specialists are tasked with defining and implementing risk prevention measures.

Under French labor law, employers are required to complete an occupational risk assessment form (*Document Unique d'Evaluation des Risques*). The workplace health and safety specialists use this form to identify health and safety risks within the Group and draw up action plans to put in place risk prevention and protection measures and resources to mitigate or eliminate identified risks. Examples of such measures and resources include:

- specific documents, such as guidelines, operating methods and procedures (e.g., a specific procedure for working at height);
- protective equipment (e.g., equipment to prevent falls from heights, safety shoes and specific workwear, including clothing designed to protect against electro-magnetic waves);
- awareness-raising measures and training (e.g., training related to certification for electrical work (BR and BE *mesurage*) and for working at a height, and special training for preventing risks related to physical activity, asbestos, fire prevention, psycho-social risks, first aid and working in confined spaces. For example, in 2015, 65 supervisory staff from Protelco took part in a one-day training event to improve their understanding and anticipation of psycho-social risks, through theory and role play, and this training course was held again in both 2016 and 2017 to cover the rest of Protelco's supervisory staff.

More than one in three of the Group's employees have been given at least one training session on workplace health and safety. Within Protelco and Free Réseau – our subsidiaries responsible for technical assistance – health and safety training accounts for over 50% of overall training costs and at Group level it represents around 20%. These figures illustrate the Group's strong commitment to health and safety issues.

Specific training is also provided to roaming technicians to reduce their risks of road traffic accidents. At Protelco, one of the responsibilities of the Roaming Technician Coordinators is to partner the roaming technicians they oversee and audit them on their driving and the condition of their vehicle. In 2017, Protelco gave these coordinators specific training on how to carry out the audits so that they can act as health and safety experts for their teams.

Awareness-raising initiatives are carried out among office staff who work on screen in the aim of preventing musculoskeletal disorders. Evacuation drills and training sessions on how to handle fire extinguishers are also held on a regular basis.

All of Protelco's new roaming technicians are given a health and safety training session lasting around one hour as part of their induction training, which explains all of the risks inherent to their post and the related preventive measures.

Work organization and quality of life

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 well-being at work.

- Modern premises:

  We have renovated our contact centers in order to provide our employees with optimal working conditions. Thanks to the significant investments made by the Group, the working space at the contact centers has been totally rethought in order to enhance employee well-being.

- Work spaces and work stations:

  We have also reorganized and enhanced our office areas in the aim of improving daily working conditions. For example, when the new head office building was fitted out, the managers asked their teams to identify what they needed from their new working space and involved them in the design process.

  Iliad also offers its employees a number of additional benefits to make their working day as stress-free as possible, such as lounges and relaxation areas with a cafeteria on each floor as well as special smoking and non-smoking areas.

- Employee assistance services:

  Employees who have financial difficulties can contact a special advisor who will give them comprehensive and personalized assistance in order to precisely assess their personal and financial situation and help them find the most appropriate solutions.

  In 2013 we set up a confidential listening and psycho-social assistance service to help employees and their families resolve conflicts and disputes. The service involves a telephone helpline staffed by a psychologist as well as the possibility of individual appointments with a psycho-social expert. We have also set up a confidential telephone coaching service to help managers deal with the aftermath of any serious incidents that may arise in the course of their work (such as assistance with dealing with the emotions of a team when one of its members dies).

  In a bid to combat the issue of stress at work we organize stress prevention and management training for line managers and human resource managers in order to help them handle stress-related situations that may arise within their teams as well as the related psycho-social risks, and to give them practical solutions for mitigating the impacts of these situations. We also give advice and support to employees on risk prevention in general.

  The Group's Management has signed a contract with the private nursery company Babilou in France. This contract was entered into following the signature of the agreement concerning the annualization of working hours in order to give Group employees

access to nursery places at flexible times. Babilou's emergency daycare service is particularly useful, providing a back-up solution when the usual daycare option is temporarily unavailable.

Since 2015, employees at our Moroccan operations also benefit from Group-funded measures to enhance their daily working life, with access to a crèche that can take up to 88 children in a space of nearly 4,000 sq. ft. The Group covers two-thirds of the running costs of the crèche, which it also furnished and fitted out.

- "Employee well-being events" aimed at safeguarding our people's health, reducing absenteeism and preventing risks of accidents.
- Numerous specific initiatives put in place at Protelco:

  Training technical assistance coordinators about the benefits of good workstation posture and the impact of diet and sleep on employees' overall health and well-being. The coordinators were then responsible for relaying the information they had learned to Protelco's teams of office-based and on-the-ground technicians. The messages were also conveyed via video clips posted on Workplace.

  During the summer of 2016, Protelco provided its contact center employees with weekly baskets of seasonal fruit to encourage them to eat more healthily. In view of how popular this initiative proved it was rolled out Group-wide towards the end of the year by Iliad's Office Management Department.

  Regular events organized at Iliad's headquarters to build team spirit. In 2017, these included (i) a musical event on France's national music festival day in June, (ii) the Freeday, when participants built a giant Lego™ wall displaying the Free logo, and (iii) a Christmas buffet at Protelco with many of the dishes made by employees based on the theme of cultural diversity.

Work accidents and occupational illnesses

A total of 336 accidents leading to lost time were identified across the Group in 2017, compared with 176 in 2016. This rise was partly due to the fact that in 2017 there were more employees working on network rollouts and technical interventions (as the majority of hires during the year were in these domains), despite (i) an increase in awareness-raising and prevention initiatives among the Group's employees and (ii) more training and improved protective equipment, in particular for technicians, who are the most at risk of work accidents. Accidents occur more frequently in this type of job than in subscriber relations positions. The other reason for the higher number of accidents in 2017 was an exceptional incident at one of our contact centers during the year, for which specific measures have been taken as described below. The work accidents arising due to this exceptional incident accounted for around 50% of the year-on-year increase.

The Group monitors the frequency and severity rates of work accidents within all of its companies. In France, these rates were as follows in 2017:

Frequency rate[1]	Frequency rate excluding Protelco and Free Réseau[1]	Severity rate[2]
26.01	23.74	0.86

(1) Frequency rate = Number of work accidents with lost time × 1,000,000/Actual number of hours worked

(2) Severity rate = Total number of days lost due to work accidents x 1,000/Actual number of hours worked

The Group has decided to employ its own roaming technicians and FTTH rollout/connection personnel, who are grouped within Protelco and Free Réseau. These two entities therefore make up a large proportion of Iliad's overall headcount. The specific nature of these employees' work leads to a high number of non-severe accidents. It is for this reason that the Group has chosen to present its overall accident frequency rate as well as the accident frequency rate excluding Protelco and Free Réseau.

The Group's accident severity rate was higher year on year, reflecting the very sharp increase in employees working on the rollout of the FTTH network as well as the exceptional incident that occurred at one of the contact centers as described below.

The accident frequency rate excluding Protelco and Free Réseau also rose, again due to an exceptional incident that impacted one of the contact centers. This incident was the result of acoustic issues related to the ambient noise level. Tests and measurements were carried out by top-level accredited organizations (the CARSAT and CNRS) who concluded that the ambient noise level did not present any danger to the employees concerned. However, for the well-being of our contact center agents the center's ceiling tiles were reinforced and made even thicker than in the issued recommendations. Further tests will be performed when the works are finished and additional action will be taken if required. Without this exceptional incident the accident frequency rate in 2017 would have been around ten points lower.

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

- defensive driving lessons;
- posture and movement training;
- purchases of personal protection equipment for employees;
- awareness-raising measures for new employees on risk prevention in their specific jobs (reception and security);
- creation of advisor/field coordinator positions to help roaming technicians with technical issues and the prevention of occupational risks;
- use of a fleet of light trucks that combine comfort with safety;
- purchases of accessories to help employees transport heavy professional equipment (trolleys, backpacks, etc.).

Working closely with our occupational physician

For a number of years now, the Group has worked in close collaboration with its occupational physician with a view to:

- gaining a full understanding of each entity's organization and the specific tasks performed in each different job, notably in terms of health and safety;
- obtaining the physician's advice, particularly about putting in place new processes and equipment;
- improving the working conditions of employees suffering from physical or psychological difficulties;
- implementing measures for employees who have a disability or have suffered an accident;
- making it easier to find temporary or permanent regrading solutions when an employee is deemed medically unfit for a particular position;

- carrying out work station evaluations and, if necessary, adjustments;
- getting the opinion of various specialists from the inter-company medical facility to which occupational physicians belong.

Managing subcontractor firms

Free Mobile and Free Infrastructure outsource certain activities for which they do not have the skills internally, in particular civil and construction engineering work.

Free Mobile employs security coordination personnel during these phases of work to ensure the safety of the subcontractor firms and the implementation of collective or individual protection measures required for the maintenance of the sites.

17.1.6 DIVERSITY AND EQUAL OPPORTUNITIES

Diversity, equal opportunities and non-discrimination form an integral part of Iliad's human resources policy, both when employees are recruited and throughout their time with the Group.

Thanks to the wide diversity of profiles and the 64 nationalities of its 9,711 people, the Group has a real corporate culture built up around a shared passion – technological innovation.

We have implemented specific recruitment methods in our Subscriber Relations Department to eliminate all potential for discrimination during the hiring process. For example, simulation-based recruitment is used, which involves carrying out professional ability tests to assess applicants' actual capacities for performing a job, and therefore rules out any risk of discriminatory decisions.

17.1.6.1 Promoting gender equality

Iliad respects the principle of gender equality by applying a fair policy in terms of recruitment, access to training, compensation and promotion.

A report on workplace gender equality is drawn up every year using the Group's economic and social database and is submitted to the Works Council. This report must be submitted prior to the start of the annual pay negotiations that are compulsory under French law. Salary increases are solely based on skills and professional experience and the Group is determined to ensure that this remains the case. The Group takes care to ensure equal pay for men and women who carry out equivalent jobs and have the same levels of skills, responsibility and performance. The gender pay gap in France for both managerial and non-managerial staff has decreased steadily over the past few years and in 2017 the ratio of men's to women's salaries was less than one for the first time in the Group's history.

17.1.6.2 Disability

The Group pro-actively seeks to recruit people with disabilities and integrate them into the workforce.

A few examples of how we go about this are described below.

Raising awareness among our employees

In 2017, the Group continued to raise its employees' awareness of disability issues in the workplace. For instance, we launched an employee communications campaign, which included:

- special brochures as well as articles in the Free For You magazine;
- dedicated events;
- creating a discussion group for disability-related issues in the workplace;
- training provided to an HR employee about issues specific to disabled workers;
- placing orders with assistance-through-work organizations for items such as baby gifts and football shirts, and for destroying Freeboxes.

One-off initiatives are also organized to raise awareness about disability issues in the workplace.

Promoting the recruitment of people with disabilities and supporting them in their jobs

The Group's recruitment staff have followed a specific training course on recruiting people with disabilities with a specialized organization in France (ADAPT).

Moreover, in line with its objective of promoting employment opportunities for the disabled, the Group regularly participates in disabled workers' recruitment forums and has entered into partnerships with specialized recruitment firms.

In 2017, for the third year running Protelco teamed up with AGEFIPH – an association that helps disabled workers find employment – to organize a day-long event aimed at giving practical demonstrations of the jobs the entity has to offer.

We also adapt workstations and use specific working time arrangements to facilitate working life for employees with disabilities. The company-level agreements entered into within the Group also put in place initiatives to help our disabled workers. We have implemented a range of measures to partner our disabled employees in their work, including a specific day-long session for carrying out administrative formalities, adapting workstations, working with specialist transport companies and organizing medical check-ups in the workplace.

The various training courses and action plans put in place within the Group have a two-fold objective – to promote the recruitment of people with disabilities and provide them with support in their jobs.

The Group continues to implement action plans with a view to developing a responsible human resources policy for people with disabilities, both in terms of their recruitment and supporting them during their careers within the Group.

Broadening the ways in which we work with people with disabilities

As part of our policy to help people with disabilities we have worked with a group of visually impaired people in order to make the Free portal easier to use for subscribers with the same disability. Similarly, our help-desk platform for people with hearing loss or a hearing impairment has been in place for several years, and for the past few years we have offered a new job category for video consultants who have hearing loss or a hearing impairment in order to assist subscribers with the same type of disability. Employees from this platform contributed significantly to the accomplishment of a new project that saw some of the Group's key terms translated into French Sign Language.

Signature of a Company-level agreement in 2015

In May 2015, Protelco's company-level agreement in favor of disability was approved by DIRECCTE (*Direction Régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*). In negotiating this agreement with the employee representatives and having it signed by the French State, Protelco has demonstrated its commitment to creating a formal structure for its disability policy. The agreement will be automatically renewed after a three-year term if its conditions have been fulfilled.

The Human Resources Department has assigned a specific task officer to ensure that the agreement is rolled out and its commitments honored.

At end-2017, Protelco had 56 employees officially classified as disabled (representing over 5% of its total workforce).

17.1.7 PROMOTING AND RESPECTING THE PRINCIPLES OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANIZATION (ILO)

The Group respects the principles of the Fundamental Conventions of the International Labour Organization (ILO) and promotes the human rights 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).

We also pay particular attention to upholding the principles of equality, diversity and non-discrimination both during the recruitment process and throughout employees' careers with the Group.

17.2 ENVIRONMENTAL INFORMATION

The Group's business activities (landline and mobile electronic communications) have a limited environmental impact compared with other industrial activities. However, as the services it provides are at the heart of the digital economy, the Group needs to deploy energy-hungry infrastructure in order to expand.

Although environmental protection and sustainable development have always been preoccupations for the Group, in recent years we have stepped up our efforts to control the environmental impact of our activities and we have designed a continuous improvement program to help us achieve our objectives. One illustration of the measures taken in this area is the environmental reporting process that has been in place since 2012.

The Environmental and Sustainable Development Committee is responsible for overseeing the Group's environmental policy. Several different departments work together with the committee to determine this policy, under the responsibility of Senior Management.

In a bid to reduce the impact of its emissions of particulate matter, in 2017 the Group launched a program to switch its automobile fleet to petrol vehicles, as currently it solely comprises diesel vehicles (apart from the electric vehicles used by the data centers). Likewise, the energy supplies of the subsidiary in charge of our datacenters now all derive from renewable sources (hydraulic energy from Scandinavia).

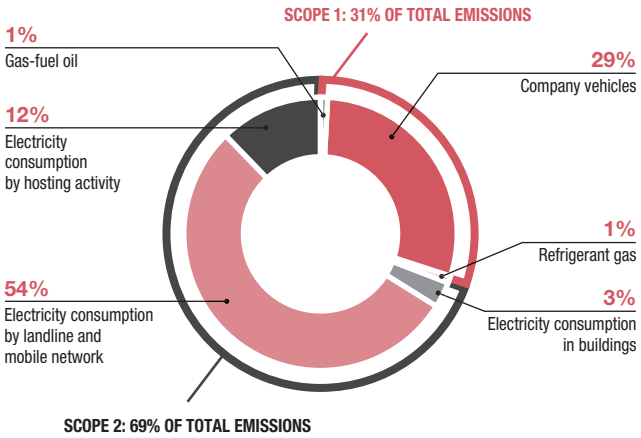
The Group's environmental strategy has two clear and precise main objectives, namely controlling energy consumption and reducing waste, in a context of a steep rise in the subscriber base and a very sharp increase in usage.

17.2.1 CONTROLLING ENERGY CONSUMPTION

For many years, controlling energy consumption has been one of the key aspects of the Group's environmental policy. Our aim is to contain our impact on the environment in three main ways. First, through our direct operations (i.e., controlling the energy consumption of our buildings, vehicles and networks). Second, through our suppliers, by introducing processes that are both ecological and financially beneficial, such as optimizing transport for Freeboxes and using rail travel for

business trips wherever possible. And third, through the products and services we provide to our subscribers, by using eco-design principles.

The Group's CO_2 emissions arising from its own energy consumption amounted to 32,212 tonnes of CO_2 equivalent in 2017, breaking down as follows by scope, with Scope 1 corresponding to direct emissions generated from the combustion of fossil fuels (such as fuel oil and gas) and Scope 2 to indirect emissions arising from the consumption of purchased electricity:



17.2.1.1 Controlling energy consumption in buildings

The CO_2 emissions caused by energy consumption in the Group's buildings decreased slightly year on year, and represented 3.3% of total Scope 1 & 2 emissions in 2017.

The majority of the Group's buildings are equipped with electric heating systems. Electric heating results in less CO_2 emissions than systems that run on fossil fuels such as gas.

The Group has implemented numerous environmental protection measures aimed at reducing energy consumption in buildings, including:

- installing up-to-date heating and air-conditioning systems that respect the applicable environmental standards;
- setting up a centralized system for managing printers to ensure that equipment is shared;
- centralizing the lighting systems in our properties in order to save energy, notably by switching off all office lights as from 9 p.m;
- more generally, regularly raising employees' awareness about the reasonable use of resources through a guide on everyday environmentally-friendly behavior and also via campaigns carried out through the Group's various communication channels.

In order to effectively implement our energy policy for buildings we intend to fine-tune our system for tracking the energy consumption of our main premises by item.

We have carried out an energy audit, which mainly concerned an energy analysis of the Group's buildings and highlighted easy-to-implement improvements that could be made, notably at head office.

17.2.1.2 Automobile fleet

In 2017, the Group's automobile fleet comprised an average of 3,123 vehicles, i.e., 817 more than in 2016. This year-on-year increase reflects the sharp rise in the number of employees working on network rollouts and call-outs to subscribers' homes. Optimizing the automobile fleet is one of the Group's key priorities as it accounts for more than a fifth of its total emissions.

The Group has launched a large-scale project to renew its automobile fleet as part of its "green driving" program. In 2015, we solicited offers from various suppliers for the renewal of our entire automobile fleet with a view to reducing both our CO_2 emissions and gas consumption in anticipation of the gradual increase in the Group's vehicle needs.

This decision to migrate the entire fleet to vehicles that meet Euro 6 standards and that have start-stop technology is fully in line with our policy to use more eco-friendly vehicles for short journeys.

Currently, 99% of the fleet is made up of models that consume less than 5 liters per 100 km for combined city/highway driving conditions.

The average CO_2 emissions of the Group's fleet was 111.1 g of CO_2/km per vehicle in 2017, up 3.5% on 2016. This year-on-year increase reflects the fact that the positive impact of incorporating vehicles emitting less than 90 g of CO_2/km was offset by the effect of including more light trucks in the fleet to enable on-site technical teams to connect subscribers to fiber and therefore provide them the best possible service.

Since 2013, the Group has also used electric vehicles and at end-2017 it had a dozen of these vehicles in its fleet. Electric vehicles are available to employees at the Group's datacenters and are primarily intended for short journeys given their lower mileage range than traditional vehicles. The car park at the Group's head office has several dedicated spaces with recharging points, which can be used not only for vehicles in the car pool but also for employees' personal cars.

In late 2017, the Group launched a program to replace a large proportion of its diesel vehicles by petrol vehicles in order to reduce particulate matter (an NO_2 pollutant) emitted by the whole of its fleet, which is currently solely made up of diesel vehicles.

Lastly, as part of the above-mentioned "green driving" program, eco-driving lessons have been made available to employees who use their car for their work. The Group also has a policy of encouraging employees to choose the least-polluting modes of transport and to use videoconferencing facilities and conference calls whenever possible.

Within our IT system we have a specific application for scheduling the appointments and assignments of our roaming technicians. The aim of this application is to reduce energy consumption and CO_2 emissions by minimizing the distances between each appointment.

The table below lists the application's various functionalities:

ROAMING TECHNICIAN

Functionality	Aim
Technician's first appointment of the day is located as close as possible to the vehicle storage point	Optimize journey between home and deployment area
Server automatically calculates distances between each appointment	Optimize the day's routes
Slot any new appointments into the previously calculated route	Optimize the distance between each appointment

PLANNING MANAGEMENT TECHNICIAN

Functionality	Aim
Creation of a scheduling procedure that proposes the best routes when appointments are changed	Optimize the day's routes
Creation of a graphic presentation of routes, with sectors differentiated by color	Optimize routes with the aid of a visual tool

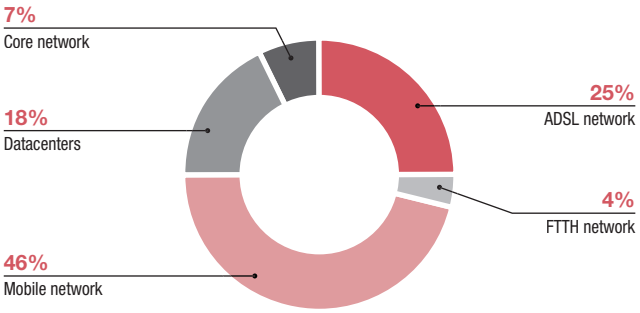
17.2.1.3 Networks

The energy consumed by its networks accounts for over two thirds of the Group's total CO_2 emissions and is therefore a major priority. These emissions relate to:

- electricity consumption, which accounts for almost all of the networks' CO_2 emissions;
- the use of refrigerant gas to cool infrastructure for the core network and data hosting servers;
- the consumption of fuel oil (in very small quantities) to power electricity generators in the event of electricity outages in that infrastructure.

In the context of the Group's rapidly-growing business, its network components (including the datacenters) used a total of 456 GWh of electricity in 2017. This level of energy consumption will continue to rise in the coming years, due to the ongoing rollout of the FTTH and mobile networks and the growing datacenter business.

Iliad monitors that measures are taken within its subsidiaries to reduce the energy consumption of their networks and as part of this overall approach it has broken down energy use by activity. The diagram below shows an analysis of CO_2 emissions arising from electricity consumption for each network component.



Landline and mobile networks

Due to their size, the Group's landline and mobile networks (excluding the datacenters) account for over half of its total CO_2 emissions and 80% of its electricity consumption. As a result of the Group's expanding business and mobile network, and particularly because 2017 was a record year in terms of deploying new sites, the amount of electricity used by the mobile network now represents almost 60% of the total electricity used by the landline and mobile networks combined. Consequently, the overall energy consumption of the Group's networks is bound to increase despite the efforts undertaken to control it. This could already be observed in 2017, with the capital expenditure incurred for landline and mobile infrastructure.

Following a call for tenders launched in 2015, in 2016 we changed our energy supplier with a view to optimizing and simplifying our management of electricity and redefining the scope of our electricity supply agreements. This initiative is fully in line with our efforts to reduce our impact on the environment.

At the same time, we constantly aim to use the least energy-hungry equipment possible. One example of the measures put in place by the Group in this area is the new-generation radioelectric equipment installed by Free Mobile, which is up to five times smaller and lighter than previous generations and consumes 30% less energy. This has enabled Free Mobile to keep the increase in its mobile network's energy consumption at contained levels despite the strong growth in its business as well as the recent rise in the use of 4G technology.

Datacenters and hosting activities

As a result of the expansion in the Group's hosting activities, electricity consumption in its datacenters increased by 17% in 2017. However as a proportion of the Group's total power use it edged down to 17%.

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 the aim of ensuring that its energy policy complies with industry standards the Group respects the requirements of the EU Code of Conduct on Data Centres' Energy Efficiency, which it signed up to in 2012. In 2013, Iliad received a European Union award for the energy efficiency of its latest datacenters.

The main energy efficiency measures adopted for our datacenters are structured around the following areas:

- Power Usage Effectiveness (PUE): the DC2, DC3 and DC4 datacenters, built according to the Group's specifications, have a PUE rating of less than 1.4;
- continuously improving these three datacenters' cooling systems, which represent a significant proportion of their power consumption. These improvements are primarily based on the free-cooling technique which uses outside air to cool IT infrastructures as well as modernizing primary infrastructure by using high-performing equipment. The Group estimates that these measures enable its datacenters to save more than 14 GWh of electricity per year, representing approximately 650 tonnes of CO_2 equivalent;
- building a new datacenter (DC5), which is currently underway, based on new specifications. This will double the total capacity of the datacenters operated by the Group (ultimately to 22-24 MW) with a Power Usage Effectiveness (PUE) of less than 1.1. It will use an adiabatic cooling system which means that no energy will be required to cool its infrastructures;
- as part of an overall ecological and responsible approach, the Group has developed an innovative technology capable of recovering and reusing the excess heat generated by its datacenters. One practical example of this approach is an energy recycling mechanism designed by the Group for its DC4 datacenter that uses a heat exchanger to supply heating for social housing in Paris. A final agreement concerning this heating system was signed with Paris Habitat OPH in July 2013 for the 15th *arrondissement* of Paris, whereby 60 to 70 GWh of heating per year will be transferred to around 170 homes from 2019 through 2026;
- 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;
- since January 1, 2018, all of the energy used by Online S.A.S. – the Group subsidiary that operates its datacenters – has come from renewable sources (hydraulic energy from Scandinavia).

All of the Group's datacenters dedicated to hosting activities are ISO 50001 certified, which demonstrates the quality of Online's energy management system. The aim of putting in place the certification process was to set up a dedicated energy management system used to define, oversee and monitor the implementation of a clearly stated energy policy.

17.2.1.4 Freebox equipment

As well as carefully monitoring its own environmental impact, Iliad strives to ensure that it offers its subscribers eco-friendly products and services in order to help them more effectively control their energy consumption. 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.

The Freebox Revolution also constitutes a major innovation in terms of media center equipment. Thanks to its more multi-functional design it includes features such as a Blu-Ray™ and DVD player, which would otherwise be stand-alone devices. The Freebox Revolution marks a clear technological advance and demonstrates the Group's overall aim of reducing the amount of equipment owned by users thanks to the numerous functionalities that it integrates.

In 2015, Free launched the Freebox mini 4K for its entry-level offering. This new, compact-format box uses approximately 45% less electricity than the Freebox Revolution.

17.2.1.5 Effectively managing transport processes

The CO_2 emissions generated by transport between Freebox production or reconditioning plants and the Group's logistics platform rose in 2017 as a result of a temporary need to transport goods by air freight during the year.

Logistics is another key area where the Group can make a difference in terms of sustainability in addition to the eco-design and eco-innovation solutions it has developed. Consequently we use our best efforts to favor rail freight wherever possible, which requires rigorously anticipating orders.

Multimodal transport

The Group has set up a sustainable supply chain project that involves extending the use of multimodal transport (i.e., by combining road, rail, sea and, very occasionally, air transport), with a view to containing energy consumption and greenhouse gas emissions.

The commitment to achieving more sustainable transport systems was put into practice when the Group decided to use more environmentally-friendly means of transport. This led its logistics teams to restrict the use of air freight to exceptional circumstances and then to massively reduce the proportion of road transport used in the supply chain.

Despite longer timeframes and more complex tracking processes, for a number of years now the teams at Freebox have systematically used sea freight as it is less polluting than other means of transport. In order to apply this strategy Freebox has had to develop highly efficient systems for anticipating order levels.

For its overland and inter-site transport requirements, Freebox uses rail for part of the journey, which is a first in its industry. Rail freight – which is less polluting than road transport – cuts down significantly on CO_2 emissions and the aim is for trucks to be used only for the few legs of the journey where rail transport is impossible.

Optimizing the transport chain

As part of its eco-logistics approach, the Group has set up several processes in its supply-chain organization to optimize loads and transport flows.

Loads are optimized by packing more into containers and trucks. The format of the loading pallets used has been harmonized in order to enhance the surface area/energy ratio. The Group also strives to eliminate empty running, with only full trucks transporting its products.

In order to reduce inventories, costs and CO_2 emissions, the logistics team has set up multiservice platforms 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 delivered directly from the logistics platform to the Free Centers.

Supply chain objective

Iliad's supply chain objective is to minimize the number of small, fragmented deliveries, which push up both the Group's transport costs and its carbon footprint.

For many years the Group has sought to reduce the volume of deliveries to subscribers' homes and to encourage the use of pick-up points. To that end, we have developed partnerships with specialized companies that have very good national coverage so that Freebox delivery and return points are located near subscribers' homes.

In parallel, the network of Free stores was extended in 2017, providing another effective option for pooling the transport of Freeboxes and accessories. At December 31, 2017 the Group had a total of 57 physical stores.

Also in 2017, the Group pursued its "green" project that offers a premium delivery service through a partnership entered into with a specialized transport company. Under this offering, subscribers receive their orders at their homes at a pre-agreed time, delivered using electric vehicles.

As well as these recent innovations in the supply chain, the Group has started the process of involving its main business partners in its CSR approach. For example, our main logistics partners are now required to provide us with greenhouse gas emissions reports.

In the coming years, the Group intends to:

- encourage the pooling of Freebox deliveries and returns through collection points that are close to subscribers' homes (pick-up points and Freebox stores);
- continue to innovate in order to offer best-in-class solutions to subscribers and control the carbon footprint of the supply chain;
- continue to involve as many business partners as possible in the Group's CSR approach.

17.2.2 CONTROLLING RAW MATERIALS CONSUMPTION AND WASTE PRODUCTION

17.2.2.1 Paperless communication media

Also for many years, Iliad has adopted a paperless strategy aimed at reducing both its use of paper and the energy used for printing.

For the Group's internal operating procedures, employees are encouraged to use virtual communications tools and the main methods used are email and video conferences.

The Group also has paperless relations with its subscribers, using durable electronic media at all stages of the subscriber relationship (initial subscription and follow-up management, invoicing, marketing, etc.).

17.2.2.2 Use of raw materials in packaging

As part of its overall waste management strategy the Group has taken steps to reduce the amount of raw materials it uses in its packaging.

Our research teams have designed innovative solutions using only biodegradable materials and recycled paper in order to create ergonomic packaging that is shaped and sized in line with the boxes it contains. This reduces both empty space and the amount of paper and outer packaging required. Freebox packaging is also optimized in terms of weight and volume and has been designed from the outset to be resistant throughout the boxes' life cycle.

Furthermore, from a logistical perspective, the reduced volume of packaging means that more boxes can be transported in one delivery journey. This reduces the packaging used by the service providers responsible for transporting Freeboxes, as well as the carbon footprint related to such transport.

For several years now, the Group has also sought to design attractive packaging and to raise the awareness of users about keeping and returning packaging. The new packaging can be used to return Freeboxes (on cancellations or for after-sales services and exchanges) or can be kept by subscribers for their own use.

The packaging used by the Group's various companies is recovered and recycled through specifically approved channels.

17.2.2.3 Optimizing waste management

The Group generates different types of waste in the course of its business activities, with the largest proportion corresponding to electronic equipment and components.

Waste electronic equipment and hazardous waste

All of the Group's subsidiaries comply with the recycling requirements applicable in Europe under the EU directive on Waste Electrical and Electronic Equipment (WEEE).

As part of its overall waste management policy, the Group uses registered waste disposal providers to recover its WEEE, which is collected, sorted and recycled in accordance with the applicable legislation.

All waste generated by the Group's manufacturing operations is sent to waste disposal providers where it is fully recycled in accordance with the applicable European standards and regulations. Waste generated by Freebox – which accounts for a significant proportion of the Group's overall waste production – that was recycled on its behalf was as follows in 2017:

- 708 tonnes of plastic;
- 565 tonnes of electronic waste;
- 135 tonnes of scrap iron;
- 169 tonnes of cables and wires;
- 161 tonnes of plugs;
- 79 tonnes of hard drives.

In order to limit the amount of waste generated by its manufacturing operations, the Group systematically re-uses electronic equipment. Consequently, whenever subscribers terminate their subscription, the Freeboxes and their accessories have to be returned in good working order, failing which the subscriber is required to pay a penalty. This policy is one of the ways that the Group ensures that it recycles the waste generated by its activities in accordance with the applicable regulations.

The Group records a provision in its financial statements for the costs of recycling WEEE.

Concerning hazardous waste – particularly toxic liquids and gases – Online's teams applied the requirements of the Montreal Protocol on Substances that Deplete the Ozone Layer ahead of the stated timetable and eliminated all R22 refrigerant gas used in its datacenters. Between 2008 and 2010 this type of gas was gradually replaced by R407C and R134A refrigerant gases which are more environmentally friendly. By 2014 all of the refrigerant gases used had been replaced by R134A gases. Since 2018, Online's new datacenters have used an adiabatic cooling system which does not involve any refrigerant gas.

Online has put in place a plan to gradually replace SF6 gases (sulfur hexafluoride), which is one of the greenhouse gases that falls within the scope of the Kyoto protocol and European Union directive 2003/87/EC. 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. By 2014, all of the traditional transformer oils had been replaced.

Reconditioning Freeboxes

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 (see above). By reconditioning its equipment, the Group is able to reduce the amount of raw materials it uses and also to limit its ecological footprint. Accordingly, the majority of Freeboxes are recycled and reconditioned for new use by another subscriber.

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, 40% of the plastic used when the cover on the Freebox Revolution is changed is made from recycled plastic.

The Group chose to set up its own R&D center in order to consolidate the production chain and work to shorter deadlines in a more sustainable way.

We also work with a company that recycles plastic and plastic components in the aim of upcycling every bit of waste possible. We monitor the service provider responsible for recycling to ensure it has the necessary disposal solutions and recycles the maximum amount of waste products. Lastly, traceability is guaranteed, ensuring that waste is genuinely recycled and not sent to landfill.

We view our waste treatment processes as an opportunity to put our CSR commitments into practice. For example, we have set up three-party agreements with assistance-through-work organizations under which the organizations reprocess products (cables) while being quality controlled by the Group's plants.

Optimizing the life cycle of telephones

By proposing offers with no obligation to purchase a phone, the Group effectively encourages its subscribers to re-use their old phone. In so doing it has put a brake on the systematic process of subscribers signing up to a new contract in return for changing their telephone, therefore helping to increase the life cycle of telephones.

Free Mobile's positioning in the SIM Only segment has led to a surge in the market, giving subscribers the possibility of not renewing their mobile phone every 12 to 24 months and therefore of saving money. According to ARCEP, the proportion of no-commitment plans is continuing to grow and now represents 68.8% of the 62.8 million plans sold in Metropolitan France, reflecting an increase of almost 4 percentage points in one year.

Another way in which Free Mobile is making a big contribution to optimizing the life cycle of phones is through its smartphone rental offering which it launched in late 2013. The smartphones provided under the rental system remain the property of Free Mobile and are returned by the user at the end of the rental period. They are then reconditioned by the Group and sold on to private individuals through intermediaries which means that they are given a "second life".

For recycling lower-value products, the Group has entered into a donation agreement (through the Free Foundation) with the Fondation Emmaüs charity for the homeless. The Fondation Emmaüs analyzes the products and then reconditions and sells them where possible. A total of 1,500 products had already been donated under this agreement by end-2017.

Managing datacenter waste

Our datacenters have chosen to outsource recyclable waste disposal and treatment to a service provider, which has undertaken to collect, transport, and treat it or have it treated at authorized treatment plants, in compliance with the applicable regulations.

In 2017, more than 20 tonnes of cardboard (mainly server packaging), 11 tonnes of hard drive metal, 16 tonnes of electronic equipment and 29 tonnes of miscellaneous industrial waste were sent to these treatment plants by our datacenters.

Combating food waste

The Group ensures that all of the suppliers of its corporate restaurants have a policy in place for combating food waste and it takes particular care to ensure that the food services provided to its employees generate as little waste as possible.

17.2.3 MEASURES TAKEN TO PROTECT BIODIVERSITY

In view of the nature of its operations, the Group has a limited impact on biodiversity. Nevertheless, it has put in place initiatives aimed at protecting biodiversity, such as a partnership entered into with the French Bird Protection Society (LPO).

In addition, when Free Mobile uses tubular antenna masts – which have the advantage of blending more effectively into the landscape – they are sealed off in order to prevent birds and animals from trying to nest in them and therefore harming themselves.

17.3 A RESPONSIBLE ENTERPRISE

The Group's success goes hand in hand with a responsible CSR strategy that aims to ally financial performance with fair and equitable conduct, the interests of subscribers and environmental protection. Our sustainable development approach is underpinned by a firm belief that we can and must meet consumer needs in a responsible way. We must be able to factor into our operations all of the conflicting concerns of today's society, such as reducing costs, combating climate change and improving purchasing power.

For Iliad, being a responsible enterprise also means building solid, transparent relations with its suppliers and subscribers 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.

17.3.1 PROVIDING MORE INFORMATION TO THE AUTHORITIES, SUBSCRIBERS AND THE GENERAL PUBLIC ON THE POTENTIAL HEALTH HAZARDS OF RADIO WAVES AND ELECTROMAGNETIC FIELDS

17.3.1.1 Ensuring regulatory compliance

Within the framework of its mobile telephony operations, the Group has undertaken to respect the limits on exposure of the general public to electromagnetic fields set in French Decree 2002-0775 of May 3, 2002 (which transposed into French law the recommendation issued by the Council of the European Union on July 12, 1999). These limits are also based on the thresholds recommended by the World Health Organization (WHO).

17.3.1.2 Measuring the level of exposure to electromagnetic waves

Under legislation effective in France since January 1, 2014, any person or legal entity who so wishes can request the measurement, free of charge, of exposure levels to all types of electromagnetic waves in residential premises and public buildings and spaces.

The costs for carrying out these measurements in public buildings and spaces are borne by a fund financed by mobile operators, into which Free Mobile pays via a surcharge on the IFER flat-rate tax levied on network operators for mobile base stations.

Thanks to the resources of this fund some 3,700 measurements of exposure levels were taken in 2017.

The fund is managed by France's National Frequencies Agency (ANFR), which is also responsible for handling requests for measurements and giving the relevant instructions to the laboratories that perform them. These laboratories are independent and accredited by the French National Accreditation Agency (COFRAC) and they carry out the measurements based on a protocol drawn up by the ANFR.

17.3.1.3 Promoting transparent information about exposure to electromagnetic waves and health issues

In its relations with elected officials, subscribers and the general public the Group seeks to educate and inform by relaying the findings of studies and reports drawn up by national and international public health authorities, such as the French Agency for Environmental and Occupational Health and Safety (ANSES) and the Scientific Committee on Emerging and Newly Identified Health Risks (SCENIHR), an independent group operating under the auspices of the European Commission.

In order to effectively share knowledge on the subject of radio frequencies and mobile base stations with elected officials, lessors and the general public, the Group regularly posts up governmental documents (such as information and FAQs about mobile phones and base stations), as well as its own information documents.

The Group also informs its subscribers of how best to actually use their mobile phones in order to limit exposure during telephone conversations, such as using a handsfree device for telephone calls and calling in areas with good-quality radio reception. Free Mobile adverts aimed at increasing mobile phone usage feature a written recommendation to use a handsfree kit, as well as a visual representation of this equipment.

The phones sold or provided to subscribers by the Group are systematically supplied with a handsfree kit. In accordance with the law, Free Mobile indicates the specific absorption rate (SAR) for each of its phones on its website, in its stores, in sales brochures and advertising material, or on the packaging of the phone.

We take care to apply an ethical approach in our commercial communications, in compliance with the applicable laws and regulations. In addition, as part of our "responsible marketing" plan we take measures to educate users of any ill effects from mobile phone use and inform them of best practices to limit their exposure to radio waves when using their phones. Other ways of reducing exposure include text messages, emails and the Internet where users only need to look at the screen and the phone is held away from the head and upper body. Lastly, the exposure levels for a phone running on a 3G or 4G network are around 100 times lower than for a phone running on 2G.

17.3.1.4 Committing to rolling out base stations

As part of our commitment to rolling out our base stations in a transparent and responsible way, we have made commitments to comply with the strict regulatory requirements.

In France a new Act dated February 9, 2015 was introduced to further improve information and consultation procedures. Known as the "Abeille Act", it concerns precautionary measures, transparent information and consultation procedures regarding exposure to electronic waves. The implementing legislation relating to providing information to local authorities when base stations are installed was issued in late 2016,

comprising Decree 2016-1106 dated August 11, 2016, Decree 2016-1211 dated September 9, 2016 and an Order dated October 12, 2016.

Even before this implementing legislation was issued the Group went beyond the requirements of the applicable regulations and had undertaken to:

- respect the French Guide on Relations between Operators and Towns (GROC) drawn up in 2007, which defines the framework for relations between operators and the Association of French Mayors with respect to setting up mobile phone base stations. In accordance with this Guide, Free Mobile has signed more than 100 charters with local and regional authorities concerning the installation of base stations and regularly participates in negotiations with authorities that wish to draw up or revise such charters;
- inform local elected officials of the installation of any new base stations (using a dedicated "Municipality Information" file);
- take part in talks with the various stakeholders before deploying any base station;
- answer any questions raised by local elected officials, lessors, lessees and neighboring populations about existing base stations and the installation of new base stations;
- help advance the knowledge of stakeholders (the government, local authorities, lessors, associations and operators) and promote dialog between them, by actively participating in discussion and consultation procedures put in place by the public authorities and governmental agencies (e.g., the ANFR and ANSES).

In addition to these existing practices relating to information and dialog, following the publication of the implementing legislation for the Abeille Act in late 2016, the Group has put in place a new template for the "Municipality Information" file with a view to meeting the new regulatory requirements.

17.3.1.5 Research into and monitoring of the potential health effects of electromagnetic waves

Over and above its legal obligations, Free Mobile has voluntarily decided to implement a national and international technological and scientific monitoring procedure concerning the potential health effects of radio frequencies. A dedicated function has been created within the Company, tasked with carrying out this monitoring as well as with actively participating in the consultation procedures on the issue led by ANSES. In 2016, the person responsible for this function was appointed as the Chair of the H&E Operator Expert Group set up by the GSMA Health Expert Group, and on December 15, 2016, she took part in a day-long event dedicated to exposure to electromagnetic fields (EMF) run by the research group WHIST (Wave Human Interactions & Telecommunications).

17.3.2 RESPECTING THE LOCAL POPULATION WHEN ROLLING OUT OUR NETWORKS

17.3.2.1 Commitment to limiting noise levels

The Group respects French Decree 2006-1099 of August 31, 2006 relating to reducing local noise levels, as well as the regulation issued on July 1, 2007 concerning limits on intrusive sound caused by professional activities compared with ambient noise levels. Consequently, for its datacenter operations and optical fiber rollouts, the Group ensures that the maximum sound variance above ambient noise levels is 3dB at its property boundaries.

In addition, for many years, the Group has made considerable efforts to reduce the sound levels of its production equipment, via soundproofed walls, sound traps, acoustic cladding and sound-absorbing shields.

17.3.2.2 Respecting the landscape

The Group has undertaken to local authorities that whenever it installs base stations it will examine any landscaping requests formulated by the French organization of heritage architects (Architectes des Bâtiments de France), the managers of public spaces and municipalities.

Free Mobile has pooled resources and used co-location for installing its base stations, wherever technically possible, in a bid to limit the impact on the surrounding landscape. Also, the fact that Free Mobile installs latest-generation equipment – which is much smaller than previous generations but has the same functionalities – also helps the base stations blend in better with their surrounding landscape.

17.3.2.3 Information and consultation processes with local authorities and other local stakeholders

The Group has built up a structured information and consultation process with local stakeholders in the aim of forging close and trusting relations at a local level. This is carried out in practice by a number of dedicated employees who are responsible for overseeing the consultation process with local authorities at each stage of the landline and mobile network development.

The Group also takes part in Regional Consultative Committees on Digital Network Rollouts (CCRANT) and has regular meetings and discussions with local authorities when deploying its landline network.

In tandem, Free Mobile – which has signed up to more than 100 charters with local authorities for the rollout of the Group's mobile network and regularly negotiates and signs new ones – actively participates in information campaigns initiated by municipalities and takes part in consultative committees and regional consultation processes where required.

Free Mobile has also signed up, along with France's three other mobile operators, to the various programs put in place to eliminate "white spots", i.e., where there is no mobile coverage. Free Mobile has been

appointed as the lead operator for the network rollout in over 230 of the total 268 newly-identified municipalities as part of the national white spot elimination program. In this capacity, Free Mobile's role consists of continuously coordinating with the local authority responsible for making the pylon available, validating the location of the pylon, installing its active equipment (masts) and then operating the network on behalf of the three other mobile operators. Free Mobile intends to partner even more municipalities – notably as lead operator – following the next round of white-spot identification campaigns.

17.3.3 SUBSCRIBER RELATIONS

We constantly endeavor to offer best-in-class subscriber service, all the while taking care to guarantee the highest levels of protection and security, whether this be ensuring secure networks and data transmission, safeguarding the confidentiality of personal data or protecting vulnerable populations from any potential dangers. In order to achieve these aims we have equipped ourselves with the necessary systems and resources for optimally managing our broad subscriber base across our various operations.

17.3.3.1 Subscriber satisfaction

Satisfying our subscribers is central to our corporate strategy and our commitment to quality forms the bedrock of our sales and assistance policy.

The foundation of our overall offering is to provide subscribers with straightforward and value-for-money services, and for over a decade now we have focused on proposing innovative solutions and bringing new information and communication technologies within everyone's reach. When we launched our mobile offerings, we decided to use a similar business model to that which we had successfully rolled out for our landline operations, namely offering simple, attractively priced plans that are cheaper for subscribers and at the same time give them much more usage. The effects of this have been pronounced, with the average mobile phone bill for subscribers in France dropping by a third between the fourth quarter of 2011 and the third quarter of 2017, to €15.90 per month, excluding tax (based on ARCEP data). In parallel, the penetration rate of mobile communications in Metropolitan France (excluding M2M) rose to 111.7% at end-2017 from 99.6% at end-2011.

Free Mobile's entry-level €2/month plan is a clear illustration of the Group's objective of bringing mobile phone usage within everyone's reach as ever since its launch it has offered a better service, at a fifth of the price, than the "social" mobile plans designed by France's operators and government in 2011.

The Group has also played a key role in integrating the French overseas departments (DOM) and foreign destinations into mobile plans. For example, in January 2013, it was the first operator to include in its plans (Freebox Revolution and mobile plans) unlimited calls and text messages to mobiles in the DOM. The Group was also the driver in reducing roaming costs by incorporating numerous destinations – including all European Union countries, South Africa, Australia, Canada, the United States, Israel and New Zealand – into the Free Mobile Plan at no extra cost, as well as 25 GB of monthly data in Switzerland and Mexico.

In connection with these offerings we have put in place a highly effective subscriber relations system based on dialog and anticipating needs, with the constant aim of fully meeting our subscribers' expectations.

All of these efforts were recognized by the high rankings and prizes awarded to the Group in numerous surveys carried out in 2017, including:

- ***Perf* performance survey of mobile Internet connections in Metropolitan France** (four consecutive quarters in 2017): Free obtained the best 4G download speed and the best nPerf score for 4G connections.
- ***Perf* performance survey of landline Internet connections in Metropolitan France** (for full-year 2017): Free obtained the best FTTH download speed.
- ***Capital* magazine's best brand awards** (December 2017): The Freebox Revolution was named the champion landline brand in the category of telephone, Internet and TV operators.

Subscriber satisfaction is particularly important for Free Mobile as it only offers no-commitment plans. In the space of six years since the launch of its mobile offerings the Group has already won 19% market share in Metropolitan France (excluding machine-to-machine), demonstrating the quality of the service provided to subscribers under these no-commitment plans.

The Group has also been awarded certifications by the French standard-setting agency, AFNOR, for the quality of its subscriber relations service in both the Landline and Mobile businesses. This certification is a guarantee of the high-quality, reliable and conscientious service provided by the Group's subscriber relations teams. The Landline business has been certified since 2008 and the Mobile business received certification in 2013, just one year after its commercial launch.

17.3.3.2 Informing subscribers and protecting personal data

For the Group, social and environmental responsibility implies informing consumers in a transparent way about its business activities. That is why we ensure we act as a responsible operator towards consumers on a daily basis.

Managing security risks

The Group attaches great importance to guaranteeing security for its subscribers and protecting their personal data. This is a major concern that has led us to make a number of strategic choices for our landline, mobile and Internet activities as well as our subscriber management platforms.

Thanks to the design of the Freebox system (which comprises a subscriber box and related access equipment), and notably the fact that we control its software components, we have one of the most secure systems in the world. The risk of security breaches is effectively managed because we have teams with very high levels of expertise in both software and IT security and we do not depend on any external service providers.

For several years now, our Freebox offers have included WPA2 wireless Internet access technology, which provides enhanced encryption, using a 256-bit key for each data packet.

The services connected to our offers, such as the Free WiFi community network, also use authentication systems which ensure the traceability of users of the bandwidth made available to them.

In addition, the VPN services included in the Freebox Revolution offer enable users to set up encrypted direct links between remote machines for transmitting sensitive data.

Our mobile offerings are based on latest-generation technologies which are particularly robust and scalable. For example, we use the most recently available algorithms to encrypt communications between terminals and our network equipment, therefore complying with the recommendations issued by the authorities responsible for information systems security in France. These considerations played a particular part in Free Mobile's choice of its main equipment provider, which is a European industrial corporation that has a very high level of expertise and R&D teams located in Europe.

All of the Group's active equipment is supervised solely by in-house teams in accordance with extremely rigorous procedures. Access to network equipment and servers systematically requires authentication, with hierarchical access levels and archived authentication logs to ensure traceability.

Subscriber relations platforms are managed internally at Group level by dedicated structures in order to ensure that personal data is not dispersed among different external parties. In terms of information systems, the Group privileges in-house developments carried out by employees who have strong experience, which enables it to be more reactive and less dependent on third-party providers. By using OpenSource technologies – which are more flexible and resilient than proprietary systems – the risk of security breaches is better controlled and documented. Access to data bases containing subscribers' personal information also systematically requires authentication, with hierarchical access levels and archived authentication logs to ensure traceability.

A strict framework for communicating data

The legal provisions applicable in France require the Group to notify the CNIL (Commission Nationale de L'Informatique et des libertés) in the event of any security breach and/or violation of personal data (destruction, loss, alteration or any accidental or illegal unauthorized disclosure of or access to personal data). To date, we have not had to make any such notifications related to the violation of personal data. In addition, in accordance with Decree 2012-1266 of November 15, 2012, the department of the French government responsible for IT security may carry out audits on the Group's security systems whenever it deems fit. The Group also participates in numerous working groups dedicated to network and IS security, which are made up of representatives of the public authorities, operators, OEMs and researchers.

The Group does not communicate any personal data of its subscribers to third parties other than when required to do so by law. Consequently, Iliad refuses any requests to communicate personal data which are not authorized by a competent national jurisdiction or authority. The Group replies to all correctly formulated legal requests for such information concerning its landline, mobile and Internet subscribers. Concerning the requirement for operators to identify subscribers as part of the combat against illegal downloads, the Group has responded to all requests from La Haute Autorité pour la Diffusion des Oeuvres et la Protection des Droits sur Internet (HADOPI) – the independent administrative body specifically created in France in order to manage such matters – and it sends out warning e-mails as required under the applicable legislation.

Security solutions for all subscribers

Free offers all of its subscribers (both for landline Broadband and Ultra-Fast Broadband and mobile services) an online personalized management interface (subscriber's online area) which can be used to securely manage the various aspects of their subscription and connection, such as viewing their current month's usage (audiovisual, telephone, data volumes, etc.) and their bills, as well as configuring or activating services and changing payment methods.

This interface – which is accessible through any Internet access point subject to identification via a log-in and password – also offers various tools, at no extra cost, for subscribers to manage their personal data and control how it is used.

Each subscriber can use their dedicated personal space on the website to indicate whether or not they wish their personal details related to their Free subscription to be published in directories or to put restrictions on such publication. In addition, subscribers can request that their information be removed from marketing lists and the reverse look-up directory in order to avoid cold calls. They can also stop the activation of caller ID when making telephone calls if they so wish.

This service enables subscribers to stop the disclosure (either temporarily or permanently) of their Freebox number when they contact correspondents.

Lastly, other services are available for incoming calls, which enable subscribers to filter and block calls (rejection of anonymous numbers, filters based on certain telephone codes or numbers) with a view to protecting them from undesirable and unsolicited contact. Similarly, Free offers its Freebox subscribers an outgoing call filtering service. This service, which is free of charge and can be accessed from the subscriber's online personal space or the Freebox handset, allows users to configure the line so that certain numbers are blocked. And Free Mobile offers its subscribers an option to block all calls made outside the rate plan, depending on the package. This option, which is also free of charge and can be activated by subscribers from their online personal space, allows users to block all calls, texts and MMS to premium rate numbers.

17.3.3.3 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.

As well as respecting the warning display requirements defined by the CSA concerning violent, erotic or pornographic content, and its recommendations on programs for the very young, Free has set up a parental code system to protect young people. This code is initialized in the subscriber's online personal space, which only the adult holder of the subscription can access using the login and password sent to the subscriber's contact e-mail address when the subscription was originally taken out.

Concerning Internet access, the FreeboxOS (for computers) or the Freebox Compagnon application (for mobile devices running on iOS, Android or Windows) provides subscribers with a parental control service that is quick and easy to set up and can be configured remotely in real time via any Internet access point or 3G/4G.

This service enables subscribers to allocate specific rules to each of the peripheral devices connected to their network. This means they can authorize or prohibit Internet access at certain times of the day, and can even prevent access to any unauthorized devices (through MAC filtering). For example, parents can use the service to prevent their children from surfing the web at night.

It is also possible to create groups so that the rules specified by the subscriber can be applied to all equipment in the same category (for example a child's computer and mobile phone). In such a case the rules set for the Group – which cover authorizing Internet access, prohibiting Internet access, or authorizing web-only access – are assigned to all of the devices contained in the Group.

In the case of web-only access, only web browsing via HTTP and HTTPS is authorized, with other connections denied (such as for online games).

Additionally, Freebox Revolution or Freebox mini 4K subscribers can use a WiFi planning function to disable and enable their WiFi service during the time periods that they define.

17.3.4 BUSINESS ETHICS

The Group's corporate values have always been embedded in trust, transparency, simplicity and innovation, and that has never been more the case than today. These values have shaped our culture, forming the foundations of our reputation and brand image and spearheading our underlying mission of creating value and crafting cutting-edge solutions.

In 2017, the Group consolidated its business ethics framework by publishing a new Code of Ethics that incorporates the requirements introduced by France's "Sapin II" Act. The aim of this new Code of Ethics is to highlight the principles underpinning our overall **corporate governance** in order to underline how important it is for all of our people to **set the standard** in our industry. It reflects the Group's policy of strictly complying with the applicable laws and regulations while adopting an **ethical approach** that is firmly anchored in rigorous standards while remaining pragmatic and factoring in our corporate values Corporate responsibility is a key priority for Iliad. As stated by the Management team in the introductory section of the Code of Ethics, the Code illustrates the Group's commitment to ensuring that its values are respected in all circumstances on a daily basis by all of its employees and other stakeholders. The Code applies to all of the Group's employees irrespective of their level of responsibility or type of employment contract. All of our people are asked to familiarize themselves with the contents of the Code so that they can apply it daily in a **sensible and conscientious** way in each of the diverse professions that the Group has to offer.

A specific Ethics website has been designed to provide and share information and can be used for relaying Group information and processes such as Ethics Alerts as well as for managing relations with stakeholders and declaring gifts and invitations. Employee training sessions have been put in place (both face to face training and e-learning), with content adapted to the trainees' level of exposure to risks of corruption and/or conflicts of interest depending on the nature of their job. A dedicated unit has also been set up within the Group Legal Affairs Department, with the recruitment of an Ethics and Compliance officer. The Code of Ethics is given to each new recruit, thus making the Group's values and best practices an integral part of each employee's induction course.

The Group's CSR policy complies with all of the applicable laws and regulations. This policy – which is set out in the Group's Code of Ethics – requires all of the Group's stakeholders to respect the applicable laws and to act in a fair, ethical, clear and transparent manner.

17.3.4.1 Purchasing policy

Iliad favors sustainable and collaborative solutions. We carefully select our suppliers and purchases in order to ensure we honor our corporate citizenship commitments. We actively strive to ensure structured dialog with all stakeholders and encourage our suppliers and providers to adopt responsible policies. For many years the Group has implemented a responsible purchasing policy that factors in sustainable development issues and guards against technological obsolescence. We take care to offer more resistant smartphones with a longer life expectancy and attentively monitor the process for removing base stations and obtain certification that the related waste has been recycled. Our corporate citizenship initiatives also include the recovery of Freebox equipment and used batteries in the Free Centers. The partial replacement of our automobile fleet with electric vehicles is also consistent with this approach.

We are currently putting in place a system for monitoring our suppliers and subcontractors based on CSR criteria. This notably entails drawing up a specific risk map to identify and analyze any risks relating to breaches of human rights and fundamental liberties, non-compliance with health and safety regulations and environmental damage.

We are also in the process of carrying out an assessment of our stakeholders as part of our anti-corruption program. This will enable us to help our partners who have scored badly in this area in that we will give them recommendations to follow, adapted to their differing situations, so they can align themselves up with our ethical standards. We will then monitor and assess whether the recommendations are actually applied.

The Group ensures that its partners make contractual commitments to respect human rights, comply with labor law, not to use child labor and to apply environmental criteria in their operations.

As part of its responsible purchasing policy the Group reserves the right to carry out audits at its partners and to terminate commercial relations where it deems fit.

The Group supports local regional social and economic development. Since 2013, it has put its commitments into action by rolling out a pilot process at 40 of its subcontractors and providers of human resources services in France in order to be able to verify their CSR practices. With a view to providing optimum working conditions, we take a responsible and committed stance against illegal work. We have set up a collaborative platform involving suppliers in the aim of ensuring that all subcontractor partners are transparently listed and that their work complies with the applicable laws.

17.3.4.2 Fair practices

The Group has formally undertaken to fight corruption in all its forms within its everyday operations and to ensure that its employees do the same. To this end it has set up an anti-corruption compliance program.

Another way in which the Group fights corruption is through its overall commitment to relaying a culture of ethics and compliance, including through its Ethics Code, which is given to all employees and forms an integral part of the Board of Directors' Internal Rules. Similarly, the Group has set up an ethics training cycle specifically for managers and staff who are the most exposed to the risk of corruption, with the aim of making everyone aware of the consequences of this risk and how to deal with it should it arise. Each and every employee must appropriate for themselves the Group's principles of professional integrity and undertake to respect them. If any employee breaches the Group's Code of Ethics, he or she will face disciplinary sanctions that can go as far as dismissal.

The Group has also put in place a whistle-blowing system that can be used by both permanent and temporary employees or external workers to raise any alerts concerning non-compliance with the rules and principles in the Code of Ethics. This system includes all of the conditions required to ensure that the whistle-blower's name remains confidential and that he or she is protected.

The Group requires all of its stakeholders to undertake to fight corruption in all its forms, avoid conflicts of interest, respect confidentiality and not to disclose any inside information. We assess the situations of our customers, tier-one suppliers and intermediaries based on our risk map criteria, which allows us to ensure that these partners are compliant and take any requisite measures to prevent or correct any breach of integrity or ethics that may arise.

Internal accounting controls form another chain in the Group's anti-corruption program as they are a means of checking that the Group's books, registers and accounts are not being used to hide any fraud or influence peddling.

The Legal Affairs & Compliance Department is responsible for ensuring that all of the regulatory compliance measures put in place in the Group's subsidiaries are effective. The Ethics Committee meets regularly to review the applicable procedures and can call special meetings to resolve any situations that could give rise to a risk of non-compliance.

17.3.4.3. Duty of Care Plan

In line with its ethical, compliant and transparent approach to doing business, Iliad is using its best efforts to meet the requirements of the French Act dated March 27, 2017 which imposes a "duty of care" on parent companies with respect to identifying and preventing human rights violations and environmental damage. Working in conjunction with the departments concerned, the Group has drawn up a Duty of Care Plan which it will apply in 2018. The main characteristics of this Plan and the progress of the overall project are described below.

The Duty of Care Plan reflects the Group's policy and commitments in terms of corporate social responsibility and ethical business conduct. The Group's widely-relayed Code of Ethics sets out its ethical principles and the governance model of the compliance programs it has put in place, including those set up in connection with Iliad's duty of care as a parent company.

Risk mapping

The risks and uncertainties of which the Group is currently aware and considers to be significant are described in Chapter 4 of this Registration Document – Risk factors. A specific risk map has been drawn up for identifying, analyzing and prioritizing any risks of seriously violating human rights and fundamental freedoms, adversely affecting the health and safety of people or damaging the environment.

The methodology used for this risk map is as follows:

- The Group Legal and Compliance Department identifies any issues related to human rights, fundamental freedoms, health and safety and the environment that arise in relation to the business activities of the Group, its subsidiaries and its first-tier suppliers.
- The risk factors and the criteria used for their weightings are defined taking into account data such as the Group's business sector or the geographic locations of its subsidiaries and other stakeholders. The identified risks are then analyzed and prioritized and subsequently correlated with the type and volume of business generated by the Group.
- At the same time, the Group's existing procedures (both formally documented procedures and informal practices) are analyzed along with the risk mitigation measures planned for the coming year. This enables the Group to assess its residual risk exposure.
- This risk assessment is reviewed on an annual basis, or more often if an exceptional event occurs.

Assessing subsidiaries, sub-contractors and suppliers

The Duty of Care Plan put in place by the Group will be applied to its subsidiaries as adapted to their specific characteristics. Controls are regularly performed to ensure that the compliance measures put in place within the Group's entities and subsidiaries are effective.

The Group carries out assessments of its stakeholders as part of the procedure that is also used to comply with Article 17 II 4° of the French Sapin II Act. Two such assessments are performed – one for new business relations and the other for existing business relations.

When new business relations are entered into, the Group systematically carries out an assessment of the third party involved so that each stakeholder can be allocated a risk score. Existing business relations are assessed based on the risk map previously drawn up and controls are carried out in proportion to the allocated risk score.

These assessments are performed by the purchasing departments and coordinated by the Group Legal and Compliance Department. They are reviewed on an annual basis.

Specific measures for mitigating and preventing risks

The Group intends to set up an improvement plan for each entity and subsidiary, as well as a support plan for stakeholders who have been allocated a poor risk assessment score. The support plan will consist of calibrated recommendations of the measures that need to be put in place in order to comply with our ethical standards. The corrective measures implemented will then be monitored and their effectiveness assessed.

Examples of the recommended measures may include implementing a compliance program, providing evidence of a sufficient level of compliance in terms of fundamental rights and environmental standards, putting in place an improvement plan, specific training, etc.

The Group will end its business relations with any supplier that is negligent in remedying any such non-compliance.

The Group's Code of Ethics has been provided to all of its partners.

Whistle-blowing procedure

The Group has put in place a whistle-blowing procedure in accordance with the provisions of the Sapin II Act related to the protection of whistle-blowers.

This procedure covers not only alerts about cases of corruption but also about cases where there has been a failure in the duty of care or cases of harassment or discrimination.

The procedure can be viewed at http://compliance.iliad.fr

Monitoring the effectiveness of the Duty of Care Plan

The Group has set up an internal control system that enables it to monitor the effectiveness of its compliance programs. This system is reviewed periodically by the Group's Ethics Committee.

17.4 A GOOD CORPORATE CITIZEN

The Group puts its community-related commitments into practice through the Free Corporate Foundation.

17.4.1 THE FREE CORPORATE FOUNDATION

The mission of the Free Corporate Foundation (the Free Foundation) is to undertake initiatives to bridge the digital divide that exists in various forms in today's society. In line with the Group's overall commitment to corporate social responsibility, one of the key ways the Free Foundation has pursued this mission since its formation in 2006 is by promoting the development of open-source software.

The Foundation was initially allocated a budget of €450,000, which was raised to €750,000 (over three years) in October 2017 when its term was extended. It still has the same objective as when it was first formed, i.e., to enable as many people in France as possible to have access to new technologies. To achieve this objective it funds various projects aimed at combating the digital divide and the social and cultural exclusion that this divide engenders. In so doing it supports those who are working to fundamentally improve the lives of people today and pave the way for the generations of the future.

The Foundation's work breaks down into three main areas:

17.4.1.1 Supporting charities and other non-profit organizations

In 2016 the Free Foundation changed its project selection process by setting up a new committee whose members are representatives from the Group's various entities (Free S.A.S., Free Mobile, Protelco, MCRA and Online). Thanks to the work of this committee, whose members give their time on a voluntary basis, in 2017, the Foundation was able to select around 20 projects to support following two calls for projects – one related to responsible Internet practices and the other related to disability. Examples of the projects selected include the following:

The RAJE charity radio network

This charity uses radio as an innovative educational tool to encourage people to think about the challenges of digital technologies and data processing. Young people play the role of journalists and write and record the network's programs. The topics discussed in each program are chosen by the participants after an information and discussion session about the challenges of digital technologies. The charity works with various organizations in under-privileged areas so that it can reach out to the young people who are in most need of information on these issues.

Unis-Cité

As part of the French government-sponsored voluntary program for young people, Unis-Cité works to make an impact on two fronts: first, for the community, through the projects it carries out, and second, for the young people who sign up to take part in the program. Throughout the course of the projects, the young participants build up both formal and informal skills, with the underlying aim being to leverage the positive dynamics of the commitment they have shown by signing up to the program in order to work with them on mapping their future and helping them find their place in society and in the working world. Consequently, at the same time as gaining on the ground experience, they are given support and mentoring about their future direction. And more recently, Unis-Cité has decided to add a digital dimension to its support program by helping these young people gain a better command of socio-professional codes, particularly in terms of managing their e-reputation.

Avantic

Highly aware of the educational and artistic potential of digital media, this charity initiates children in digital art through "Mr and Mrs Pixels" workshops. These workshops enable children between the ages of six and 14 to discover or rediscover digital media in a fun way, to find out more about the power of the image, understand the creative resources that digital technology offers and to use the media to its maximum potential.

Entreprendre pour La Cité

The Free Foundation once again lent its support to the "Innov@venir" project which is aimed at creating and strengthening the links between innovation, entrepreneurship and traditional education with a view to helping young people, mostly from disadvantaged areas, to find a job. Through the Foundation's support, the following programs have been tested and rolled out in several regions in France:

- "Coding for kids" – a project launched in elementary and middle schools based on an Intel edtech solution.
- "*Je code*" ("I can code") – a project aimed at getting high school students interested in computer coding, based on INIT 42, a software developed by the 42 IT school.

Traces

This organization runs a project called E-FABRIK which teams up young people with people who have a disability so that they can work together on designing and producing a practical solution to a difficulty that the disabled person encounters on a daily basis, using the digital resources available in their neighborhood. The Free Foundation already supported this charity in both 2015 and 2016, and in 2017 it developed a four-month training course for both disabled and non-disabled young people (aged 18 to 30) who are having difficulty finding a job. The aim of the course it to help participants build their skills in digital manufacturing that can be applied to the field of assisting people with disabilities.

Creative Handicap

This charity works with people with disabilities and meets an enormous number of autistic people of all ages who are ambitious and entrepreneurial and want to show what they are capable of but who do not have the resources to do so because the structures they need do not exist. Creative Handicap believes that the new creative professions of the future can give these people a second chance. As a result, it has created SuperMakers 2.0, a socially responsible digital project that brings together autistic people and people with physical disabilities to work on modeling and 3D printing. This motivates the autistic people to create and produce a practical solution to a difficulty that the physically disabled person encounters on a daily basis.

17.4.1.2 Donating servers

In addition to its partnerships with charities and other non-profit organizations, the Free Foundation hosts and provides the use of some 50 servers for various organizations including April (Association pour la Promotion et la Recherche en Informatique Libre), AFAU (Association Française des Amateurs d'Usenet), OxyRadio (a non-profit webradio station that promotes artists who allow free online access to their works), OpenStreetMap France Association, the Agoravox Foundation and the Framasoft Association.

17.4.1.3 Raising awareness about the use of NICT

During 2016, the Free Foundation took part in awareness-raising campaigns about new information and communication technologies (NICT) including events with non-profit organizations such as:

Braillenet

Braillenet fosters the development and distribution of IT systems adapted for the blind and partially sighted in the aim of giving them access to education, employment and culture. In 2017, it organized the 10th European e-Accessibilty Forum at the Cité des Sciences et de l'Industrie in Paris, which the Free Foundation supported.

17.4.2 DIGITAL NETWORK ROLLOUT VIA LANDLINE AND MOBILE NETWORKS

The digital divide can only be bridged if digital coverage is provided across the whole country. In France, Free is actively involved in helping to achieve the objective of giving everyone access to good landline Internet speeds and high-quality mobile coverage.

As a pioneer in unbundling France's local loop since 2002, Free's aim is to continue to extend unbundling further in order to offer the best possible Internet speeds to the largest number of people. The Group's unbundled offerings currently cover more than 90% of the French population and it is pursuing its drive to unbundle new subscriber connection nodes (SCNs) owned by the incumbent operator. In 2017, the Group unbundled almost 2,400 new SCNs, raising the total number of unbundled SCNs to around 11,600 at December 31, 2017. All of the Group's network equipment (Freebox DSLAMs) is VDSL2 compatible, which can provide speeds of up to 100 Mbps.

Free also takes active measures to increase broadband speeds and regularly installs equipment on SCNs on which it is already present.

All of these steps demonstrate Free's commitment to connecting up households in sparsely populated areas and constantly improving its subscribers' Internet speeds.

The same strategy applies to the Group's FTTH rollouts. As well as finalizing its own rollouts in very densely populated areas, Free systematically works alongside Orange in deploying fiber networks in averagely populated areas and it also intends to help cover France's most sparsely populated areas.

Concerning mobile network coverage, Free Mobile has 3G and 4G licenses and is actively rolling out its base stations to meet its coverage rate obligations and participate in France's various national programs to eliminate white spots. Free Mobile is the only French operator to have always respected its 3G coverage obligations and at end-2017, the Free Mobile 3G network covered almost 94% of the French population.

Since 2015, Free Mobile has participated in the town-center white spot program and the France Mobile plan, which is designed to eliminate white spots located outside town centers and increase coverage in areas that have coverage problems.

Free Mobile now has 3G coverage in the 3,600 towns identified as white spots prior to 2015. It is the leading operator for the rollouts aimed at eliminating the additional white spots identified in late 2015 and during 2016, providing coverage for over 230 of these recently identified white-spot municipalities.

Free also intends to participate in the government-sponsored projects to bridge the digital divide in France.

17.4.3 COMMUNITY OUTREACH BY ILIAD EMPLOYEES

The Group takes part in numerous community initiatives and encourages its employees to contribute to causes that reflect Iliad's corporate values.

17.4.3.1 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, 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.

In general we invest a lot of time and resources to encourage our employees to participate in voluntary work and help in community projects and programs.

17.4.3.2 Supporting charities and other non-profit organizations

The Group's contact centers raise their employees' awareness of supporting charities and other non-profit organizations by organizing various actions and events. In 2017, these included the following:

- initiatives to collect clothes (for the Moroccan Smile organization and the Dar Atifl orphanage and social center in Mohammedia as well as charities supporting disadvantaged children), food (for the Hay Hassani orphanage in Casablanca and the Les Restos du Coeur food bank charity) and toys (for the children on the cancer ward at the August 20, 1953 hospital in Casablanca);
- events for sick children (drawing, coloring and creativity workshops and distributing snacks and gifts) in partnership with the Total Call nursery;
- a meal for the children at the Dar Atifl orphanage in Mohammedia (with entertainment and costumes);
- a football match followed by snacks and drinks for the children from the Hay Hassani orphanage in Casablanca;
- a meeting with the elderly residents of the Nassim retirement home in Casablanca in association with the Moroccan Smile charity.

17.4.3.3 Community and environmental initiatives

The Group supports and organizes a large number of community initiatives in which many of our employees and subscribers take part, including tobacco-free days, blood donation events and an environment day.

Car pooling

In 2014 we launched a pilot test of a car pooling system at our Equaline call center site in Bordeaux. Called "Equadrive", the system was designed by one of Equaline's FreeHelpers (a remote support agent), and came to fruition thanks to the input of MCRA's team of developers.

The objective of Equadrive is to make it easy for employees who live close to one another to get together so that they can car pool. The system is eco-responsible as it reduces the number of vehicles on the road, and it also strengthens bonds among employees. This best practice has since been extended to all of the MCRA UES contact centers and is going from strength to strength.

None of the projects we have put in place would have been possible without the strong commitment of our employees and their desire to improve people's daily lives. Our aim is to draw on this culture of altruism, which clearly creates positive energy, and to use it as an opportunity for awareness-raising and team building for all of our employees who share these principles of generosity and helping others.

Medical awareness and prevention initiatives

We organize blood donation days at our sites in partnership with regional blood transfusion centers and the Etablissement 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.

In 2017, awareness-raising workshops on screening for breast cancer were run at Total Call's site, in collaboration with the occupational physician, a gynecologist and a radiologist.

Employees at Equaline were invited to participate in events such as the Movember "mustache month" to support research into prostate cancer and other men's health issues and the "Ruban Rose" race for breast cancer research.

Resource management

The Certicall contact center has launched a large-scale project to insulate its false ceilings in order to optimize its energy resource management and the related works are scheduled to start in early 2018. Certicall has also replaced half of its water dispensers by water fountains so that users can drink as and when they want without wasting water and using plastic cups. Similarly, a battery collection point has been put in place to encourage employees to recycle their old batteries, and paper is systematically recycled.

In the same vein, Equaline's site undertook an energy audit with a view to optimizing the building's overall energy use and thermal film was placed on the windows that had not already been equipped. In addition, a self-service recharging point for electric vehicles was installed in 2017 and the recycling program that this subsidiary has put in place (for plastic, paper, cardboard and plastic cups) enabled it to recycle over a tonne of plastic during the year.

Employee and welfare initiatives

As part of our policy to ensure the well-being of our people, we carried out a wide range of employee-focused initiatives in 2017. For example, Senior Management decided to set up a survey based on the principle of "Satisfied employees make for satisfied customers", which at the same time is aimed at firmly embedding the Group's service culture. The idea is to measure the satisfaction of Free customers but also, and above all, the satisfaction of our employees in their work. The feedback from this survey is already extremely encouraging: the indicators are positive, with absenteeism down and users satisfied. And the

findings are clear – by gaining two points in employee satisfaction and commitment we have gained one point in satisfaction and commitment from our subscribers.

We also organized collaborative workshops in connection with the "Great Place to Work" rankings, which enabled Centrapel's employees to play a greater role in improving their quality of life at work. At these workshops, several volunteer employees each proudly defended one of the Great Place to Work values (Mr. Credibility, Mrs. Fairness, etc.) which led to meaningful and interesting discussions. Other initiatives have also met with the same success, such as the "expression" meetings held once a month in our contact centers and the "ambassador" meetings that take place once every two months, bringing together a panel of representatives from all of the Group's businesses to answer all types of question with no issues off the table.

In the same vein, the Human Resources Department at Centrapel has launched an innovative move by offering a ticketing service in order to more effectively reply to employees' questions and improve the follow-up procedure. In the period from January through November 2017, 1,867 tickets were registered, of which 52% concerned salary advances, 10% information on pay, 6% general information and 4.5% were requests for employer statements. An HR contact person is now dedicated to each activity (or group of activities) to oversee the entire HR chain with a view to optimizing each unit's HR monitoring process and enhancing the quality of internal discussions. For the Payroll Department, we decided to internally develop a "digital strongbox" solution, which was introduced in the first half of 2017 so as to enhance security, responsiveness and the HR tracking process.

Another example of our employee-focused initiatives is the specific page about the Group's CSR approach that the Certicall contact center has created on its internal social network in order to obtain its employees' opinions about this issue and encourage discussions.

In 2017, the Certicall contact center also participated 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.

Certicall's premises were fitted with an elevator in 2017 so that current and future employees with disabilities can have full access to their workplace.

At Equaline we have put in place a Business Ethics Charter to provide all of its teams with a framework for working together respectfully and taking into account everybody's well-being. At the same time the "Inter-Generational Contract" action plan put in place several years ago by Group Senior Management is continuing to have a positive effect on age diversity within the organization. And lastly, in addition to the positive and constructive union negotiations held in 2017, we signed an agreement on gender equality in the workplace and equal pay.

Health, safety and well-being at work

We organize awareness-raising campaigns in our contact centers about public health issues, such as "quit smoking" workshops run by the occupational physician. Various initiatives were put in place on World No Tobacco Day and France's "No Tobacco Month". For example, Total Call's employees made a first-person testimony quit smoking video that was published on our internal social network and a special program was set up whereby people who have already quit can mentor those who want to quit. For its part, Equaline invited respirologists and members of a cancer charity to come and talk to its people about the dangers of smoking.

Similarly, the Certicall site carried out healthcare-focused initiatives with its employees throughout the year, including arranging individual meetings with a nutritionist to discuss dietary issues and provide simple solutions to problems that certain people encounter on a daily basis; an "Active Break" event with a physiotherapist aimed at preventing musculoskeletal disorders; and workshops led by the company's nurse about managing emotions through cardiac coherence and preventing musculoskeletal disorders by preventing and avoiding everyday stress at work and taking control of our own well-being (through simple actions and self-massages). Also during the year, Centrapel carried out a survey on psycho-social risks (for which the response rate was 50% at December 31, 2017).

Sporting competitions are also held throughout the year, such as the FIFA and SWAP inter-company soccer tournaments, with the dual aim of bringing together people from the Group's various departments and sites and reminding them of the benefits of physical activity.

At Equaline, break rooms have been fitted out as "cocooning" areas to provide more comfort to employees. In these spaces luminotherapy lamps can be used for a natural energy boost as well as gym balls for a gentle way to move. Healthcare initiatives put in place by Equaline during the year included (i) a communication campaign on well-being (including advice on diet, nutrition and other issues), organized in conjunction with the occupational nurse and the dietitian who works with Equaline's foodservice provider; (ii) yoga eye exercises organized on World Sight Day; (iii) a workshop on women's contraception; (iv) awareness-raising about aromatherapy; and (v) initiatives to prevent musculoskeletal disorders as well as personalized workstation adaptation carried out on the World Day for Safety and Health at Work.

Fundraising

Each year Certicall carries out a number of fundraising initiatives, using in-house communication and awareness-raising campaigns to encourage people to donate to charities such as Sidaction and Action contre la faim.

Giving blood

The Group's entities liaise with the French blood donation organization, L'Etablissement Français du Sang, to take part in blood donation days and also carry out in-house awareness-raising campaigns to encourage employees to give blood.

17.4.3.4 Internships

We regularly take on between 10 and 15 students from the Paris-based Internet professions school, EEMI, for internships that last between 3 and 6 months. This new-generation school, which was formed in 2011 and is a pioneer in its area, offers training exclusively dedicated to Internet-based professions with a view to anticipating and partnering society's digital transformation.

NOTE ON METHODOLOGY

The aim of this note is to explain the CSR reporting methodology used by the Iliad Group.

THE CSR SYSTEM

In 2013, Iliad drafted its first CSR reporting protocol for collating the data required under France's Grenelle 2 Act on corporate social responsibility. This protocol has been improved and rolled out again in France and to the Group's international companies and was used as the basis for the 2017 CSR report.

The Group's CSR indicators were defined by the Environment and Sustainable Development Committee taking into account the nature of its businesses and the related human resources, environmental and community-related issues. As part of the process, the committee drew on the work of the CSR officers in their respective areas of expertise. The Group has decided to create its own internal CSR framework in order to effectively factor in the specific nature of its operations.

The CSR report includes the information required in accordance with the implementing decree for the Grenelle 2 Act. A cross-reference table for this information is appended to this report.

REPORTING PERIOD

The information and indicators contained in this report cover the period from January 1, 2015 to December 31, 2017. Depending on the indicators concerned, the information presented corresponds to:

- an annual consolidation of data covering January 1, 2017 to December 31, 2017;
- data measured at December 31, 2017;
- a consolidation of data covering January 1, 2017 to November 30, 2017 plus an appropriate estimation of the data at December 31, 2017 (only for a small portion of environmental information).

REPORTING SCOPE

The CSR reporting scope covers all of the Group's French and international subsidiaries. If a particular indicator relates to a different scope, the applicable reporting scope is stated.

Human resources data

For human resources data, the indicators used are those applied for personnel management purposes within the Group's various subsidiaries. They reflect the results of the Group's human resources policy.

The human resources data presented concerns the Group's worldwide scope, except for information related to labor relations and the frequency and severity rates of work accidents. The decision not to present data on these indicators for the full consolidated scope was essentially taken due to the specific nature of the different applicable legislative frameworks. This is because differences in the applicable laws can lead to harmonization problems, which prevent the consolidation of the data concerned, or can affect the relevance of certain comparisons. In the coming years, the Group intends to put in place measures to enable such data to be consolidated. A promotion is defined as a move to a higher hierarchical position that results in new responsibilities and new salary conditions for an employee. Lastly, the Group harmonized the reporting methods this year between France and Morocco in terms of work accidents and absenteeism.

Working with the Human Resources Department, the Environment and Sustainable Development Committee is responsible for consolidating the compiled data.

Environmental data

The most pertinent environmental indicators in view of the Group's business are data related to energy consumption and greenhouse gas emissions, followed by the use of raw materials and waste management.

The Group has been able to produce indicators on and information about its energy consumption and the related greenhouse gas emissions for all of its consolidated companies. The greenhouse gas emissions data covers Scopes 1 and 2. The Group has also provided information on certain components of Scope 3, such as transport, which constitutes a significant source of emissions for Iliad. In the coming years, the Group intends to gain a deeper understanding of its Scope 3 emissions, enhance its reporting processes and further involve its suppliers in its environmental approach.

Concerning the use of raw materials and waste management, the aim is to measure the quantity of waste generated by the business, by type of waste, and to assess the volumes of waste recycling. For waste management data, in its 2017 quantitative reporting, the Group chose to focus on operations related to the Freebox, which generate the largest volume of waste (notably WEEE). In the coming years, the idea is to involve suppliers more closely in the reporting process, notably the suppliers tasked with recycling and destroying the Group's waste.

Community-related data

The community-related data presented by the Group is mainly qualitative and is obtained by the committee from the relevant correspondents in each department concerned (the Compliance, Purchasing, Human Resources and Subscriber Relations Departments and the Free Foundation). It covers the scope of disclosures defined in the Grenelle 2 Act.

EXCLUSIONS

The committee considers that in view of the nature of the Group's business, data relating to the following categories as provided for in the Grenelle 2 Act is not relevant: measures to reduce or clean up discharges into air, water and soil which seriously affect the environment; water use and water supply based on any local restrictions; land use; and adapting to the consequences of climate change.

Concerning environmental risks and pollution, the Group's business does not require the use of any items that give rise to this type of risk. The only potential causes of pollution are the recycling of WEEE and hazardous waste, for which information is provided in this CSR report.

Concerning discharges into air, water and soil, the only issues relevant to the Group are emissions of CO_2 into the air and the risk of leaks of refrigerant gas. Information on these items is disclosed in a specific section of this CSR report.

In view of the Group's business, its water consumption solely corresponds to routine water use in its offices. Consequently, there is no overall tracking system in place and the Group is not in a position to disclose reliable information on this indicator.

In relation to land use, the impact of the Group's operations only concerns its real estate and certain components of its networks, which often use existing infrastructure. In view of this low-level impact the Group does not have a tracking process in place for this indicator.

Lastly, the consequences of climate change are relatively limited for the Group and correspond to the impacts that could affect its employees' routine operations, and, to a certain extent, the effect of the rollout of its mobile base stations. The Group therefore does not consider it necessary to specifically monitor this issue at this stage.

CONTINUOUS IMPROVEMENT

The Group's CSR reporting framework is not as mature as its financial reporting system. A continuous improvement process for CSR reporting has therefore been set up in the aim, over the coming years, of identifying and putting in place new indicators, harmonizing methodologies across all of our subsidiaries, improving communication, monitoring and controlling processes, and factoring in changes in the Group's business.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED ENVIRONMENTAL, LABOR AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

For the year ended December 31, 2017

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Iliad, appointed as an independent third party and certified by COFRAC under number 3-1060 (scope available at www.cofrac.fr), we hereby report to you on the consolidated environmental, labor and social information for the year ended December 31, 2017, presented in the management report (hereinafter the "CSR Information"), in accordance with Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

The Board of Directors is responsible for preparing the Company's management report including CSR Information in accordance with Article R. 225-105-1 of the French Commercial Code and with the CSR reporting protocol used by the Company (hereinafter the "Guidelines"), and available on request from the Finance Department at the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics (*Code de déontologie*) of our profession and the requirements of Article L. 822-11-3 of the French Commercial Code. 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

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not our responsibility to comment on compliance with any other legal provisions as may be applicable to the Company, in particular those of Article L. 225-102-4 of the French Commercial Code (duty of care plan) and Act no. 2016-1691 of December 9, 2016, known as "Sapin II" (France's anti-bribery law).

Our work was carried out by a team of four people between February 2018 and March 2018 and lasted around four weeks. We were assisted in our work by our experts in corporate social responsibility.

We performed our work in accordance with the French professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information) concerning our conclusion on the fairness of CSR Information.

1. Statement regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainable development strategy with respect to the labor and environmental impact of its activities and its social commitments and, where applicable, any actions or programs arising therefrom.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L. 233-1 and the entities it controls as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note presented in Section 17 of the management report.

Conclusion

Based on this work and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around ten interviews with 15 persons responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data collection, compilation, processing and control processes to ensure the completeness and consistency of the CSR Information and to obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the labor and environmental challenges of its activities, its sustainable development strategy and best practices.

Regarding the CSR Information that we considered to be the most important and for which a list is provided in the appendix:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, action), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities (Free Réseau, Free Infrastructure, Total Call, Protelco, and Mobipel for labor information and all Group subsidiaries for environmental information) selected by us by activity, contribution to the consolidated indicators, location and risk analysis, we conducted interviews to ensure that procedures are followed correctly and to identify any undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents 54% of the headcount, which is deemed to be representative for the labor data and between 54% and 100%, which is deemed to be representative for the environmental data.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, in our professional judgment, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot provide absolute assurance that the CSR Information disclosed is free of material misstatement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, March 13, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Cauchois

Partner

Pascal Baranger

Sustainable Development partner

Appendix: List of CSR Information that we considered to be the most important

Labor information:

- Total headcount and breakdown of workforce by gender, age and geographic region;
- Recruitments, redundancies and dismissals;
- Organization of working time;
- Absenteeism;
- Organization of labor-management discussions, including information and consultation procedures and negotiations with employees;
- Work accidents, including frequency and severity rates, and occupational illnesses;
- Total number of training hours.

Environmental information:

- Measures to prevent, recycle, re-use, recover and eliminate waste;
- Energy consumption, energy efficiency measures and use of renewable energies;
- Main sources of greenhouse gas emissions (GHG) generated due to the Company's activities and in particular the use of its products and services.

Social information:

- Impact of the business from a regional, economic and social perspective in terms of employment and regional development;
- Impact of the business on local residents and populations from a regional, economic and social perspective;
- Factoring social and environmental issues into the purchasing policy;
- The extent of recourse to subcontracting, and taking into account suppliers' and subcontractors' CSR policies when selecting external providers;
- Measures taken to promote the health and safety of consumers.

REASONABLE ASSURANCE REPORT BY ONE OF THE STATUTORY AUDITORS ON A SELECTION OF LABOR AND ENVIRONMENTAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

For the year ended December 31, 2017

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

As requested and in our capacity as Statutory Auditors of Iliad, we have examined the selection of labor and environmental information presented in Iliad's 2017 management report with a view to reporting thereon in the form of a reasonable assurance conclusion.

The indicators selected by Iliad for labor information were as follows:

- Total headcount and breakdown of workforce by gender, age and geographic region;
- Recruitments, redundancies and dismissals;
- Organization of labor-management discussions, including information and consultation procedures and negotiations with employees.

The indicators selected by Iliad for environmental information were as follows:

- Energy consumption, energy efficiency measures and use of renewable energies;
- Main sources of greenhouse gas emissions (GHG) generated due to the Company's activities and in particular the use of its products and services.

Iliad's Finance Department is responsible for preparing this information in accordance with the CSR reporting protocol, which is available on request from the Finance Department at the Company's head office.

On the basis of our work, it is our responsibility to express a reasonable assurance conclusion on the selected information.

Nature and scope of our work

We performed the work described below in accordance with the French professional standards and with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We carried out the following work to obtain reasonable assurance that the labor and environmental information selected by Iliad has been established, in all relevant aspects, in accordance with the CSR reporting protocol.

- We examined at Group level the reporting procedures used by Iliad, in terms of their relevance, completeness, reliability, neutrality and understandability.
- We verified that data collection, compilation, processing and control processes had been put in place to ensure the completeness and consistency of the information and obtained an understanding of the internal control and risk management procedures relating to the preparation of the information.
- We performed analytical procedures and verified, using sampling techniques, the calculations and the consolidation of the data. This work was based in particular on interviews with the persons responsible in Iliad's Finance Department for the preparation and application of the procedures and the consolidation of the data.
- We selected a sample of entities: Free Réseau, Free Infrastructure, Total Call, Protelco, Mobipel and Certicall for the labor information, and all Group entities for the environmental information.
- For the entities we selected:
  - We verified, on the basis of interviews with the persons responsible for preparing the data, the correct understanding and application of the procedures;
  - We performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents.

These Iliad entities represent 60% of Group headcount and between 60% and 100% of the selected environmental data.

We were assisted in this work by our experts in corporate social responsibility.

Conclusion

In our opinion, the labor and environmental information selected by Iliad and indicated above, published in its 2017 management report, was prepared, in all material respects, in accordance with Iliad's reporting protocol applicable in 2017.

Neuilly-sur-Seine, March 13, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Cauchois	Pascal Baranger
Partner	Sustainable Development partner

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MAJOR SHAREHOLDERS

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18.1 IDENTIFICATION OF SHAREHOLDERS

18.1.1 OWNERSHIP STRUCTURE AND VOTING RIGHTS

Movements in the Company's capital and voting rights were as follows over the past three fiscal years:

	December 31, 2017				December 31, 2016			December 31, 2015		
Shareholder	Number of shares	Theoretical voting rights[4]	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
Xavier Niel[1]*	30,820,250	61,072,646	52.21%	66.86%	31,888,965	54.20%	68.49%	31,988,813	54.53%	69.05%
Rani Assaf[2]	760,000	1,520,000	1.29%	1.66%	760,000	1.29%	1.65%	760,000	1.30%	1.64%
Cyril Poidatz[1]	670,614	1,341,228	1.14%	1.47%	670,614	1.14%	1.46%	670,614	1.14%	1.45%
Antoine Levavasseur[1]	506,658	1,013,316	0.86%	1.11%	506,658	0.86%	1.10%	506,658	0.86%	1.09%
Maxime Lombardini[1]	10,729	14,409	0.02%	0.02%	8,994	0.02%	0.01%	7,210	0.01%	0.01%
Thomas Reynaud[1]	7,030	12,280	0.01%	0.01%	7,030	0.01%	0.01%	5,250	0.01%	0.01%
Olivier Rosenfeld[3]	5,210	5,210	0.01%	NM	5,210	0.01%	NM	4,330	0.01%	NM
Pierre Pringuet[3]	2,037	4,074	NM	NM	2,037	NM	NM	2,037	NM	NM
Marie-Christine Levet[3]	350	NM	NM	NM	350	NM	NM	350	NM	NM
Orla Noonan[3]	300	NM	NM	NM	300	NM	NM	300	NM	NM
Virginie Calmels[3]	150	NM	NM	NM	150	NM	NM	150	NM	NM
Corinne Vigreux[3]	100	NM	NM	NM	100	NM	NM	-	-	-
Bertille Burel[3]	100	NM	NM	NM	-	-	-	-	-	-
Alain Weill[3][a]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100	NM	NM
SUB TOTAL – DIRECTORS AND OFFICERS	**32,783,528**	**64,984,163**	**55.53%**	**71.14%**	**33,850,408**	**57.53%**	**72.74%**	**33,945,812**	**57.87%**	**73.25%**
FREE FLOAT	**26,249,133**	**26,358,536**	**44.47%**	**28.86%**	**24,986,930**	**42.47%**	**27.26%**	**24,714,828**	**42.13%**	**26.25%**
Iliad (own shares)	124,245	N/A	0.21%	0.14%	108,860	0.19%	0.12%	18,500	0.03%	0.02%
TOTAL	**59,032,661**	**91,342,699[5]**	**100%**	**100%**	**58,837,338**	**100.00%**	**100.00%**	**58,660,640**	**100.00%**	**100.00%**

* *Including shares held by NJJ Holding.*
(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 91,342,699 at December 31, 2017.
(a) Alain Weill stepped down as a director on July 31, 2015.
NM: not material.

According to the documents and disclosures the Company has received, Black Rock Inc. disclosed to the AMF that on December 12, 2017 it had increased its interest in Iliad to above 5% of the Company's capital and voting rights and that at that date it held 5.04% of the capital and 3.26% 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 accordance with Article L. 621-18-2 of the French Monetary and Financial Code, in 2017 the Company disclosed to the AMF that two of its directors and officers and persons associated with them had carried out transactions in Iliad shares.

Summary table of transactions in Iliad shares carried out by directors and officers in 2017

(Disclosed in compliance with Article 223-26 of the AMF's General Regulations)

Name	Type of transaction	Number of shares	Average price
Xavier Niel	Sale*	817,854	€207.65
Xavier Niel (associated persons)	Sale	816,750	€208.22
Xavier Niel	Donation	53,315	-
Maxime Lombardini	Purchase	1,735	€55.29

* *Including 567,854 shares contributed to a related company.*

18.2 SHAREHOLDERS' VOTING RIGHTS

At Ordinary and Extraordinary General Meetings, each shareholder has a number of votes equal to the number of shares held, without limitation.

However, 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 (January 30, 2004).

The Company's major shareholders held the following shares carrying double voting rights at December 31, 2017:

Major shareholders with double voting rights	Number of shares carrying double voting rights
Xavier Niel	30,252,396
Rani Assaf	760,000
Cyril Poidatz	670,614
Antoine Levavasseur	506,658
Maxime Lombardini	3,680
Thomas Reynaud	5,250

In the event of a capital increase 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.

18.3 SHAREHOLDERS' AGREEMENTS AND UNDERTAKINGS

18.3.1 SHAREHOLDERS' AGREEMENTS

None.

18.3.2 LOCK-UP UNDERTAKINGS

None.

18.3.3 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 senior managers of the Company who act in concert in their capacity as senior managers.

18.3.4 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 senior 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 on the Board committees.

18.4 ARRANGEMENTS THAT MAY RESULT IN A CHANGE IN CONTROL OF THE COMPANY

None.

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RELATED PARTY TRANSACTIONS

During 2017 no agreements were entered into with related parties within the meaning of Article R. 123-198 of the French Commercial Code that represented material amounts and were not under arm's length terms.

See Note 31 to the 2017 consolidated financial statements for information on related party transactions.

Details of transactions carried out with the Company's key management personnel are provided in Chapter 15, Section 15.2 of this Registration Document.

Details of cash flows between Group entities are provided in Chapter 7, Section 7.1.

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20.1 CONSOLIDATED FINANCIAL STATEMENTS FOR 2017, 2016 AND 2015

In accordance with Article 28 of European Commission regulation (EC) 809/2004, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements of the Iliad Group for the year ended December 31, 2016 and the report of the Statutory Auditors thereon, as set out in Chapter 20, Section 20.1 of the Registration Document filed on April 7, 2017 under number D17-0342;
- the consolidated financial statements of the Iliad Group for the year ended December 31, 2015 and the report of the Statutory Auditors thereon, as set out in Chapter 20, Section 20.1 of the Registration Document filed on April 12, 2016 under number D16-0320.

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CONSOLIDATED INCOME STATEMENT

In € thousands	Note	2017	2016
REVENUES	**4**	**4,987,469**	**4,722,062**
Purchases used in production	5	(2,357,029)	(2,322,979)
Payroll costs	6	(255,592)	(242,853)
External charges	5	(417,159)	(342,071)
Taxes other than on income		(107,679)	(82,052)
Additions to provisions	9	(53,517)	(49,587)
Other income from operations	8	27,006	38,180
Other expenses from operations	8	(46,751)	(45,001)
EBITDA[1]	1	1,776,748	1,675,699
Share-based payment expense	27	(4,120)	(1,979)
Depreciation, amortization and provisions for impairment of non-current assets	9	(910,655)	(929,610)
PROFIT FROM ORDINARY ACTIVITIES		**861,973**	**744,110**
Other operating income and expense, net	10	(905)	(4,463)
OPERATING PROFIT		**861,068**	**739,647**
Income from cash and cash equivalents	11	13	72
Finance costs, gross	11	(27,965)	(43,830)
FINANCE COSTS, NET	**11**	**(27,952)**	**(43,758)**
Other financial income	11	22	966
Other financial expenses	11	(63,364)	(49,302)
Corporate income tax	11	(366,031)	(245,600)
Share of profit of equity-accounted investees	20	873	723
PROFIT FOR THE PERIOD		**404,616**	**402,676**
PROFIT FOR THE PERIOD FROM RECURRING OPERATIONS[2]		**480,282**	**402,676**
Profit for the period attributable to:			
• *Owners of the Company*		*397,873*	*401,079*
• *Minority interests*		*6,743*	*1,597*
Earnings per share attributable to owners of the Company (in €):			
• *Basic earnings per share*	*13*	*6.76*	*6.84*
• *Diluted earnings per share*	*13*	*6.59*	*6.67*

(1) See definition on page 264.
(2) See definition on page 266.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	2017	2016
PROFIT FOR THE PERIOD		**404,616**	**402,676**
• Items that may be subsequently reclassified to profit:			
Fair value remeasurement of interest rate and currency hedging instruments	32/33	(1,300)	3,032
Tax effect	32/33	448	(1,044)
		(852)	**1,988**
• Items that will not be reclassified to profit:			
Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions		(28)	(1,453)
Tax effect	6	10	500
		(18)	**(953)**
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		**(870)**	**1,035**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**403,746**	**403,711**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
• Owners of the Company		397,005	402,120
• Minority interests		6,741	1,591

CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At December 31, 2017	At December 31, 2016
Goodwill	16	214,818	214,818
Intangible assets	17	2,706,835	3,241,714
Property, plant and equipment	19	4,428,762	3,761,385
Investments in equity-accounted investees	20	15,647	14,723
Other long-term financial assets	21	36,852	18,513
Deferred income tax assets	12	20,997	11,131
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**7,423,911**	**7,262,284**
Inventories	22	30,696	14,274
Current income tax assets		206	20,553
Trade and other receivables	23	724,882	674,190
Other short-term financial assets	21	246	246
Cash and cash equivalents	24	216,088	238,540
TOTAL CURRENT ASSETS		**972,118**	**947,803**
ASSETS HELD FOR SALE	**25**	**19,640**	**21,428**
TOTAL ASSETS		**8,415,669**	**8,231,515**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At December 31, 2017	At December 31, 2016
Share capital	26	13,082	13,038
Additional paid-in capital	26	432,685	418,381
Retained earnings and other reserves	26	2,928,299	2,570,359
TOTAL EQUITY		**3,374,066**	**3,001,778**
Attributable to:			
• **Owners of the Company**		***3,363,605***	***2,997,646***
• **Minority interests**		***10,461***	***4,132***
Long-term provisions	28	0	0
Long-term financial liabilities	29	2,168,446	1,391,164
Deferred income tax liabilities	12	0	0
Other non-current liabilities	30	713,575	1,490,952
TOTAL NON-CURRENT LIABILITIES		**2,882,021**	**2,882,116**
Short-term provisions	28	44,042	49,463
Taxes payable		8,277	3,032
Trade and other payables	30	1,610,464	1,804,973
Short-term financial liabilities	29	496,799	490,153
TOTAL CURRENT LIABILITIES		**2,159,582**	**2,347,621**
TOTAL EQUITY AND LIABILITIES		**8,415,669**	**8,231,515**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	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, 2016	12,999	405,848	(2,455)	65,309	2,152,871	2,634,572	2,626	2,637,198
Movements in 2016								
• Profit for the period					401,079	**401,079**	1,597	402,676
• Other comprehensive income for the period, net of tax:								
– Impact of interest rate and currency hedges				1,988		**1,988**		1,988
– Impact of post-employment benefit obligations				(947)		**(947)**	(6)	(953)
Total comprehensive income for the period				**1,041**	**401,079**	**402,120**	**1,591**	**403,711**
• Capital increase	39	12,533				**12,572**		12,572
• Dividends paid by Iliad S.A.					(24,062)	**(24,062)**		(24,062)
• Dividends paid by subsidiaries							(196)	(196)
• Purchases/sales of own shares			(15,660)	(631)		**(16,291)**		(16,291)
• Impact of stock options				1,957		**1,957**	23	1,980
• Impact of changes in minority interests in subsidiaries				(13,222)		**(13,222)**	88	(13,134)
BALANCE AT DECEMBER 31, 2016	**13,038**	**418,381**	**(18,115)**	**54,454**	**2,529,888**	**2,997,646**	**4,132**	**3,001,778**
BALANCE AT JANUARY 1, 2017	13,038	418,381	(18,115)	54,454	2,529,888	**2,997,646**	4,132	3,001,778
Movements in 2017								
• Profit for the period					397,873	**397,873**	6,743	404,616
• Other comprehensive income/(expense) for the period, net of tax:								
– Impact of interest rate and currency hedges				(852)		**(852)**		(852)
– Impact of post-employment benefit obligations				(16)		**(16)**	(2)	(18)
Total comprehensive income for the period				**(868)**	**397,873**	**397,005**	**6,741**	**403,746**
• Capital increase	44	14,304				**14,348**		14,348
• Dividends paid by Iliad S.A.					(25,910)	**(25,910)**		(25,910)
• Dividends paid by subsidiaries							(143)	(143)
• Purchases/sales of own shares			(3,224)	359		**(2,865)**		(2,865)
• Impact of stock options and free shares				4,031		**4,031**	89	4,120
• Impact of changes in minority interests in subsidiaries				(20,650)		**(20,650)**	(358)	(21,008)
BALANCE AT DECEMBER 31, 2017	**13,082**	**432,685**	**(21,339)**	**37,326**	**2,901,851**	**3,363,605**	**10,461**	**3,374,066**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands		2017	2016
PROFIT FOR THE PERIOD (INCLUDING MINORITY INTERESTS)		**404,616**	**402,676**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		906,550	883,451
-/+ Unrealized gains and losses on changes in fair value		3,469	(416)
+/- Expenses and income related to stock options and other share-based payments		4,120	1,979
-/+ Other income and expenses, net		49,011	37,205
-/+ Gains and losses on disposals of assets		(3,002)	(9,691)
-/+ Dilution gains and losses		0	0
+/- Share of profit of equity-accounted investees	20	(873)	(723)
- Dividends (investments in non-consolidated undertakings)		0	0
CASH FLOWS FROM OPERATIONS AFTER FINANCE COSTS, NET, AND INCOME TAX		**1,363,891**	**1,314,481**
+ Finance costs, net	11	27,952	43,758
+/- Income tax expense (including deferred taxes)	12	366,031	245,599
CASH FLOWS FROM OPERATIONS BEFORE FINANCE COSTS, NET, AND INCOME TAX (A)		**1,757,874**	**1,603,838**
- *Income tax paid* **(B)**		(333,734)	(239,365)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	(74,900)	25,627
= **NET CASH GENERATED FROM OPERATING ACTIVITIES (D) = (A) + (B) + (C)**		**1,349,240**	**1,390,100**
- Acquisitions of property, plant and equipment and intangible assets	14	(2,067,810)	(1,777,273)
+ Disposals of property, plant and equipment and intangible assets		12,382	9,578
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustments		(21,009)	(13,134)
+/- Effect of changes in Group structure – disposals		0	10,000
+/- Change in outstanding loans and advances		(18,041)	314
+ Cash inflows from assets held for sale		3,314	10,097
- Cash outflows for assets held for sale		(214)	(243)
= **NET CASH USED IN INVESTING ACTIVITIES (E)**		**(2,091,378)**	**(1,760,661)**
+ 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		17,854	9,791
-/+ Own-share transactions		(2,864)	(16,291)
- Dividends paid during the period:		0	0
– Dividends paid to owners of the Company		(25,910)	(24,062)
– Dividends paid to minority shareholders of consolidated companies		(143)	(196)
+ Proceeds from new borrowings		846,806	547,078
- Repayment of borrowings (including finance leases)	29	(87,892)	(573,560)
- Net interest paid (including on finance leases)		(26,370)	(55,071)
= **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES (F)**		**721,481**	**(112,311)**
+/- Effect of exchange-rate movements on cash and cash equivalents **(G)**		(333)	55
= **NET CHANGE IN CASH AND CASH EQUIVALENTS – (D) + (E) + (F) + (G)**		**(20,990)**	**(482,817)**
Cash and cash equivalents at beginning of year	14	235,729	718,546
Cash and cash equivalents at end of year	14	214,739	235,729

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 (the "Group") is a leading player in the French retail telecommunications market.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2017 on March 12, 2018 and their publication date was set for March 13, 2018. 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 16, 2018.

1.2 Applicable accounting standards

The principal accounting policies adopted for the preparation of these consolidated financial statements are set out below. Unless otherwise specified, the same policies have been consistently applied for all of the periods presented.

1.2.1 Basis of preparation

The consolidated financial statements of the Iliad Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for financial assets and liabilities carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is used.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

1.2.2 New standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2017:

- **Amendments to IAS 7 – Disclosure Initiative.** These amendments introduce additional paragraphs to IAS 7 which require entities to provide information to help users of financial statements evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

  To meet this requirement, the following changes in liabilities arising from financing activities must be disclosed:

  - changes from financing cash flows;
  - changes arising from obtaining or losing control of subsidiaries or other businesses;
  - the effect of changes in foreign exchange rates and changes in fair values.

The disclosure requirement also applies to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

These amendments are not relevant to the Group.

- **Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses.** These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, in order to address diversity in practice.

  The Group has applied these amendments.

- **Amendments to IFRS 4 – Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts.*** The new standard on financial instruments – IFRS 9 (which will replace IAS 39) – will come into effect before the future standard on insurance contracts, which will replace IFRS 4. This situation could lead to temporary volatility in reported results for the entities concerned. The amendments to IFRS 4 are intended to address this problem and the amended version of the standard:

  - gives all companies that issue insurance contracts the option to recognize in other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new standard on insurance contracts is issued;
  - gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. These companies will continue to apply IAS 39 during that period.

These amendments are not relevant to the Group.

1.2.3 Standards, amendments and interpretations that could be early adopted in 2017:

- **IFRS 9, Financial Instruments (final version) and amendments to IFRS 9, IFRS 7 and IAS 39, effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.** The final version of IFRS 9 brings together the three phases of the IASB's project to replace IAS 39: classification and measurement, impairment and hedge accounting. The improvements introduced by the standard include:

  - a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics;
  - a single, forward-looking "expected loss" impairment model;
  - a substantially-reformed approach to hedge accounting.

The amendments to IFRS 9 also introduce enhanced disclosure requirements with the aim of improving the information provided to investors.

- **IFRS 15, Revenue from Contracts with Customers, effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted**. The core principle of IFRS 15 is for entities to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
- **Clarifications to IFRS 15, Revenue from Contracts with Customers.** These amendments to IFRS 15 clarify how the principles of IFRS 15 should be applied and mainly comprise illustrative examples as well as amendments to the Basis for Conclusions. They clarify how to:
  - identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
  - determine whether the revenue from granting a license should be recognized at a point in time or over time.
- **IFRS 16, Leases, effective for annual periods beginning on or after January 1, 2019.** IFRS 16, Leases replaces IAS 17 and its associated interpretative guidance. The main change the new standard introduces is that lessees will be required to recognize all leases on their balance sheets, which will increase the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases.

  Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements in IFRS 16. The standard does not change how service contracts are accounted for, but it does give some useful guidance on how to distinguish between the lease and service components of complex contracts.

The Group has not early adopted the above standards or amendments.

The amendments related to IFRS 15 in particular are not expected to have a material impact in view of the structure of the Group's commercial offerings and the accounting methods applied. This is due to the fact that the Group proposes no-commitment service offerings at prices that do not change over the subscription period (i.e., it has no "subsidized" offerings). In addition, most of the Group's customers sign up online or through the Group's own physical stores (i.e. it has no third-party distribution). This unique positioning in the telecommunications sector means that IFRS 15 will have virtually no impact on the Group's consolidated financial statements for 2018.

The only expected impacts will be in terms of presentation, as follows:

- Based on an analysis of all of its services and related supplier contracts to determine whether it is the principal or agent under these agreements in accordance with IFRS 15, as from 2018 the Group will be required to reclassify, as a deduction from revenues, approximately €100 to €150 million worth of purchases used in production. This concerns revenues from calls to special numbers and mobile applications.
- Lastly, to facilitate year-on-year comparisons, the Group has elected to apply the full retrospective approach for its transition to IFRS 15 and therefore present the revenues in its 2018 financial statements as if it were applying the new standard in both 2018 and 2017.

Concerning IFRS 16, the Group is currently analyzing the impacts that this new standard will have on its 2019 financial statements in view of its business as a landline and mobile telecommunications operator, and given the large number of lease contracts signed by the Group that could potentially fall within the scope of the standard.

1.2.4 New standards and amendments that were not applicable in 2017 (as not yet endorsed by the European Union):

- **Annual Improvements to IFRSs (2015-2017 cycle).**
  - IAS 12, Income Taxes: clarifying the recognition of the 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.
- **Annual improvements to IFRSs (2014-2016 cycle)**, which comprise amendments to three standards, as follows:
  - IFRS 1, First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters.
  - IFRS 12, Disclosures of Interests in Other Entities: Clarification of the scope of the standard in relation to disclosure requirements.
  - IAS 28, Investments in Associates and Joint Ventures: Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis.
- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** These amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business as defined in IFRS 3 (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The gain or loss resulting from the sale or contribution

of a subsidiary that does not constitute a business to an associate or joint venture should only be recognized to the extent of unrelated investors' interests in the associate or joint venture.

- **Effective Date of Amendments to IFRS 10 and IAS 28, which postpones the effective date of these amendments.**
- **Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures".** These amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees but to which the equity method is not applied. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the associate or joint venture or assessment of impairment in accordance with IAS 28).
- **Amendments to IAS 40, Investment Property – Transfers of Investment Property, applicable as from January 1, 2018.** These narrow-scope amendments are intended to clarify the application of paragraphs 57 and 58 of IAS 40. The amended standard states that an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.
- **Amendments to IFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions, applicable as from January 1, 2018.** These amendments provide requirements on the accounting for:
  - the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - share-based payment transactions with net settlement features for withholding tax obligations; and
  - a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation.** These amendments address the issue of how to account for the frequent case of debt instruments that have prepayment features with negative compensation (i.e., the borrower is permitted to prepay the instrument at an amount that could be less than the unpaid principal and interest).
- **IFRS 17 - Insurance Contracts** IFRS 17 replaces IFRS 4, which was issued as an interim standard in 2004. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for based on present values instead of historical cost and the information will be updated regularly.
- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration.** The objective of IFRIC 22 is to clarify how the date of the transaction should be assessed for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration in a foreign currency.
- **IFRIC 23 – Uncertainty over Income Tax Treatments.** IFRIC 23 clarifies how to apply the recognition and measurement provisions in IAS 12, Income Taxes, where there is uncertainty over income tax treatments. The interpretation states that entities should use judgment to decide whether each uncertain tax treatment should be considered independently or whether some tax treatments should be considered together, when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

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

1.3 Consolidation

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the Group.

Control is presumed to exist when the Group has the power to govern an entity's financial and operating policies, either directly or indirectly, so as to obtain benefits from its activities. The Group controls an entity, if and only if, it has all of the following elements of control:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the Group's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control (i.e., entities that are not subsidiaries or joint ventures). Interests in associates are accounted for using the equity method.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

The financial statements of associates are accounted for by the equity method in the Group's consolidated financial statements from the date significant influence arises to the date significant influence ceases.

The accounting policies of associates have been changed where necessary to ensue consistency with the policies adopted by the Group.

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 date of acquisition.

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on 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 thousands 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 11);
- current and deferred taxes;
- profit from discontinued operations and assets held for sale; and
- share of profit of equity-accounted investees.

Profit from ordinary activities corresponds to operating profit as defined above, before "Other operating income and expense, net". These items include income and expenses that are rare, unusual and infrequent, which represent material amounts and whose presentation within other items relating to ordinary activities could be misleading for users of the financial statements in their understanding of the Group's performance.

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

- EBITDA

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

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

- Profit for the period from recurring operations

  This corresponds to profit for the period excluding the impact of the additional and exceptional income tax contribution.

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 IAS 18, Revenue:

- Revenues from usage of connection time are recognized in the period in which the usage takes place.
- Revenues from subscriptions and flat-fee packages are recognized over the period covered by the subscriptions or packages.
- Revenues from the sale of mobile phones are recognized when they are delivered to the purchaser.
- Revenues from the sale or provision of content supplied by external parties are presented as a gross amount when the Group is deemed to be the party in the transaction with primary responsibility in relation to the end-customer. These revenues are presented net of the amounts due to the content supplier when it is the content supplier that is responsible for providing the content to the end-customer and setting the retail price.
- Revenues from the sale of advertising banners are spread over the period during which the banners are displayed.
- Revenues from website hosting activities are recognized during the period in which the service is rendered.

The Group applies IAS 17 when recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IAS 17, the Group considers that the present value of the lease payments receivable is approximately equivalent to the fair value of the leased asset and that losses associated with any cancellation are borne by customers (i.e., the lessees). Consequently, revenues from these transactions are accounted for as sales revenue as provided for in IAS 17.

The 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 equity instruments.

Intangible assets

Intangible assets primarily include the following:

- Development costs capitalized in accordance with IAS 38, which are amortized over the period during which the Group is expected to consume the related future economic benefits.

  These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future economic benefits will be generated.

  These conditions are deemed to be met when the six general criteria defined in IAS 38 are fulfilled, i.e., when the Group can demonstrate:

1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2) its intention to complete the intangible asset and use or sell it;
3) its ability to use or sell the asset;
4) how the intangible asset will generate probable future economic benefits;
5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
6) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development costs are presented net of any related subsidies or research tax credits.

- Intangible assets acquired in connection with a business combination. These assets are recognized separately from goodwill when (i) their fair value can be measured reliably, (ii) they are controlled by the Group, and (iii) they are identifiable, i.e., are separable or arise from contractual or other legal rights. Where these assets have a finite useful life they are amortized from the date they are made available for use in the same way as for intangible assets acquired separately, and an impairment loss is recorded if their carrying amount exceeds their recoverable amount.

  Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.

  Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed. The Group's 3G and 4G licenses in France are being amortized on a straight-line basis over a period of 18 years on average.

Impairment losses recognized following impairment tests are recorded in the income statement under "Other operating income and expense, net" below profit from ordinary activities.

The national roaming agreement is amortized over a period of four years as from the effective date of the last addendum signed between the two operators. Amortization is spread over the period based on decreasing volumes between 2017 and 2020;

- software, which is amortized on a straight-line basis over a period of one to three years;
- the Alice customer base, which is being amortized over a period of 12 years.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, including transaction expenses, or at production cost. Cost includes any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Group Management.

Depreciation is calculated by the straight-line method, based on the following estimated useful lives:

- buildings: 15 to 50 years;
- technical equipment: 3 to 14 years;
- general equipment: 10 years;
- specific investments for optical fiber network rollouts: 8 to 30 years;
- specific investments for mobile network rollouts: 4 to 18 years;
- computer equipment: 3 to 5 years;
- office furniture and equipment: 2 to 10 years;
- modems: 5 years;
- access fees for co-location facilities used to conduct unbundling operations are depreciated over a period of 15 years;
- access fees for services specific to broadband Internet operations are depreciated over 7 years;
- amounts paid as consideration for obtaining indefeasible rights of use (IRUs) on dark optical fibers are depreciated over the term of use of the fiber concerned.

At each reporting date, the Group assesses whether the depreciation schedules still reflect the useful lives of its assets, and makes amendments where necessary.

Borrowing costs

In accordance with IAS 23, borrowing costs directly attributable to the acquisition or production of a qualifying asset are included in the cost of that asset.

Finance leases

Material assets acquired under finance leases are capitalized in the consolidated financial statements.

In accordance with IAS 17, leases are considered to be finance leases when they have the effect of transferring to the lessee substantially all the risks and rewards inherent to ownership of the leased asset.

In such cases:

- at the commencement of the lease term, the assets acquired are recognized in the balance sheet based on the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are subsequently depreciated over their useful lives;
- the related obligation is recorded as a financial liability and is repaid based on the lease terms;
- lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Impairment of assets

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

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

Financial assets

- financial assets held for trading are classified as financial assets at fair value through profit or loss and are recognized as current assets. Gains and losses arising from changes in the fair value of these assets are recognized in the income statement;
- financial assets that the Group has the intention and ability to hold to maturity are classified as held-to-maturity investments and are measured at amortized cost. Gains and losses on these investments are recognized in the income statement when they are realized;
- loans and receivables are also measured at amortized cost, with gains and losses recognized in the income statement when they are repaid or settled;
- the Group's other investments are classified as available-for-sale financial assets and are measured at fair value. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. When an available-for-sale financial asset is sold, any impairment losses previously recognized in equity are removed from equity and recognized in the income statement.

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 is measured at the original invoice amount if the effect of discounting is immaterial.

A provision for impairment of trade receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The likelihood of collection is estimated based on the best possible assessment of the risk of non-recovery of the receivable concerned.

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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of less than three months and highly liquid investments in money-market mutual funds. Short-term investments are marked to market at each balance sheet date.

Bank overdrafts are classified as current financial liabilities.

Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified as "Assets held for sale".

These assets are presented in the balance sheet under "Assets held for sale" and are measured at the lower of carrying amount and fair value less costs to sell.

Own shares

Own shares held are recognized as a deduction from equity based on their acquisition cost. Gains and losses on the disposal of own shares held are also recorded in equity.

Provisions

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, when the Group's obligations to third parties known at the balance sheet date are certain or likely to cause an outflow of resources for the benefit of a third party, without at least equivalent consideration, a provision is recorded when the amount concerned can be estimated with sufficient reliability.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at fair value, net of directly attributable transaction costs incurred. They are subsequently measured at amortized cost.

Convertible bonds

The fair value of the liability component of convertible bonds is determined based on prevailing market interest rates for similar bonds with no conversion rights. This amount is recognized as a liability based on amortized cost until the liability is settled when the bonds are converted or reach maturity. The balance of the bond issue proceeds is allocated to the conversion option and recognized in equity, net of tax.

Employee benefits

Other than share-based payments – which are described in a specific note – the only employee benefits within the Group correspond to post-employment benefits.

In accordance with IAS 19, Employee Benefits, independent actuarial valuations of post-employment benefit obligations under defined benefit plans are made using the projected unit credit method, with benefit entitlements recognized in line with vesting.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the applicable collective bargaining agreement and/or company-level agreement, using personal data projected to the standard age for payment of the benefit. The Group's total obligations toward each participant (total actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of either leaving the Group or dying before the age of payment of the benefit;
- the discounted value of the benefit at the measurement date.

These total benefits are then allocated over each of the past and future years for which rights are accrued under the plan. The portion of the Company's obligation allocated to years prior to the measurement date (projected benefit obligation) corresponds to obligations for services rendered. The projected benefit obligation represents the Group's obligation existing at the balance sheet date.

The individual results of the valuation are then aggregated to obtain Group-level results.

In accordance with IAS 19R, actuarial gains and losses are immediately recognized in equity. In addition, interest cost and expected return on plan assets have been replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Stock options and share grants

In accordance with IFRS 2, Share-based Payment, stock options, employee share issues and grants of shares of Group companies to employees are measured at fair value at the grant or issue date.

Calculations of the fair value of stock options are performed based on criteria such as the exercise price and life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends on the shares and the risk-free interest rate over the life of the options.

The fair value of stock options is recognized under "Share-based payment expense" on a straight-line basis over the vesting period (i.e., the service period that must be completed in order for the options to vest), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

Performance shares are measured at fair value based on the Iliad share price at the grant date and, where appropriate, taking into account certain vesting conditions using a mathematical valuation model. Vesting conditions not taken into account for the fair value measurement at the vesting date are taken into account in estimating the number of shares that will vest at the end of the vesting period. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

A certain number of Group employees have been granted shares in Iliad subsidiaries subject to conditions relating to their presence within the Group. The shares are measured based on the fair value of the benefit granted to the employee on the grant date, with the calculation incorporating assumptions concerning the staff turnover rate for beneficiaries, a discount in respect of the lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. It also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Notes 32 and 33. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item exceeds 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of any gain or loss from remeasuring a derivative financial instrument designated as a cash flow hedge is recognized directly in equity and the ineffective portion is recognized in the income statement.

Changes in the fair value of other derivative instruments are recorded in the income statement.

If a derivative instrument no longer qualifies for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is transferred to the income statement under financial income or expense when:

- the hedging instrument expires or is sold, terminated or exercised;
- 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 36.

Changes in scope of consolidation in 2017

In 2017, Iliad S.A. acquired:

- the entire capital of Fiber Inc., Iliad 6 and Iliad 7 following the creation of these companies during the year; and
- 70% of Iliad 78 and 50% of Sepia following the creation of these companies during the year.

Other changes in scope of consolidation in 2017

On December 20, 2017 the Group announced its acquisition, for around €320 million, of a 31.6% minority interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company). The existing shareholders of eir – Anchorage Capital Group, L.L.C. and Davidson Kempner Capital Management LP – have retained an interest in the Company, through a 35.5% equity stake and a non-recourse loan instrument.

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

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

In the medium term through this investment, Iliad expects to benefit from a dividend stream and a double-digit return on equity. Over the medium/long-term, Iliad has the possibility of ultimately taking control of a strategic asset thanks to the call option on 26.3% of eir's capital granted by NJJ exercisable in 2024.

This minority investment in eir will be accounted for by the equity method.

The completion of the transaction, which is scheduled for the first half of 2018, is subject to clearance from the relevant authorities.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. It continually evaluates these estimates and assumptions which are based both on past experience and on other factors deemed reasonable to be used for assessing the carrying amount of assets and liabilities. Actual amounts may differ significantly from these estimates should different assumptions or conditions apply.

The main accounting estimates and judgments used by the Group relate to:

- useful lives and impairment of non-current assets;
- assessment of 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.

NOTE 4 REVENUES

Consolidated revenues rose from €4.7 billion in 2016 to nearly €5 billion in 2017, driven by the success of the Group's mobile telephony offerings.

As substantially all of its operations are currently in France, the Group only has one geographic segment. As the Group had not yet begun its commercial operations in Italy at December 31, 2017, it did not make any changes to its geographic segment reporting at that date. It will change the presentation of its geographic segment reporting when commercial operations in Italy are launched and this presentation may be changed again in the future, depending on operating criteria and the development of the Group's businesses.

NOTE 5 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;
- 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 6 HUMAN RESOURCES DATA

Payroll costs

Payroll costs break down as follows:

In € thousands	2017	2016
• Wages and salaries	(195,508)	(182,199)
• Payroll taxes	(60,084)	(60,654)
TOTAL	**(255,592)**	**(242,853)**

Number of employees at year-end

The Group's headcount can be analyzed as follows by category:

Number of employees at year-end	At December 31, 2017	At December 31, 2016
• Management	1,216	1,137
• Other	8,496	7,762
TOTAL	**9,712**	**8,899**

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, 2017 and 2016:

	2017	2016
• Discount rate	1.75%	1.75%
• Long-term inflation rate	2%	2%
• Mortality table	INSEE 2012-2014	INSEE 2012-2014
• Type of retirement	Voluntary	Voluntary
• Retirement age		
– Management	Statutory retirement age	Statutory retirement age
– Other	Post 2014 French pension reform and the 2015 French Social Security Financing Act	Post 2014 French pension reform and the 2015 French Social Security Financing Act

Movements in the Group's post-employment benefit obligations in 2017 and 2016 can be analyzed as follows:

In € thousands	2017	2016
Present value of obligation at beginning of year:	16,149	11,226
• Current service cost	2,839	2,166
• Loss/(gain) from changes in assumptions	(110)	1,879
• Interest expense	283	276
• Plan amendments	24	1,046
• Experience (gains)/losses	136	(426)
• Benefit payments	(41)	(18)
TOTAL	**19,280**	**16,149**

The impact on equity of the Group's post-employment benefit obligations was a negative €26 thousand (before tax) at December 31, 2017 and the amount recognized in the income statement for the year then ended corresponded to a €3,105 thousand expense.

NOTE 7 DEVELOPMENT COSTS

Development costs include the following:

- the cost of designing new products, adapting existing products to the Internet, and searching 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 2017 are presented net of any related research tax credits.

In € thousands	2017	2016
• Capitalized development costs	(6,915)	(7,076)
• Development costs recognized directly in the income statement	(670)	(217)
TOTAL	**(7,585)**	**(7,293)**

NOTE 8 OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € thousands	2017	2016
• Proceeds from sales of non-current assets	12,894	20,479
• Customer contract termination fees	6,088	11,949
• Other revenues	8,024	5,752
TOTAL OTHER INCOME FROM OPERATIONS	**27,006**	**38,180**

"Other expenses from operations" can be analyzed as follows:

In € thousands	2017	2016
• Carrying amount of divested non-current assets	(6,680)	(6,592)
• Royalties and similar fees	(38,978)	(35,420)
• Bad debts	(76)	(71)
• Other	(1,017)	(2,918)
TOTAL OTHER EXPENSES FROM OPERATIONS	**(46,751)**	**(45,001)**

In € thousands	2017	2016
OTHER INCOME AND EXPENSES FROM OPERATIONS, NET	**(19,745)**	**(6,821)**

NOTE 9 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 € thousands	2017	2016
• Depreciation and amortization expense:		
– Intangible assets	(234,661)	(281,626)
– Property, plant and equipment	(677,812)	(647,723)
• Additions to provisions for impairment of non-current assets:		
– Property, plant and equipment	(7)	(1,898)
• Depreciation/amortization of investment grants		
– Intangible assets	1,026	1,191
– Property, plant and equipment	799	446
TOTAL	**(910,655)**	**(929,610)**

Additions to provisions for contingencies and charges and impairment of current assets

In € thousands	2017	2016
• Provisions for contingencies and charges	2,852	1,787
• Provisions for impairment of inventories and trade receivables	(56,369)	(51,374)
TOTAL	**(53,517)**	**(49,587)**

NOTE 10 OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €905 thousand in 2017, compared with a net expense of €4,463 thousand in 2016.

See Note 25 for further details.

NOTE 11 FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € thousands	2017	2016
• Income from cash and cash equivalents	13	72
• Finance costs, gross		
– Interest on borrowings	(26,017)	(41,177)
– Finance lease payments	(1,948)	(2,653)
SUB-TOTAL – FINANCE COSTS, GROSS	**(27,965)**	**(43,830)**
Finance costs, net	**(27,952)**	**(43,758)**
SUB-TOTAL – OTHER FINANCIAL INCOME	**22**	**966**
• Other financial expenses	22	966
– Translation adjustments/Hedging expense	(192)	(847)
– Discounting expense	(62,694)	(48,220)
– Other	(478)	(235)
SUB-TOTAL – OTHER FINANCIAL EXPENSES	(63,364)	(49,302)
OTHER FINANCIAL EXPENSES, NET	(63,342)	(48,336)
NET FINANCIAL EXPENSE	**(91,294)**	**(92,094)**

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 29) as well as discounting expense.

Finance costs, gross, comprises interest on borrowings and finance lease payments.

Discounting expense mainly concerns trade payables with maturities of more than one year. The year-on-year increase in this item was chiefly due to the discounting expense related to the Group's various Italian licenses (see Note 17).

NOTE 12 CORPORATE INCOME TAX

Analysis of the corporate income tax charge

The Group's corporate income tax charge breaks down as follows:

In € thousands	2017	2016
Current taxes		
• on income	(336,425)	(199,377)
• on value added (CVAE)	(39,016)	(32,401)
CURRENT INCOME TAX CHARGE	**(375,441)**	**(231,778)**
Deferred taxes		0
• on income	9,410	(13,822)
• on value added (CVAE)	0	0
DEFERRED INCOME TAX BENEFIT/(CHARGE)	**9,410**	**(13,822)**
TOTAL TAX CHARGE	**(366,031)**	**(245,600)**

Out of the total year-on-year increase in the Group's corporate income tax charge in 2017, €76 million is attributable to the exceptional income tax contribution introduced by France's Amended Finance Act for 2017 and only applicable to fiscal 2017.

Tax group

Iliad has set up a tax group, which at end-2017 included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is outside France.

Tax proof

The table below reconciles the Group's theoretical tax rate with the effective tax rate calculated on consolidated profit from continuing operations before tax.

	2017	2016
PROFIT FOR THE PERIOD	**404,616**	**402,676**
• Corporate income tax	366,031	245,600
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	**770,647**	**648,276**
THEORETICAL TAX RATE	**34.43%**	**34.43%**
• Net impact of permanent differences	+3.37%	+4.10%
• Impact of unrecognized tax loss carryforwards	0	0
• Impact of different tax rates	+9.64%	-0.70%
• Other impacts	+0.06%	+0.06%
EFFECTIVE TAX RATE	**47.50%**	**37.89%**

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- tax loss carryforwards of companies outside the Iliad tax group that have been in a lossmaking position for several years and are not expected to return to profit in the near future;
- tax loss carryforwards that are not expected to be utilized based on the projected future earnings of the companies concerned using information available at the balance sheet date, or when the companies concerned have been historically loss-making and their turnaround is in progress.

Unrecognized deferred tax assets totaled €804 thousand at December 31, 2017 versus €814 thousand at December 31, 2016.

NOTE 13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share

Number of shares used for the calculation	2017	2016
• Number of shares at the year-end	59,032,661	58,837,338
• Weighted average number of shares	58,849,298	58,644,235

Diluted earnings per share

	2017	2016
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**397,873**	**401,079**
Interest expense on OCEANE convertible bonds	0	0
DILUTED PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**397,873**	**401,079**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (AFTER DILUTION)		
• Weighted average number of shares outstanding (see above)	58,849,298	58,644,235
• Number of share equivalents:		
– Stock options and free share grants	1,561,912	1,449,408
MAXIMUM WEIGHTED AVERAGE NUMBER OF SHARES AFTER DILUTION	**60,411,210**	**60,093,643**
DILUTED EARNINGS PER SHARE *(in €)*	**6.59**	**6.67**

Dilutive instruments

As Iliad's average share price in 2017 was €210.81, all of the Group's stock option plans were considered to be dilutive during the year.

NOTE 14 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 2017 and 2016 can be analyzed as follows:

2017	Note	Balance at Jan. 1, 2017	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2017
• Net inventories	22	14,274	16,422		0	0	30,696
• Net trade receivables	23	453,120	38,399		0	0	491,519
• Other net receivables	23	221,070	15,799		0	(3,506)	233,363
• Trade payables (suppliers of goods and services)	30	(506,522)	16,535		0	0	(489,987)
• Other payables		(334,399)		(12,255)	0	(26)	(346,680)
TOTAL		**(152,457)**	**87,155**	**(12,255)**	**0**	**(3,532)**	**(81,089)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT IN 2017				74,900			

2016	Note	Balance at Jan. 1, 2016	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2016
• Net inventories	22	25,628	0	(11,354)	0	0	14,274
• Net trade receivables	23	447,398	5,722	0	0	0	453,120
• Other net receivables	23	236,920	0	(18,630)	0	2,780	221,070
• Trade payables (suppliers of goods and services)	30	(550,110)	43,588	0	0	0	(506,522)
• Other payables		(287,992)	0	(44,953)	0	(1,454)	(334,399)
TOTAL		**(128,156)**	**49,310**	**(74,937)**	**0**	**1,326**	**(152,457)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENT IN 2016				(25,627)			

Other receivables

	Note	At December 31, 2017	At December 31, 2016
Trade and other receivables:	23	724,882	674,190
• Net trade receivables	23	(491,519)	(453,120)
OTHER RECEIVABLES		**233,363**	**221,070**

Other payables

In € thousands	Note	At December 31, 2017	At December 31, 2016
Trade and other payables:	30	2,324,039	3,295,925
• Suppliers of goods and services (incl. VAT)	30	(489,987)	(506,522)
• Suppliers of non-current assets (excl. VAT)		(1,487,372)	(2,455,004)
OTHER PAYABLES		**346,680**	**334,399**

Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

In € thousands	Note	2017	2016
• Acquisition of intangible assets	17	216,205	1,266,660
• Remeasurement of intangible assets	17	(520,013)	
• Acquisition of property, plant and equipment	19	1,336,460	1,185,868
• Suppliers of non-current assets (excl. VAT):			
– at January 1		2,455,004	1,722,620
– at December 31		(1,487,372)	(2,455,004)
• Other		67,256	57,129
TOTAL		**2,067,810**	**1,777,273**

Cash and cash equivalents

In € thousands	Note	Cash and cash equivalents at December 31, 2017	Cash and cash equivalents at December 31, 2016
Cash (including currency hedges)	24	100,067	15,993
Marketable securities	24	116,021	222,547
SUB-TOTAL		**216,088**	**238,540**
Bank overdrafts	29	(1,349)	(2,811)
TOTAL		**214,739**	**235,729**

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 € thousands	2017	2016
• Acquisitions of assets under finance leases	20,126	9,776

NOTE 15 SEGMENT INFORMATION

Following the launch of its mobile offerings in early 2012, the Group has redefined its business segments, with the creation of a single reportable segment called Retail Telecom.

In addition, as substantially all of its operations are in France, the Group only has one geographic segment.

As the Group had not yet begun its commercial operations in Italy at December 31, 2017, it did not make any changes to its geographic segment reporting at that date. The material underlying assets recognized in relation to Italy in the Group's consolidated financial statements at December 31, 2017 mainly correspond to licenses (see Note 17 – Intangible assets). The Group will change the presentation of its geographic segment reporting when commercial operations in Italy are launched and this presentation may be changed again in the future, depending on operating criteria and the development of the Group's businesses.

NOTE 16 GOODWILL

The carrying amount of the Group's goodwill was €214,818 thousand at both December 31, 2017 and 2016.

NOTE 17 INTANGIBLE ASSETS

Intangible assets break down as follows:

	At December 31, 2017			At December 31, 2016		
In € thousands	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
• 3G licenses - France	323,021	107,232	215,789	323,022	89,287	233,735
• 4G licenses - France	1,265,817	126,703	1,139,114	1,585,599	76,343	1,509,256
• Wimax license	54,266	53,183	1,083	54,266	51,016	3,250
• Licenses - French overseas *départements* and *collectivités*	6,772	0	6,772	6,772	0	6,772
• Licenses - Italy	921,031	0	921,031	919,469	0	919,469
• Alice customer base	25,000	19,445	5,555	25,000	17,362	7,638
Other intangible assets	1,364,255	954,755	409,500	1,350,034	796,950	553,084
Internally-generated intangible assets:						
• Development costs	17,296	9,305	7,991	15,485	6,975	8,510
TOTAL	**3,977,458**	**1,270,623**	**2,706,835**	**4,279,647**	**1,037,933**	**3,241,714**

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 (2.6 GHz) frequency band for a cost of €278.1 million. The carrying amount of this asset includes related borrowing costs in accordance with IAS 23. This spectrum has been used since December 2013.

In December 2014 the Group was granted a license to use 5 MHz (duplex) in the 1,800 MHz (4G) frequency band, which it has used since October 2015, and in September 2015 it was granted a license to use an additional 10 MHz in the 1,800 MHz (4G) frequency band, which has been used since May 2016.

Following a mobile frequency auction carried out in France, in November 2015 the Group was allocated 10 MHz (duplex) in the 700 MHz (4G) band for €933 million, payable in four installments, of which two were paid in 2016 and a third in 2017.

This frequency band will be gradually brought into service between 2016 and 2019 as it becomes available. An initial tranche was brought into service in 2016, representing 20.66% of the 700 MHz frequency band and no new tranches were brought into service in 2017.

In November 2016 the Group was allocated 3G and 4G spectrum in the following French overseas *départements* and *collectivités*: Guadeloupe, Martinique, French Guiana, SaintBarthélemy and Saint Martin.

Since 2012 the Group has accelerated the rollout of its mobile operations, which has resulted in the signature of agreements granting it certain long-term rights, some of which were extended in 2017.

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 that will ultimately enable it to enter the market in Italy as the fourth mobile operator.

The assets transferred to the Group pursuant to this agreement include licenses to use a portfolio of 2x35 MHz frequencies (2x5 MHz in the 900 MHz band, 2x10 MHz in the 1,800 MHz band, 2x10 MHz in the 2,100 MHz band and 2x10 MHz in the 2,600 MHz band) at a cost of €450 million (excluding extensions and transfer taxes), to be paid between 2017 and 2019. The first payment to Wind Tre – amounting to €50 million – was made in the first half of 2017 and the remaining estimated installments are €190 million in 2018 and €210 million in 2019.

In addition, in the second half of 2017 the Group paid €220 million to the Italian government for the extension and 4G refarming of 1,800 MHz spectrum for up until 2029.

Lastly, the Group became the legal owner of the licenses for the above portfolio of 2x35 MHz frequencies in Italy following a decision issued by the Italian Ministry of Economic Development (MiSE) on November 4, 2016. The estimated duration of these licenses includes the extension periods provided for by Italian law until the end of 2029. The Group recognized under intangible assets the estimated amount it has to pay to the MiSE by 2021 for the extension and 4G refarming of the 900 and 2,100 MHz spectrum for the period from December 2021 through December 2029.

During a transition period that will expire at the end of 2019 at the latest, a portion of the frequency portfolio will be used by Wind/H3G.

In accordance with IAS 38, the Group recognized an €895.9 million intangible asset in 2017, 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 borrowing for the second half of 2016. The contra-entry to the recognition of this €895.9 million intangible asset was recorded in trade payables at December 31, 2017.

Borrowing costs capitalized in previous years relating to the Group's licenses represented a gross amount of €66 million at December 31, 2017. The amount capitalized during the year was €10 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 € thousands	2017	2016
Net at January 1	3,241,714	2,253,356
Additions:		
• acquisitions	216,205	1,266,660
• asset remeasurement	(520,013)	
• internally-generated intangible assets	4,124	3,932
Reclassifications	2	(154)
Other	(1,562)	(1,645)
Amortization and impairment	(233,635)	(280,435)
NET AT DECEMBER 31	**2,706,835**	**3,241,714**

In accordance with IAS 38, the licenses for the spectrum in the 1,800 MHz band allocated to the Group in 2014 and 2015 were capitalized based on the discounted amount of the expected related cash outflows estimated by the Group because the final amount of these licenses was not known.

During 2017, the French electronic communications regulatory authority (*Autorité de Régulation des Communications Electroniques et des Postes* – ARCEP) issued a decision setting the total amount payable for these licenses, which was less than the Group's initial estimate. Consequently, the Group remeasured the related asset based on the amount set in ARCEP's decision.

Intangible assets in progress

The carrying amount of intangible assets in progress is included in the carrying amounts of the various categories of intangible assets, as follows:

In € thousands	At December 31, 2017	At December 31, 2016
• Licenses	1,644,246	1,594,318
• Other	1,733	334,411
TOTAL	**1,645,979**	**1,928,729**

NOTE 18 IMPAIRMENT TESTS ON GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets not yet available for use are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that they may be impaired.

The Group does not have any intangible assets with indefinite useful lives.

Impairment tests As over 99% of the Group's revenue is derived from the Retail Telecom cash-generating unit (CGU), the fair value less costs to sell of this CGU was determined by reference to the Group's market value, which is considerably higher than the carrying amount of the assets allocated to the CGU. Accordingly, the Group did not recognize any impairment losses on this CGU's goodwill or intangible assets in 2017.

Similarly, there were no indications that the value of the Mobile business's intangible assets in progress were impaired.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

	At December 31, 2017			At December 31, 2016		
In € thousands	Gross	Depreciation	Net	Gross	Depreciation	Net
• Land and buildings[1]	159,760	11,080	148,680	156,298	8,736	147,562
• Network usage rights	189,337	95,785	93,552	187,556	86,834	100,722
• Service access fees	720,852	343,820	377,032	660,916	301,302	359,614
• Network equipment[2]	5,956,737	2,691,028	3,265,709	4,991,343	2,278,041	2,713,302
• Other	648,955	105,166	543,789	520,438	80,253	440,185
TOTAL	**7,675,641**	**3,246,879**	**4,428,762**	**6,516,551**	**2,755,166**	**3,761,385**
(1) of which finance leases	*84,868*	*7,625*	*77,243*	*86,950*	*6,028*	*80,922*
(2) of which finance leases	*184,937*	*130,721*	*54,216*	*164,810*	*113,522*	*51,288*

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 € thousands	2017	2016
Net at January 1	3,761,385	3,229,231
Acquisitions*	1,356,587	1,195,490
Disposals	(6,681)	(9,629)
Reclassifications	(2)	154
Other	(5,507)	(4,686)
Depreciation and impairment	(677,020)	(649,175)
NET AT DECEMBER 31	**4,428,762**	**3,761,385**
* *Acquisitions excluding assets acquired under finance leases*	*1,336,460*	*1,185,868*

During 2017, the Group kept up its capital spending drive for growth projects. This included the following:

- further investments as part of the FTTH network rollout, with an 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;
- capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses);
- investment in the hosting business, which is growing rapidly;
- initial capital outlay for the Italian mobile business.

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 2017, 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 € thousands	At December 31, 2017	At December 31, 2016
• Land and buildings	41,882	44,162
• Network usage rights	2,781	2,277
• Network equipment	565,936	582,084
TOTAL	**610,599**	**628,523**

NOTE 20 EQUITY-ACCOUNTED INVESTEES

On November 6, 2015, Iliad acquired a 50% stake in S.A.S. Télécom Réunion Mayotte for €24 million. This company is accounted for using the equity method in the Group's consolidated financial statements. The share of profit of equity-accounted companies (corresponding to S.A.S. Télécom Reunion Mayotte) breaks down as follows:

In € thousands	2017	2016
Share of profit of equity-accounted investees before tax	1,708	1,075
Share of tax of equity-accounted investees	(835)	(352)
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES AFTER TAX	**873**	**723**

Movements in the Group's investments in equity-accounted investees were as follows in 2017 and 2016:

In € thousands	2017	2016
At January 1	14,723	24,000
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT JANUARY 1	**14,723**	**24,000**
Movements		
Share of profit of equity-accounted investees	873	723
Dividends paid	0	0
Translation adjustments	0	0
Transfers, capital increases and other movements	0	0
Capital reductions	0	(10,000)
Acquisitions and change in scope of consolidation	51	0
Other	0	0
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT DECEMBER 31	**15,647**	**14,723**

In 2017, Iliad SA acquired a 50% stake in Sepia, a new entity specifically set up for housing certain real-estate assets of the Télécom Réunion Mayotte sub-group.

The following table sets out the key financial information of the Télécom Réunion Mayotte subgroup, based on its most recently published consolidated financial statements prepared in accordance with IFRS:

In € thousands	2017	2015/2016
REVENUES	**57,898**	**50,478**
Profit for the period	1,746	1,432
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME	**1,746**	**1,432**
Non-current assets	94,970	90,424
Current assets	19,555	26,810
Non-current liabilities	(60,070)	(49,967)
Current liabilities	(23,593)	(37,821)
TOTAL NET ASSETS	**30,862**	**29,446**

Iliad's consolidated financial statements include transactions carried out by the Group with equity-accounted investees as part of its routine business. These transactions are conducted on arm's length terms.

The Group has no off-balance-sheet commitments relating to equity-accounted investees.

NOTE 21 OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € thousands	At December 31, 2017 Net	At December 31, 2016 Net
Other long-term financial assets		
• Other investment securities	19,056	1,933
• Loans and receivables	10,911	10,564
• Guarantee deposits	6,885	6,016
TOTAL OTHER LONG-TERM FINANCIAL ASSETS	**36,852**	**18,513**
Other short-term financial assets		
• Loans and receivables	246	246
TOTAL OTHER SHORT-TERM FINANCIAL ASSETS	**246**	**246**
TOTAL OTHER FINANCIAL ASSETS	**37,098**	**18,759**

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 € thousands	At December 31, 2017 Net	At December 31, 2016 Net
• Financial assets at fair value through profit or loss	0	0
• Held-to-maturity investments	0	0
• Loans and receivables issued by the Group	18,042	16,826
• Available-for-sale financial assets	19,056	1,933
TOTAL OTHER FINANCIAL ASSETS	**37,098**	**18,759**

Movements in net other financial assets can be analyzed as follows:

In € thousands	2017	2016
Net at January 1	18,759	8,509
Acquisitions	18,515	10,816
Redemptions and repayments	0	0
Impact of changes in Group structure:	0	0
Disposals	(1,929)	(566)
Additions to provisions	1,753	0
NET AT DECEMBER 31	**37,098**	**18,759**

Acquisitions and redemptions and repayments in 2016 and 2017 primarily concerned movements in guarantee deposits paid and receivables due in more than one year.

NOTE 22 INVENTORIES

Inventories break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Raw materials	1,352	1,490
Work-in-progress	0	0
Finished products	32,590	16,336
Inventories – gross	**33,942**	**17,826**
Provisions:		
• raw materials	(1,258)	(1,367)
• finished products	(1,988)	(2,185)
Total provisions	**(3,246)**	**(3,552)**
INVENTORIES – NET	**30,696**	**14,274**

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.

NOTE 23 TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Trade and other receivables		
Trade receivables	566,769	549,111
Advances and prepayments	12,408	5,737
Tax receivables (VAT)	130,860	111,150
Sundry receivables	17,409	51,603
Prepaid expenses	72,686	52,580
TOTAL – GROSS	**800,132**	**770,181**
Provisions for trade receivables	(75,250)	(95,991)
Provisions for other receivables	0	0
NET TRADE AND OTHER RECEIVABLES	**724,882**	**674,190**
Net trade receivables	491,519	453,120
Net other receivables	233,363	221,070

NOTE 24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

	At December 31, 2017		At December 31, 2016	
In € thousands	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITS)				
Net value	116,021	116,021	222,547	222,547
Cash (excluding bank overdrafts)	100,067	100,067	15,993	15,993
TOTAL – NET	**216,088**	**216,088**	**238,540**	**238,540**

The Group's policy is to invest its cash in instruments that qualify as cash equivalents within the meaning of IAS 7. As a result, these investments:

- have a short maturity;
- are highly liquid;
- are readily convertible into a known amount of cash; and
- are subject to an insignificant risk of changes in value.

Consequently, the Group invests its surplus cash in UCITS that fall into the "euro monetary" classification of the French securities regulator (*Autorité des Marchés Financiers* – AMF).

NOTE 25 ASSETS HELD FOR SALE

Assets held for sale break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Buildings held for sale	19,640	21,428
TOTAL	**19,640**	**21,428**

In line with its strategy of acquiring premises where required for rolling out its FTTH network, the Group has purchased certain buildings of which it intends to only keep part for its future operations. The remaining portion of these buildings will therefore be sold.

The portions of these buildings that the Group intends to subsequently sell have been classified under "Assets held for sale". A specialist subsidiary is responsible for managing the transactions.

Assets held for sale had no related material liabilities at either December 31, 2016 or 2017.

Gains and losses arising on sales of these buildings, including the impact of any related provisions, are presented in the consolidated income statement under "Other operating income and expense, net".

NOTE 26 EQUITY

Share capital

Capital increase following exercise of stock options

The stock options granted by the Group on June 14, 2007 and August 30, 2007 have been exercisable since June 14, 2012 and August 30, 2012, respectively. The stock options granted on November 5, 2008 have been exercisable since November 5, 2013. The first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014 and the second tranche since August 29, 2015. Lastly, the stock options granted on November 7, 2011 have been exercisable since November 6, 2016.

At December 31, 2017, Iliad's ownership structure was as follows:

During 2017, 195,323 options were exercised for the same number of new shares. The Company's share capital therefore increased by €44 thousand to €13,082 thousand at December 31, 2017 from €13,038 thousand one year earlier.

At December 31, 2017 the Group held 123,495 Iliad shares. In order to cover part of the dilution related to the exercise of stock options, in late 2016 the Company bought back 85,393 of its own shares at an average price of €178.48 per share. These shares will be canceled in early 2018

Shareholder	Number of shares	%
Executive Management	32,783,528	55.53
Public	26,249,133	44.47
TOTAL	**59,032,661**	**100.00**

Dividend paid and dividend recommended to shareholders at the Annual General Meeting

The dividend paid in 2017 for 2016 totaled €25,910 thousand. No interim dividend was paid in 2017.

At the next Annual General Meeting, shareholders will be asked to approve a dividend payment of €0.68 per share.

Cash flow hedge reserve

Hedges were in place until May 26, 2016 to cover the Group's exposure to changes in interest rates on bank borrowings.

NOTE 27 STOCK OPTION AND SHARE GRANT PLANS

Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2017 and prior years, and outstanding at the year-end.

AT DECEMBER 31, 2017

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2017	Number of options granted in 2017	Number of options forfeited in 2017	Number of options exercised in 2017	Number of exercisable options outstanding at Dec. 31, 2017	Number of non-exercisable options outstanding at Dec. 31, 2017
Iliad								
May 29, 2006	June 14, 2007	74.62	125	0	0	125	0	0
May 29, 2006	Aug. 30, 2007	68.17	16,908	0	0	16,908	0	0
May 29, 2008	Nov. 5, 2008	53.79	59,541	0	0	15,642	43,899	0
May 29, 2008	Aug. 30, 2010	67.67	211,505	0	0	80,890	130,615	0
May 24, 2011	Nov. 7, 2011	84.03	305,132	0	0	81,758	223,374	0

AT DECEMBER 31, 2016

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2016	Number of options granted in 2016	Number of options forfeited in 2016	Number of options exercised in 2016	Number of exercisable options outstanding at Dec. 31, 2016	Number of non-exercisable options outstanding at Dec. 31, 2017
Iliad								
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	26,707	0	0	9,799	16,908	0
May 29, 2008	Nov. 5, 2008	53.79	83,787	0	0	24,246	59,541	0
May 29, 2008	Aug. 30, 2010	67.67	296,290	0	0	84,785	211,505	0
May 24, 2011	Nov. 7, 2011	84.03	363,000	0	0	57,868	305,132	0

Exercise dates of options

The exercise dates for the outstanding stock options are as follows:

Date of plan launch	Exercise dates
June 14, 2007	Options exercisable since June 14, 2012
August 30, 2007	Options exercisable since August 30, 2012
November 5, 2008	Options exercisable since November 5, 2013
August 30, 2010	30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015
November 7, 2011	Options exercisable since November 6, 2016

Fair value of options granted

The fair value of the options granted was calculated using the Black & Scholes option pricing model.

The main assumptions applied under this model were as follows:

	August 30, 2010	November 7, 2011
Quantity	427,350	404,800
Per-share exercise price	€67.67	€84.03
Life of the options	5 years	5 years
Underlying volatility	25%	20%
Annual cost (in € thousands)	1,356	1,708
Maturity	August 29, 2015	November 6, 2016

The expense recorded in relation to these plans totaled €1,813 thousand in 2017 and €1,451 thousand in 2016.

Share grant plans

Free Mobile

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

During 2010 and 2011, 23 employees and executive officers were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent valuer. The option can be exercised from July 1, 2019.

The expense recorded in relation to these plans totaled €510 thousand in 2016 and €2,290 thousand in 2017.

Online

Following an authorization given at the Shareholders' Meeting of December 3, 2012, Online set up a share grant plan involving shares representing up to 1% of its share capital.

The first allocation under this plan took place in 2012 when an employee was granted shares representing 0.2% of Online's share capital.

The shares vested after a period of two years and this vesting period was followed by a two-year lock-up period during which the beneficiary was not entitled to sell the vested shares.

The expense recognized for this plan amounted to €19 thousand in 2016 and €12 thousand in 2017.

Iliad

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

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

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

- October 30, 2020: 40% of the shares will vest if the EBITDA margin in France for 2019 is greater than the EBITDA margin in France for 2017;
- October 30, 2021: 10% of the shares will vest if the EBITDA margin in France for 2020 is greater than 40%;
- October 30, 2022: 10% of the shares will vest if the total number of fiber subscribers is greater 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 greater than 2.5 million at October 1, 2023.

The expense recognized in 2017 for this plan amounted to €3,625 thousand.

NOTE 28 PROVISIONS

The provisions for contingencies and charges recognized at December 31, 2017 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks and employee-related risks.

These provisions break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Long-term provisions		
Provisions for charges	0	0
TOTAL LONG-TERM PROVISIONS	**0**	**0**
Short-term provisions		
Provisions for contingencies	43,476	48,897
Provisions for charges	566	566
TOTAL SHORT-TERM PROVISIONS	**44,042**	**49,463**
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**44,042**	**49,463**

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 2017:

In € thousands	At Dec. 31, 2016	Increases in 2017	Decreases in 2017 (utilizations)	Decreases in 2017 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2017
Provisions for claims and litigation and general contingencies	48,897	9,124	(2,429)	(11,976)	0	(140)	43,476
Provisions for charges	566	0	0	0	0	0	566
TOTAL	**49,463**	**9,124**	**(2,429)**	**(11,976)**	**0**	**(140)**	**44,042**

Movements in provisions for contingencies and charges were as follows in 2016:

In € thousands	At Dec. 31, 2015	Increases in 2016	Decreases in 2016 (utilizations)	Decreases in 2016 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2016
Provisions for claims and litigation and general contingencies	99,299	1,417	(48,085)	(3,770)	0	36	48,897
Provisions for charges	0	566	0	0	0	0	566
TOTAL	**99,299**	**1,983**	**(48,085)**	**(3,770)**	**0**	**36**	**49,463**

NOTE 29 FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Bank borrowings	854,154	710,758
Bonds	1,287,345	643,032
Finance lease liabilities	24,847	35,272
Other	2,100	2,102
TOTAL LONG-TERM FINANCIAL LIABILITIES	**2,168,446**	**1,391,164**
Bank borrowings and commercial paper	463,333	457,733
Finance lease liabilities	25,405	24,412
Bank overdrafts	1,349	2,811
Cash flow hedges	278	0
Other	6,434	5,197
TOTAL SHORT-TERM FINANCIAL LIABILITIES	**496,799**	**490,153**
TOTAL	**2,665,245**	**1,881,317**

Financial liabilities are classified as short-term when they have a maturity of less than one year and as long-term when their maturity is beyond one year.

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2017 and 2016:

In € thousands	2017	2016
Borrowings at January 1	1,881,317	1,911,496
New borrowings*	866,932	556,854
Repayments of borrowings	(87,892)	(573,560)
Change in bank overdrafts	(1,462)	1,289
Impact of cash flow hedges	278	(3,448)
Other	6,072	(11,314)
TOTAL BORROWINGS AT DECEMBER 31	**2,665,245**	**1,881,317**
* *New borrowings excluding finance lease liabilities*	*846,806*	*547,078*

Bonds

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

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

Guarantees given

The Group has not given any specific guarantees in return for its existing borrowing facilities with banks other than those specified below.

Description of the Group's main bank borrowing facilities outstanding at December 31, 2017

A €1,400 million syndicated credit facility

The Group has a €1,400 million syndicated credit facility set up with a pool of 12 international banks. As the second extension option for this facility was exercised in 2017, the facility now matures in 2022.

The applicable interest rate is based on Euribor plus a margin of between 0.35% and 1.10% per year depending on the Group's Leverage ratio.

The financial covenants for this syndicated credit facility are described in Note 33.

A €500 million term loan

On January 8, 2016, the Group signed a new syndicated loan agreement with a pool of 11 international banks for an aggregate amount of €500 million.

This term loan – which has a five-year maturity expiring in 2021 – had been fully drawn down at December 31, 2017.

The financial covenants for this syndicated loan are described in Note 33.

Loans granted by the European Investment Bank (EIB)

In 2010, the EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan has a 10-year term and is repayable in installments.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of next-generation landline networks. This loan also has a 10-year term and is repayable in installments.

Both of these loans had been fully drawn down at December 31, 2017. The first, second and third repayment installments of €25 million, €42 million and €58 million were made during 2015, 2016 and 2017 respectively.

On December 8, 2016, the EIB granted Iliad another €200 million loan to help finance its rollout of optical fiber networks. This loan – which matures in 2030 and is repayable in installments as from 2020 – had been fully drawn down at December 31, 2017.

The financial covenants applicable to these loans are described in Note 33.

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

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

The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.10% per year depending on the Group's Leverage ratio. None of this facility had been drawn down at December 31, 2017.

The financial covenants applicable to this credit facility are described in Note 33.

A €1 billion short-term commercial paper program

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

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

At December 31, 2017, €405 million of this program (which corresponds to variable-rate financing) 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 € thousands	At December 31, 2017	At December 31, 2016
Fixed-rate borrowings	1,760,142	980,664
Variable-rate borrowings	905,103	900,653
TOTAL BORROWINGS	**2,665,245**	**1,881,317**

Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2017.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	58,333	654,154	200,000	912,487
Bonds	0	644,369	642,976	1,287,345
Commercial paper	405,000	0	0	405,000
Finance lease liabilities	25,405	24,539	308	50,252
Bank overdrafts	1,349	0	0	1,349
Other	6,712	0	2,100	8,812
TOTAL BORROWINGS	**496,799**	**1,323,062**	**845,384**	**2,665,245**
Trade payables	1,301,393	68,872	624,923	1,995,188
TOTAL COMMITTED FINANCING FACILITIES	**1,798,192**	**1,391,934**	**1,470,307**	**4,660,433**

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2016:

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	58,233	695,700	15,058	768,991
Bonds	0	0	643,032	643,032
Commercial paper	399,500	0	0	399,500
Finance lease liabilities	24,412	34,072	1,200	59,684
Bank overdrafts	2,811	0	0	2,811
Other	5,197	0	2,102	7,299
TOTAL BORROWINGS	**490,153**	**729,772**	**661,392**	**1,881,317**
Trade payables	1,501,404	1,238,428	236,375	2,976,207
TOTAL COMMITTED FINANCING FACILITIES	**1,991,557**	**1,968,200**	**897,767**	**4,857,524**

Description of the Group's main finance leases outstanding at December 31, 2017

At December 31, 2017, the Group's total finance lease liabilities amounted to €50 million versus €60 million one year earlier.

Real estate finance leases

The Group purchases premises to house the technical equipment required for rolling out its FTTH network. As part of this process, in January 2007 Iliad entered into a master agreement to finance the purchase of such premises through a real estate finance lease with a 12-year term, following which the related assets may be acquired for a token amount of €1.

The agreement does not contain any contingent lease payments or renewal options and does not impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

Equipment finance leases

As part of its operations, the Group holds several items of equipment (mainly switching equipment and IT servers) under finance leases with terms of between three and seven years.

None of these finance leases contain any contingent lease payments or impose any specific restrictions, for example concerning dividends, additional debt or further

All of the contracts include bargain purchase options at the end of the lease term.

Present value of future minimum lease payments due under finance leases

The following table presents a reconciliation between total future minimum lease payments due under finance leases at December 31, 2017 and their present value.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Future minimum lease payments	25,915	26,277	310	52,502
Present value	25,219	24,327	264	49,810

Present value is determined by applying a 2.76% discount rate, which corresponds to the Group's average rate of gross borrowings for 2017.

NOTE 30 TRADE AND OTHER PAYABLES

This item breaks down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Trade and other payables recorded under other non-current liabilities:		
Trade payables	693,795	1,474,803
Accrued taxes and employee-related payables	19,280	16,149
Other	500	0
SUB-TOTAL	**713,575**	**1,490,952**
Trade and other payables recorded under current liabilities:		
Trade payables	1,301,393	1,501,404
Advances and prepayments	397	1,282
Accrued taxes and employee-related payables	262,070	260,391
Other	5,170	1,166
Deferred income	41,434	40,730
SUB-TOTAL	**1,610,464**	**1,804,973**
TOTAL	**2,324,039**	**3,295,925**

Total trade payables can be analyzed as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Suppliers of goods and services	489,987	506,522
Suppliers of non-current assets	1,505,201	2,469,685
TOTAL	**1,995,188**	**2,976,207**

NOTE 31 RELATED-PARTY TRANSACTIONS

Related-party transactions solely correspond to transactions with key management personnel.

Transactions with key management personnel

- Persons concerned:

Under IAS 24, key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. For the Iliad Group, these persons correspond to members of the Board of Directors of Iliad SA and members of the Management Committee.

- Compensation paid to the ten members of the Group's key management personnel in 2017 and 2016 breaks down as follows:

In € thousands	2017	2016
• Total compensation	2,200	2,148
• Share-based payments	2,018	389
TOTAL	**4,218**	**2,537**

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.

Impact of Iliad share grants

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

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

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to conditions relating to their presence within the Group and the performance conditions described in Note 27.

Transaction with Monaco Telecom

Iliad has signed an agreement with Monaco Telecom, a Monaco-based company controlled by a party related to the Group, to lease sites containing the Group's equipment. The amount invoiced by Monaco Telecom for making these sites available totaled €1,550 thousand in 2017.

NOTE 32 FINANCIAL INSTRUMENTS

Reconciliation by class of instrument and accounting category

In € thousands	Assets carried at fair value through profit or loss	Other available-for-sale financial assets	Cash flow hedges	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2017							
Cash	100,067					100,067	100,067
Marketable securities	116,021					116,021	116,021
Trade receivables				491,519		491,519	491,519
Other receivables				233,363		233,363	233,363
Other short-term financial assets				246		246	246
Other long-term financial assets		19,056		17,796		36,852	36,852
Long-term financial liabilities					(2,168,446)	(2,168,446)	(2,168,446)
Short-term financial liabilities					(496,799)	(496,799)	(496,799)
Other non-current liabilities					(713,575)	(713,575)	(713,575)
Other current liabilities					(1,610,464)	(1,610,464)	(1,610,464)
TOTAL	**216,088**	**19,056**	**0**	**742,924**	**(4,989,284)**	**(4,011,216)**	**(4,011,216)**

In € thousands	Assets carried at fair value through profit or loss	Other available-for-sale financial assets	Cash flow hedges	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2016							
Cash	15,993					15,993	15,993
Marketable securities	222,547					222,547	222,547
Trade receivables				453,120		453,120	453,120
Other receivables				221,070		221,070	221,070
Other short-term financial assets				246		246	246
Other long-term financial assets		1,933		16,580		18,513	18,513
Long-term financial liabilities					(1,391,164)	(1,391,164)	(1,391,164)
Short-term financial liabilities					(490,153)	(490,153)	(490,153)
Other non-current liabilities					(1,490,952)	(1,490,952)	(1,490,952)
Other current liabilities					(1,804,973)	(1,804,973)	(1,804,973)
TOTAL	**238,540**	**1,933**	**0**	**691,016**	**(5,177,242)**	**(4,245,753)**	**(4,245,753)**

Derivative instruments are measured at fair value, with the fair value measurements categorized in Level 2 of the fair value hierarchy defined in IFRS 13.

Cash and marketable securities are measured at fair value, with the fair value measurements categorized in Level 1 of the fair value hierarchy defined in IFRS 13.

The main components of each financial instrument category and the applicable measurement methods are as follows:

- assets carried at fair value through profit or loss correspond to cash and cash equivalents and are measured by reference to a quoted market price in an active market where such a market exists;
- loans and receivables primarily comprise trade receivables and a number of other short-term receivables;
- liabilities carried at amortized cost – calculated using the effective interest method – essentially correspond to borrowings, trade payables and other short- and long-term payables;

- derivative instruments are carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is applied.

The fair value of financial assets and liabilities is primarily determined as follows:

- the fair value of (i) trade receivables and payables; and (ii) other short-term receivables and payables, corresponds to their carrying amount in view of their very short maturities;
- the fair value of bonds is estimated at each balance sheet date;
- the fair value of liabilities related to finance leases corresponds to their carrying amount in view of their differing forms and maturities.

NOTE 33 FINANCIAL RISK MANAGEMENT

Market risks

Foreign exchange risk

The Group's functional currency is the euro. However, it purchases certain goods and services outside the eurozone and is therefore exposed to foreign exchange risk, mainly in relation to the US dollar.

Detailed forecasts of the Group's future purchases denominated in US dollars are drawn up as part of the budget process. These transactions are regularly hedged over a maximum period of one and a half years.

The Group has chosen to hedge its exposure to foreign exchange risk through purchases of currency futures and options in order to obtain a guaranteed floor rate.

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was not material in 2017.

At December 31, 2017 all of these currency hedges qualified as cash flow hedges under IAS 39.

Currency hedges had a negative impact of €2,940 thousand on the Group's income statement in 2017 and a negative €852 thousand impact on equity.

Interest rate risk

As part of its interest rate risk management policy and in order to reduce the volatility of its future cash flows relating to interest payments on its borrowings, in prior years the Group set up swaps to convert variable-rate borrowings into fixed-rate borrowings. These swaps expired in the first half of 2016.

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

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.

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, 2017.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Financial liabilities	496,799	1,323,062	845,384	2,665,245
Financial assets	246	29,967	6,885	37,098
Net position before hedging	**496,553**	**1,293,095**	**838,499**	**2,628,147**
Off-balance sheet position	0	0	0	0
Net position after hedging	**496,553**	**1,293,095**	**838,499**	**2,628,147**

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 €2,770 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 26).

Liquidity risk

The Group draws on its solid profitability, available cash, available credit facilities, bond issues, and access to various sources of financing (banks, bond markets and money markets) to ensure that it has the requisite funds to finance its business development.

At December 31, 2017 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 (the EIB loans, KFW IPEX Bank credit facility and the syndicated facilities).

These covenants (which take the form of financial ratios) were as follows at December 31, 2017:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2017
• €1,400 million credit facility (Borrower – Iliad)	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1		Leverage ratio: 1.34
• €500 million term loan (Borrower – Iliad)		Early repayment	
• €150 million EIB loan granted in 2010 (Borrower – Iliad)	Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1		
• €200 million EIB loan granted in 2012 (Borrower – Iliad)			Interest cover ratio: 65.40
• €200 million EIB loan granted in 2016 (Borrower – Iliad)	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1		
• €90 million KFW credit facility granted in 2017 (Borrower – Iliad)			

- the Group's leverage ratio corresponds to the ratio of consolidated Net debt to EBITDA (excluding provisions) for the period;
- the interest cover ratio represents the ratio of consolidated EBITDA (excluding provisions) to net financial expenses for the period.

At December 31, 2017 the Group was not exposed to any liquidity risk in view of the profitability of its operations, the maturity schedule of its debt (see Note 29) and its low leverage.

Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly short-term investments – as well as trade and other receivables (see Note 32, "Financial instruments").

The financial assets that could expose the Group to credit or counterparty risk chiefly correspond to the following:

- trade receivables: at December 31, 2017, trade receivables represented a gross amount of €567 million and a net amount of €492 million (see Note 23, "Trade and other receivables"). The Group's exposure to customer credit risk is monitored daily through cash collection and debt recovery processes. The Group uses the services of specific debt collection agencies to recover any receivables that remain unpaid after the reminder process;
- short-term investments: the Group's policy is to invest in (i) money-market securities (commercial paper with maturities of less than three months), or (ii) certificates of deposit with maturities of less than three months, or (iii) other monetary instruments with short-term maturities, generally not exceeding one month. It also takes care to ensure good diversification amongst high quality counterparties.

At December 31, 2017 the Group's short-term investments amounted to €116 million (see Note 24, "Cash and cash equivalents"). As a result of the policy described above, these investments do not expose the Group to a significant level of counterparty risk.

Analysis of trade receivables

At December 31, 2017 trade receivables totaled €567 million and provisions for doubtful receivables amounted to €75 million.

At the same date, substantially all past-due receivables were classified as doubtful and provisions had been recorded based on statistical recovery rates. The amount of past-due trade receivables that had not been written down at the year-end was not material.

Concentration risk

The Group is not exposed to any concentration risk in view of its high number of customers (subscribers).

NOTE 34 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

34.1 Lease commitments

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

In € millions	2017	2016
• Minimum lease payments	173	134
• Contingent lease payments	0	0
• Sub-leases	0	0
TOTAL	**173**	**134**

The table below analyzes the Group's lease commitments at December 31, 2017 by type of leased asset and maturity.

Type of leased asset *(In € millions)*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Real estate	26	55	24	105
Vehicles	9	6	0	15
Other	133	509	154	796
TOTAL	**168**	**570**	**178**	**916**

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

34.2 Network-related commitments

Network investments

At December 31, 2017 the Group had €186.3 million worth of commitments related to future network investments.

Capacity purchases

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

34.3 Other commitments

34.3.1 Commitments related to telecom licenses

France

On January 14, 2018, the Group (through its Free Mobile subsidiary), 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 up 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.

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 and 75% by 2023.

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 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 Caraibe the license for the spectrum initially allocated to Free Mobile.

Wimax license

In a decision dated December 9, 2003 (no. 031294), ARCEP granted IFW the right to use across Metropolitan France a block of frequencies in the 3.5 GHz band of the wireless local loop. In connection with this decision, IFW committed to guarantee a minimum population coverage rate – which varied depending on the region concerned – by December 31, 2011.

Italy

The decision issued on November 4, 2016 by the Italian Ministry of Economic Development (MiSE) approving the transfer of the licenses to use a portfolio of 35 MHz (duplex) frequencies (see Note 17, "Intangible Assets") to Iliad Italia (an Iliad Group subsidiary) contained a number of coverage obligations, whereby Iliad Italia must:

- be ready to market mobile services in the 1,800 MHz band by January 2020.
- provide 2,100 MHz (or 900 MHz) coverage to the main towns and cities of Italy's regions by July 1, 2022 and those of the provinces by January 1, 2025.
- provide 2,600 MHz coverage to 20% of the Italian population 24 months after the 2,600 MHz frequencies become available (i.e., by end-June 2019) and to 40% of the population 48 months after these frequencies become available (i.e., by end-June 2021).

34.3.2 Other commitments

At December 31, 2017 the Group had access to:

- A €1,400 million credit facility, none of which had been drawn down.
- A €1 billion commercial paper program, of which €405 million had been used.
- Three loans granted by the EIB representing an aggregate amount of €450 million, which had been fully drawn down.
- A €500 million term loan, which had been fully drawn down.
- A €90 million bilateral credit facility, none of which had been drawn down.

At the same date:

- other commitments given by the Group amounted to €22.3 million.
- other commitments received by the Group totaled €3 million.

Lastly, on December 20, 2017, the Group announced the acquisition of a minority stake in eir. The completion of this transaction is subject to clearance from the relevant authorities. The Group's potential commitments, in the event that clearance is obtained, are set out in Note 2.

Collateralized debt

None of the assets belonging to the Group have been used as collateral for any debt.

Accrued discounted trade notes

The Group does not use this type of financing.

34.4 Claims and litigation

The main legal proceedings currently affecting the Group are as follows:

Disputes with SFR

- On May 27, 2014, SFR filed an application with the Paris Commercial Court seeking €493.2 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses (including damage to brand image) that the plaintiff had allegedly suffered as a result of defamatory actions constituting unfair competition. Free Mobile, Free and Iliad contested SFR's position in this case and filed a counterclaim for defamatory actions constituting unfair competition, seeking €475 million in damages for Free Mobile and €88 million for Free. By way of a ruling dated January 29, 2018, after offsetting the claims and counter claims, the Paris Commercial Court ordered SFR to pay €5 million in compensation to Free Mobile.
- On July 31, 2015, Free applied to the Paris Commercial Court for an injunction ordering Numericable-SFR to cease using the term "Fiber" when referring to access that end-connects subscribers by cable. Free claimed that this constituted unfair competition and parasitic business practice and also sued for damages for its related loss. The Court held that SFR and NC Numéricâble had engaged in misleading commercial practices in their use of the term "fiber" for the Red Fibre, Box Fibre Starter, Box Fibre Power and Box Fibre Family offerings due to the fact that the end-connection to subscribers is by cable. Consequently the court issued injunctions against SFR and NC Numéricâble (on a joint and several basis) in relation to a number of the claims against them.

Disputes with Bouygues Telecom

- In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom's position in this case, which it does not consider to be founded. Bouygues Telecom has estimated its alleged losses in relation to the case at €813 million. Proceedings are still ongoing.
- On November 10, 2015, Free filed an application with the Paris Commercial Court for (i) an injunction ordering Bouygues Telecom to cease practices related to its marketing that constitute unfair competition and defamation, and (ii) damages for Free's related loss, which it is in the process of valuing. Proceedings are still ongoing.

Fastweb dispute

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

NOTE 35 EVENTS AFTER THE REPORTING DATE

On January 14, 2018, the Group (via its subsidiary Free Mobile), together with the other mobile network operators in France, signed an agreement with the French government aimed at improving ultra-fast mobile network coverage in France. The content of this agreement is described in Note 34 above.

On January 29, 2018, in connection with the dispute between the Group and SFR described in Note 34 above, the Paris Commercial Court issued a first-instance decision ordering SFR to pay €5 million in compensation to Free Mobile.

No other significant events that could have a material impact on the financial statements for the year ended December 31, 2017 occurred between January 1, 2018 and the date the financial statements were approved for issue.

NOTE 36 LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2017

The following table includes the Group's main legal holdings.

	Registration number	Head office	Percentage ownership at Dec. 31, 2017	Percentage ownership at Dec. 31, 2016	Consolidation method in 2017
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 8 rue de la Ville l'Évêque 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
Free 8 rue de la Ville l'Évêque 75008 Paris	421 938 861	Paris	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 8 rue de la Ville l'Évêque 75008 Paris	808 537 641	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
Free Fréquences 16 rue de la Ville l'Évêque 75008 Paris	529 917 833	Paris	99.81%	99.79%	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	96.15%	95.72%	Full
Free Réseau 16 rue de la Ville l'Évêque 75008 Paris	419 392 931	Paris	99.99%	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 2 16 rue de la Ville l'Évêque 75008 Paris	537 915 050	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

	Registration number	Head office	Percentage ownership at Dec. 31, 2017	Percentage ownership at Dec. 31, 2016	Consolidation method in 2017
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%	/	Full
Iliad 7 16 rue de la Ville l'Évêque 75008 Paris	834 309 676	Paris	100.00%	/	Full
Iliad 78 16 rue de la Ville l'Évêque 75008 Paris	834 315 673	Paris	70.00%	/	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
Fiber Inc. 1209 Orange Street, Wilmington New Castle County, 19801 Delaware – United States	/	Wilmington	100.00%	/	Full
Immobilière Iliad 16 rue de la Ville l'Évêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	Full
IRE 16 rue de la Ville l'Évêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	Full
MCRA 8 rue de la Ville l'Évêque 75008 Paris	532 822 475	Paris	100.00%	100.00%	Full
Mobipel 142-160 avenue de Stalingrad 92700 Colombes	538 168 675	Colombes	100.00%	100.00%	Full
Online 8 rue de la Ville l'Évêque 75008 Paris	433 115 904	Paris	95.05%	95.05%	Full
Online Immobilier 16 rue de la Ville l'Évêque 75008 Paris	537 915 019	Paris	95.05%	95.05%	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
SEPIA 12 rue Henri Cornu – Technopole de la Réunion 97801 Saint Denis Cedex 9	Registration no. in progress	Saint Denis	50.00%	/	Equity

	Registration number	Head office	Percentage ownership at Dec. 31, 2017	Percentage ownership at Dec. 31, 2016	Consolidation method in 2017
Resolution Call 7 Bld Mohamed V 20800 Mohammedia - Morocco	/	Morocco	100.00%	100.00%	Full
Total Call Technoparc – Route de Nouceur Sidi Maar Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full
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

NOTE 37 AUDIT FEES

The following table shows the fees paid to the Statutory Auditors in 2016 and 2017:

	PricewaterhouseCoopers		Deloitte & Associés		Total	
In € thousands	2017	2016	2017	2016	2017	2016
Statutory and contractual audits	354	320	256	253	610	573
Other services	193	48	48	0	241	48
TOTAL FEES	547	368	304	253	851	621

Services other than audit work provided during the year mainly concern:

- verifying the environmental, labor and social information presented in Iliad's management report;
- work relating to comfort letters for the October 2017 bond issue;
- reviewing anti-corruption measures (Sapin 2 Act);
- various statements.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

Iliad

16, rue de la Ville-l'Évêque

75008 Paris

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,

I. 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, 2017.

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 as at December 31, 2017 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.

II. 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, 2017 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.

III. 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 of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenues from subscribers

Description of risk

Iliad offers various telecommunications solutions, chiefly on the French market, with two business lines: landline and mobile. The landline business 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 mostly comprises two offerings/packages including telephone and Internet access. Iliad also sells or rents 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.);
- developed its own systems for billing these different services.

Using data drawn from these different information systems, revenues are recognized based on the specific features of each type of business and service in line with the accounting methods described in Notes 1.4 and 3 to the consolidated financial statements.

We deemed the recognition of revenues from the landline and mobile businesses to be a key audit matter insofar as it relies on complex information systems, developed in-house, that handle a large volume of data.

How our audit addressed this risk

We gained an understanding of the processes and internal control systems implemented by Iliad to identify and measure services provided to subscribers, as well as for billing and recognizing the related revenues.

With the guidance of our information systems specialists, we assessed the design and robustness of the main IT controls set up within the operational information and billing systems to verify the completeness and accuracy of the billing and accounting processes relating to these services.

We used sampling techniques to reconcile the data generated by the operational information and billing systems with the revenues recognized by Iliad.

We also performed tests on any manual or partially manual accounting entries that impact revenues, in particular with respect to mobile phone rentals, to verify that these entries are fully documented and substantiated in accordance with IFRS.

We also assessed the appropriateness of disclosures provided in Notes 1, 3 and 4 to the consolidated financial statements.

Measurement of provisions for claims and litigation

Description of risk

In the normal course of its business, Iliad is involved in a number of disputes, antitrust proceedings, legal proceedings and investigations involving third parties or legal or administrative authorities either before courts or regulators.

The most significant disputes liable to have a material impact on Iliad's consolidated financial statements are described in Note 34 and have been recognized in liabilities for an amount of €43.5 million, as set out in Note 28 (provisions for claims and litigation at December 31, 2017), or in contingent liabilities.

We deemed this risk to be a key audit matter in view of the amounts at stake and the level of judgment required to determine provisions for claims and litigation in a constantly changing regulatory environment.

How our audit addressed this risk

We assessed the bases used to determine these provisions.

Our work mainly consisted in:

- assessing the analysis of risks performed by Iliad, based in particular on interviews with the legal and financial departments, examining the related documentation, and carrying out a critical assessment of any written consultations provided by external advisors;
- requesting confirmations from Iliad's external legal counsel with a view to obtaining information on ongoing disputes;
- assessing the reasonableness of the assumptions used by Iliad to estimate the amounts of these provisions;
- assessing the appropriateness of disclosures provided in Notes 1, 28 and 34 to the consolidated financial statements.

Valuation of certain telecom licenses

Description of risk

In the course of its business as a telecom operator in France and in Italy, Iliad constructs and maintains telecom networks requiring the use of frequencies licensed to it by national governments. At December 31, 2017, these frequencies were recorded as licenses in the consolidated balance sheet for a net amount of approximately €2.3 billion, as disclosed in Note 17. Iliad has exclusive renewal rights for certain licenses in Italy (for the period 2021-2029), although the related financial conditions are not necessarily known in advance.

Similarly, certain licenses have been granted (and used) in France even though the related financial commitments were not known at the outset.

Management is therefore required to estimate the initial cost of certain licenses in the consolidated balance sheet.

In view of the high level of judgment required to estimate the value of certain licenses, we deemed this risk to be a key audit matter.

How our audit addressed this risk

We assessed the reliability of the methods used by Iliad to measure the initial cost of licenses, which requires a significant degree of estimation.

Our work mainly consisted in:

- assessing the reasonableness of the estimated future disbursements for the December 2021 – December 2029 period for renewable rights to certain Italian licenses;
- comparing the amount recognized at December 31, 2017 for the valuation of certain French licenses with the terms of the agreement signed with the French government described in Note 34 to the consolidated financial statements, and ensuring that the correct accounting treatment was applied.

We also assessed the appropriateness of the disclosures provided in Notes 17 and 34-3 to the consolidated financial statements.

Recognition and depreciation of telecom network equipment

Description of risk

In the course of its business as a telecom operator in France and in Italy, Iliad constructs and maintains telecom networks that require substantial investments in the latest-generation equipment (including 4G, FTTH, and Freeboxes). These assets, which amounted to approximately €3.3 billion (net) at December 31, 2017 (Note 19), are depreciated as follows:

- from the date they are placed in service,
- on a straight-line basis over their estimated useful lives, as explained in Note 1 to the consolidated financial statements.

In view of the materiality of this item in the Group's financial statements, the intense pace at which telecom networks are being deployed and the difficulty in tracking this deployment, we deemed the measurement of the initial cost, depreciation start dates and useful lives of these assets to be a key audit matter.

How our audit addressed this risk

We assessed the reliability of the methods used by Iliad to determine the initial cost of equipment, the depreciation start date and the assets' useful lives, as well as the related management approval procedures.

Our work mainly consisted in:

- assessing the processes used by Iliad or by subcontractors to monitor the deployment of these networks;
- testing that the procedures implemented for determining service (and therefore depreciation) start dates for telecom equipment were correctly applied;
- comparing the estimated useful lives of the assets with telecom industry practices.

We also assessed the appropriateness of the disclosures provided in Notes 1 and 19 to the consolidated financial statements.

IV. Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

V. 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, 2017, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth year and the third year of total uninterrupted engagement and the fourteenth year and the third year since the securities of the Group were admitted to trading on a regulated market, respectively.

VI. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting 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 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.

VII. 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 of users taken 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 management of the Company.

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 of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 internal control 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 direction, 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 of most significance in 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, March 13, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Xavier Cauchois *Partner*	François Buzy - Jean-Paul Séguret *Partners*

20.2 PARENT COMPANY FINANCIAL STATEMENTS FOR 2017

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BALANCE SHEET – ASSETS

In € thousands	Gross	Depr., amort. and provisions	Net at Dec. 31, 2017	Net at Dec. 31, 2016
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	1,515	952	563	187
PROPERTY, PLANT AND EQUIPMENT				
Land	66	0	66	66
Buildings	200	200	0	0
Fixtures and fittings	7,507	4,169	3,338	3,551
Technical equipment	388	245	143	90
Computer equipment	1,081	826	255	156
Furniture	1,476	1,327	149	213
Assets under construction	0	0	0	0
Advances and prepayments	0	0	0	0
LONG-TERM INVESTMENTS				
Investments in subsidiaries and affiliates	1,735,626	116,412	1,619,214	1,233,378
Loans and advances to subsidiaries and affiliates	3,936,666	5,605	3,931,061	3,183,582
Other investment securities	1,500	0	1,500	1,500
Other loans	0	0	0	0
Other long-term investments	4,023	0	4,023	3,853
TOTAL FIXED ASSETS	**5,690,048**	**129,736**	**5,560,312**	**4,426,576**
Inventories	0	0	0	0
Advances and prepayments on orders	0	0	0	0
Trade receivables	26,671	485	26,186	14,317
Receivables from suppliers	56	0	56	25
Employee-related receivables	463	0	463	715
Recoverable corporate income tax	0	0	0	14,338
Recoverable sales taxes	2,278	0	2,278	3,168
Other receivables	294,695	0	294,695	203,947
Other advances and prepayments made	0	0	0	0
Marketable securities	138,436	61	138,375	241,677
Treasury instruments	4,491	0	4,491	0
Cash at bank and in hand	61,113	0	61,113	6,744
Prepaid expenses	10,928	0	10,928	7,260
TOTAL CURRENT ASSETS	**539,131**	**546**	**538,585**	**492,191**
ACCRUALS				
Deferred charges	17,249	0	17,249	16,657
Conversion losses	0	0	0	0
TOTAL ASSETS	**6,246,428**	**130,282**	**6,116,146**	**4,935,424**

BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	At December 31, 2017	At December 31, 2016
Share capital	13,082	13,038
Additional paid-in capital	432,685	418,381
Legal reserve	1,317	1,309
Regulated reserves	0	0
Other reserves	111,788	111,788
Retained earnings	2,425,828	2,099,586
Interim dividends	0	0
Profit for the year	328,948	352,160
TOTAL EQUITY	**3,313,648**	**2,996,262**
QUASI-EQUITY	**0**	**0**
Provisions for contingencies	273	273
Provisions for charges	0	0
TOTAL PROVISIONS	**273**	**273**
Convertible bonds	0	0
Ordinary bonds	1,303,121	650,984
Bank borrowings	1,334,992	1,187,994
Bank overdrafts	0	1,695
Other borrowings	1	0
Current accounts with subsidiaries	95,670	32,616
Advances and prepayments received	0	0
Trade payables	24,946	25,212
Employee-related payables	720	426
Accrued payroll and other employee-related taxes	689	467
Accrued corporate income tax	4,845	0
Accrued sales taxes	4,395	6,248
Other accrued taxes	389	341
Amounts due on fixed assets	82	81
Other payables	32,375	32,825
Deferred income	0	0
TOTAL ACCRUALS AND OTHER LIABILITIES	**2,802,225**	**1,938,889**
TOTAL EQUITY AND LIABILITIES	**6,116,146**	**4,935,424**

INCOME STATEMENT

In € thousands	2017	2016
Rebillings	153,161	129,647
Sales of services in France	26,043	27,787
TOTAL REVENUES	**179,204**	**157,434**
Operating grants	0	0
Reversals of depreciation, amortization and provisions, expense transfers	48	55
Other income	65	19
TOTAL OPERATING INCOME	**179,317**	**157,508**
Rebilled purchases	160,205	137,511
Other purchases and external charges	24,650	25,831
Taxes other than on income	617	751
Wages and salaries	5,932	5,655
Payroll taxes	2,662	1,719
Depreciation and amortization of fixed assets	4,027	4,282
Additions to provisions for impairment of current assets	78	67
Additions to provisions for contingencies and charges	0	0
Other expenses	480	655
TOTAL OPERATING EXPENSES	**198,651**	**176,471**
NET OPERATING EXPENSE	**(19,334)**	**(18,963)**
Interest and other financial income	411,232	407,313
Reversals of provisions	1,797	18,460
Foreign exchange gains	0	1
Net gains on disposals of marketable securities	1,606	1,445
TOTAL FINANCIAL INCOME	**414,635**	**427,219**
Interest and other financial expenses	31,615	41,589
Additions to provisions	2,743	18,806
Foreign exchange losses	213	0
Net losses on disposals of marketable securities	1,520	2,044
TOTAL FINANCIAL EXPENSES	**36,091**	**62,439**
NET FINANCIAL INCOME	**378,544**	**364,780**
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	**359,210**	**345,817**
Exceptional income from operating transactions	0	0
Exceptional income from capital transactions	0	5
Reversals of provisions	0	0
TOTAL EXCEPTIONAL INCOME	**0**	**5**
Exceptional expense on operating transactions	0	0
Exceptional expense on capital transactions	1,753	1
Exceptional depreciation, amortization and provision expense	0	0
TOTAL EXCEPTIONAL EXPENSES	**1,753**	**1**
NET EXCEPTIONAL INCOME/(EXPENSE)	**(1,753)**	**4**
Employee profit-sharing	4	0
Corporate income tax	28,505	(6,339)
TOTAL INCOME	**593,952**	**584,732**
TOTAL EXPENSES	**265,004**	**232,572**
PROFIT FOR THE YEAR	**328,948**	**352,160**

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, 2015	**12,999**	**405,848**	**1,901,788**	**334,957**	**2,655,592**
Movements in 2016					
• Capital increase	39	12,533			12,572
• Appropriation of 2015 profit			334,957	(334,957)	0
• Dividends paid			(24,062)		(24,062)
• Profit for the year				352,160	352,160
• Other movements					
EQUITY AT DECEMBER 31, 2016	**13,038**	**418,381**	**2,212,683**	**352,160**	**2,996,262**
Movements in 2017					
• Capital increase	44	14,304			14,348
• Appropriation of 2016 profit			352,160	(352,160)	0
• Dividends paid			(25,910)		(25,910)
• Profit for the year				328,948	328,948
• Other movements					
EQUITY AT DECEMBER 31, 2017	**13,082**	**432,685**	**2,538,933**	**328,948**	**3,313,648**

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, 2017***
- Accounting period: ***12 months***
- Previous accounting period: ***12 months***
- Total assets at December 31, 2017: €6,116,146 thousand
- 2017 revenues: €179,204 thousand
- Number of employees at December 31, 2017: ***133***

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.

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

1.1 General accounting principles

The financial statements have been prepared on a going concern basis, in accordance with French law and generally accepted accounting principles in France – including the principle of segregation of accounting periods – applied consistently from one accounting period to the next.

1.2 Changes in accounting method

Regulation ANC 2015-05 dated July 2, 2015 concerning derivative financial instruments and hedging transactions, which is applicable as from January 1, 2017, modifies and expands earlier regulations concerning the French General Chart of Accounts by introducing specific rules on financial instruments. Application of these rules constitutes a change of method.

Under the new regulation, hedge accounting principles are applied to currency hedging positions managed on a centralized basis. Unhedged positions are accounted for as isolated open positions and a provision is recorded for any unrealized losses. The regulation also specifies the

accounting treatment of option premiums and premiums/discounts on forward foreign exchange transactions, which are recognized:

- over the life of the hedge, or
- in profit or loss at the same time as the gain or loss on the hedged transactions or as a component of the initial value of the hedged item; in the case of premiums/discounts on forward foreign exchange transactions, this accounting treatment is allowed only if the hedging relationship has the effect of substantially eliminating the risk (matching currencies, matching cash flows, etc.).

The Company has chosen the first option.

Gains and losses on hedging instruments are reported under the same caption as the loss or gain on the hedged item.

1.3 Exceptions

No exceptions to French generally accepted accounting principles were applied in the preparation of these financial statements.

1.4 Summary of significant accounting policies

The main accounting policies applied by the Company are described below.

1.4.1 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

1.4.2 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 fair value falls below their carrying amount on an other-than-temporary basis. Fair value is determined based on the net assets of the company concerned and its projected future earnings.

1.4.3 Receivables

Receivables are stated at nominal value.

A provision for impairment is recorded when the fair value of a receivable – determined based on the risk of non-recovery – is lower than its carrying amount.

1.4.4 Marketable securities

Marketable securities are stated at their transfer value or acquisition cost and are written down to their net realizable value where necessary.

1.4.5 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.

1.4.6 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.

1.4.7 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.

1.4.8 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.

NOTE 2 NOTES TO THE BALANCE SHEET AT DECEMBER 31, 2017

2.1 Intangible assets

2.1.1 Movements in 2017

Movements in intangible assets in 2017 can be analyzed as follows:

In € thousands	At January 1, 2017	Acquisitions	Transfers	Disposals	At December 31, 2017
Software	923	77	0	0	1,000
Trademarks	96	11	0	0	107
Assets in progress	4	408	0	0	408
TOTAL	**1,023**	**492**	**0**	**0**	**1,515**

2.1.2 Trademarks

The Company has registered several trademarks related to its corporate name and businesses.

2.2 Property, plant and equipment

2.2.1 Movements in 2017

Movements in property, plant and equipment in 2017 can be analyzed as follows:

In € thousands	At January 1, 2017	Acquisitions	Disposals	At December 31, 2017
Land	66	0	0	66
Buildings	200	0	0	200
Fixtures and fittings	7,198	309	0	7,507
Technical equipment	277	111	0	388
Computer equipment	902	179	0	1,081
Furniture	1,446	30	0	1,476
Assets under construction	0	0	0	0
TOTAL	**10,089**	**629**	**0**	**10,718**

2.2.2 Analysis of property, plant and equipment

- **Land and buildings**

The Company owns a building at Rue de Crimée in Paris.

- **Fixtures and fittings and technical equipment**

These items primarily concern buildings located in the eighth *arrondissement* of Paris that house the head office of the Company and several subsidiaries.

- **Computer equipment**

This item corresponds to purchased computer equipment.

2.3 Long-term investments

2.3.1 Movements in 2017

In € thousands	At January 1, 2017	Acquisitions	Disposals	At December 31, 2017
Investments in subsidiaries and affiliates	1,347,302	388,324	0	1,735,626
Loans and advances to subsidiaries and affiliates	3,189,036	757,270	9,640	3,936,666
Other investment securities	3,253	0	1,753	1,500
Guarantee deposits	3,853	292	122	4,023
TOTAL	**4,543,444**	**1,145886**	**11,515**	**5,677,815**

2.3.2 Investments in subsidiaries and affiliates

The main movements in this item during the year reflect the following:

- the purchase of Free Mobile shares from minority shareholders;
- the purchase of shares issued by Iliad 4 as part of a capital increase carried out on June 28, 2017;
- the purchase of shares issued by Iliad Holding Spa as part of a capital increase carried out on January 19, 2017;
- the acquisition of the entire capital of Fiber Inc., a US company formed on July 26, 2017;
- the acquisition of the entire capital of Iliad 6 and Iliad 7, which were formed in December 2017;
- the acquisition of a 70% stake in Iliad 78, which was formed in December 2017; and
- the acquisition of a 50% stake in Sepia, which was formed in November 2017.

On December 20, 2017 the Group announced its acquisition, for around €320 million, of a 31.6% minority interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company). The existing shareholders of eir – Anchorage Capital Group, L.L.C. and Davidson Kempner Capital Management LP – have retained an interest in the Company, through a 35.5% equity stake and a non-recourse loan instrument.

Iliad's minority stake in eir forms the basis of a strategic partnership with a leading telecom operator, with a possibility of ultimately taking over control of the Company thanks to a call option granted by NJJ. This call option is exercisable in 2024 and would enable Iliad to acquire 80% of NJJ's stake in eir (i.e., 26.3% of eir's capital) at a 12.5% discount to fair market value, as determined by an independent valuation expert, and with a floor calculated based on an annual yield of 2%.

In the medium term, through this investment Iliad expects to benefit from a dividend stream and a double-digit return on equity. Over the medium/long-term, Iliad has the possibility of ultimately taking control of a strategic asset thanks to the call option on 26.3% of eir's capital granted by NJJ and exercisable in 2024.

This minority investment in eir will be accounted for under the equity method.

The completion of the transaction, which is scheduled for the first half of 2018, is subject to clearance from the relevant authorities.

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 the investments in optical fiber made by Free Infrastructure, Immobilière Iliad and IRE and for Free Mobile's investments in the Mobile business.

2.3.4 List of subsidiaries and affiliates

See table below.

In thousands of €/MAD[1]	Share capital	Retained earnings and reserves	% ownership	2017 profit/(loss)	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Commitments given	2017 revenues	Dividends received during the year
Assunet S.A.S. Registration no.: 421 259 797	38	37	89.96	989	34	34	0	/	2,141	738
F Distribution S.A.S. Registration no.: 528 815 376	1,000	1,140	100	(1,064)	11,000	11,000	24,326	/	24,238	0
Fiber Inc. (USA)	17,122	0	100	0	17,122	17,122	0	/	0	0
Free S.A.S. Registration no.: 421 938 861	3,442	610,115	100	302,431	496,836	496,836	671,972	/	2,892,782	344,181
Freebox S.A.S. Registration no.: 433 910 619	50	3,647	97.99	6,079	5,190	5,190	57,249	18,700	309,084	2,940
Free Caraïbes S.A.S. Registration no.: 808 537 641	2	(4)	100	(7)	2	2	11	/	0	0
Free Carrier S.A.S. Registration no.: 790 148 944	10	(17)	100	(2)	11	11	7	/	0	0
Free Fréquences S.A.S. Registration no.: 529 917 833	5,000	292	99.81	0	4,750	4,750	0	/	0	0
Free Infrastructure S.A.S. Registration no.: 488 095 803	1,000	(3,255)	100	(37,141)	289,124	289,124	1,144,716	3,000	92,287	0
Free Mobile S.A.S. Registration no.: 499 247 138	365,139	(142,170)	96.15	199,959	391,768	391,768	1,761,782	/	2,358,630	0
Free Réseau S.A.S. Registration no.: 419 392 931	2,511	(2,620)	99.99	(7,847)	0	0	28,451	/	82,073	0
Free R&D S.A.S. Registration no.: 537 915 050	10	(6)	100	(1)	12	12	0	/	0	0
IFW S.A.S. Registration no.: 400 089 942	2,000	211	100	2,096	71,950	1,084	0	/	4,276	1,400
IH S.A.S. Registration no.: 441 532 173	39	4	100	129	39	39	0	/	1,084	109
Iliad 4 S.A.S. Registration no.: 799 285 820	10	1	100	(2)	15	15	0	/	0	0
Iliad 6 S.A.S. Registration no.: 834 309 486	10	0	100	(2)	10	10	0	/	0	0
Iliad 7 S.A.S. Registration no.: 834 309 676	10	0	100	(2)	10	10	0	/	0	0
Iliad 78 S.A.S. Registration no.: 834 315 673	125	0	70	(10)	88	88	0	/	0	0
Iliad Gaming S.A.S. Registration no.: 522 418 250	1,000	(6,391)	100	(138)	1,000	0	5,605	/	0	0
Iliad Holding S.p.A.	350,000	1	100	(122)	350,035	350,035	45,861	/	0	0
Immobilière Iliad EURL Registration no.: 501 194 419	1,000	1,985	100	(12)	47,456	3,208	12,260	/	3,232	0
IRE S.A.S. Registration no.: 489 741 645	1,000	(2,465)	100	(2,344)	26,321	26,321	42,202	/	11,056	0
MCRA S.A.S. Registration no.: 532 822 475	4,268	739	100	2,162	7,695	7,695	0	/	7,620	2,700

In thousands of €/MAD[1]	Share capital	Retained earnings and reserves	% ownership	2017 profit/(loss)	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Commitments given	2017 revenues	Dividends received during the year
Online S.A.S. Registration no.: 433 115 904	214	5,614	95.05	3,340	340	340	94,645	/	60,106	0
Protelco S.A.S. Registration no.: 509 760 948	37	4,771	100	2,315	37	37	0	/	54,069	4,000
Resolution Call[1]	MAD 100	MAD (5,056)	100	MAD (6,106)	10	10	2,748	600	MAD 81,881	0
SNDM EURL Registration no.: 342 823 341	2	10	100	0	297	0	0	/	0	0
Sepia S.A.S.	100	0	50	0	50	50	0	/	0	0
Telecom Academy "Privé"[1]	MAD 100	MAD 1,169	100	MAD 679	10	10	412	/	MAD 21,975	0
Télécom Réunion Mayotte	28,010	730	50	1,349	14,000	14,000	0	/	780	0
Total Call[1]	MAD 4,600	MAD 35,503	100	MAD (23,300)	414	414	4,456	/	MAD 224,750	0

(1) MAD: Moroccan dirhams.

2.3.5 Related-party transactions

In € thousands	Debit balances	Credit balances
Loans and advances to subsidiaries and affiliates	3,936,666	
Trade receivables	26,217	
Deposits received for business premises	0	
Miscellaneous borrowings		95,667
Trade payables		384
Other receivables/payables		32,024
Financial expenses	89	
Financial income		410,206

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, 2017	Increases (additions for the year)	Decreases (depreciation and amortization written off on divested assets)	Depreciation and amortization at December 31, 2017
Intangible assets				
SUB-TOTAL	**836**	**116**	**0**	**952**
Buildings	200	0	0	200
Other property, plant and equipment:				
• Technical equipment	187	58	0	245
• Fixtures and fittings	3,647	522	0	4,169
• Furniture, office and computer equipment	1,979	174	0	2,153
Property, plant and equipment				
SUB-TOTAL II	**6,013**	**754**	**0**	**6,767**
TOTAL I+II	**6,849**	**870**	**0**	**7,719**

2.5 Other assets

2.5.1 Analysis of receivables by maturity

At December 31, 2017 *In € thousands*	Gross amount	Due within 1 year	Due beyond 1 year
Fixed assets			
• Loans and advances to subsidiaries and affiliates	3,936,666	3,936,666	0
• Other loans	0	0	0
• Other long-term investments	4,023	0	4,023
Current assets			
• Advances and prepayments on orders	0	0	0
• Trade receivables	26,217	26,217	0
• Doubtful and disputed receivables	454	454	0
• Recoverable payroll and other employee-related taxes	0	0	0
• Employee-related receivables	463	463	0
• Recoverable corporate income tax	0	0	0
• Recoverable VAT	2,278	2,278	0
• Other receivables (including inter-Company current accounts)	294,695	294,695	0
• Prepaid expenses	10,928	331	10,597
TOTAL	**4,275,724**	**4,261,104**	**14,620**

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 2017:

In € thousands	Amount
• Accumulated debt issuance costs at start of the year	27,073
• Prior-period amortization	(10,416)
• Debt issuance costs recognized during the year	3,749
• Amortization charge for the year	(3,157)
NET AT DECEMBER 31, 2017	**17,249**

2.5.3 Marketable securities

Marketable securities break down as follows:

	At December 31, 2017		At December 31, 2016	
In € thousands	Carrying amount	Fair value	Carrying amount	Fair value
Certificates of deposit				
Net value	**15,000**	**15,000**	**30,000**	**30,000**
Mutual funds (UCITs)				
Net value	**101,020**	**101,020**	**192,547**	**192,547**
Own shares				
Net value	**22,355**	**22,355**	**19,130**	**19,130**
Treasury instruments				
Net value	**4,491**	**4,491**	**0**	**0**
TOTAL, NET	**142,866**	**142,866**	**241,677**	**241,677**

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).

2.6 Share capital and changes in share capital

2.6.1 Share capital

At December 31, 2017 the Company's share capital amounted to €13,082 thousand (compared with €13,038 thousand at December 31, 2016), divided into 59,032,661 fully paid-up shares.

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.

2.6.3 Changes in share capital

Capital increase following exercise of stock options

The stock options granted by the Group on June 14, 2007 and August 30, 2007 have been exercisable since June 14, 2012 and August 30, 2012 respectively. The stock options granted on November 5, 2008 have been exercisable since November 5, 2013. The first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014 and the second tranche since August 29, 2015. Lastly, the stock options granted on November 7, 2011 have been exercisable since November 6, 2016.

During 2017, 195,323 options were exercised for the same number of new shares. The Company's share capital therefore increased by €44 thousand to €13,082 thousand at December 31, 2017 from €13,038 thousand one year earlier.

2.6.4 Ownership structure

At December 31, 2017 Iliad's ownership structure was as follows:

Shareholder	Number of shares	%
Senior Management	32,783,528	55.53
Free float	26,249,133	44.47
TOTAL	**59,032,661**	**100.00**

2.6.5 Own shares

At December 31, 2017 Iliad held 123,495 of its own shares purchased under a buyback program. In order to cover part of the dilution related to the exercise of stock options, in late 2016 the Company bought back 85,393 of its own shares at an average price of €178.48 per share. These shares will be canceled in early 2018

2.6.6 Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2015 and prior years, and outstanding at the year-end.

AT DECEMBER 31, 2017

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2017	Number of options granted in 2017	Number of options forfeited in 2017	Number of options exercised in 2017	Number of exercisable options outstanding at Dec. 31, 2017	Number of non-exercisable options outstanding at Dec. 31, 2017
Iliad								
May 29, 2006	June 14, 2007	74.62	125	0	0	125	0	0
May 29, 2006	Aug. 30, 2007	68.17	16,908	0	0	16,908	0	0
May 29, 2008	Nov. 5, 2008	53.79	59,541	0	0	15,642	43,899	0
May 29, 2008	Aug. 30, 2010	67.67	211,505	0	0	80,890	130,615	0
May 24, 2011	Nov. 7, 2011	84.03	305,132	0	0	81,758	223,374	0

AT DECEMBER 31, 2016

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2016	Number of options granted in 2016	Number of options forfeited in 2016	Number of options exercised in 2016	Number of exercisable options outstanding at Dec. 31, 2016	Number of non-exercisable options outstanding at Dec. 31, 2016
Iliad								
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	26,707	0	0	9,799	16,908	0
May 29, 2008	Nov. 5, 2008	53.79	83,787	0	0	24,246	59,541	0
May 29, 2008	Aug. 30, 2010	67.67	296,290	0	0	84,785	211,505	0
May 24, 2011	Nov. 7, 2011	84.03	363,000	0	0	57,868	305,132	0

The exercise terms and conditions applicable to the outstanding stock options are as follows:

Date of plan launch	Exercise terms and conditions
June 14, 2007	Options exercisable since June 14, 2012
August 30, 2007	Options exercisable since August 30, 2012
November 5, 2008	Options exercisable since November 5, 2013
August 30, 2010	30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015
November 7, 2011	Options exercisable since November 6, 2016

Share grant plans

Using the shareholder authorization given at the May 19, 2016 Annual General Meeting to carry out share grants representing up to 0.5% of the Company's capital, in 2017 a share grant plan was set up for 61 Group employees and officers.

The shares granted under the plan will vest in four unequal tranches between 2020 and 2023, subject to performance conditions specific to each tranche and provided that the beneficiary is still with the Group on the vesting date. The tranches, vesting dates and vesting conditions are as follows:

- 40% of the shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017;
- October 30, 2021: 10% of the shares will vest if the EBITDA margin in France for 2020 is greater 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.

The expense recognized in 2017 for this plan amounted to €3,625 thousand.

2.7 Provisions for contingencies and charges

2.7.1 Movements in 2017

Movements in provisions for contingencies and charges in 2017 can be analyzed as follows:

In € thousands	At Jan. 1, 2017	Additions	Reversals (utilizations)	Reversals (surplus provisions)	At Dec. 31, 2017
Provisions for contingencies and charges	273	0	0	0	273
TOTAL	**273**	**0**	**0**	**0**	**273**

2.7.2 Recognition of provisions for contingencies and charges

Provisions for contingencies and charges

The provisions for contingencies and charges set aside at December 31, 2017 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.

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, 2017 *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	1,303,121	3,121	650,000	650,000
• Bank borrowings:				
– due within one year at inception of loan	405,000	405,000	0	0
– due beyond one year at inception of loan	929,992	63,325	666,667	200,000
• Bank overdrafts	0	0	0	0
• Other borrowings	1	1	0	0
• Guarantees and deposits received	0	0	0	0
• Current accounts with subsidiaries	95,670	95,670	0	0
• Advances and prepayments received	0	0	0	0
• Trade payables	24,946	24,946	0	0
• Employee-related payables	720	720	0	0
• Accrued payroll and other employee-related taxes	689	689	0	0
• Other accrued taxes:				
– corporate income tax	4,845	4,845	0	0
– VAT	4,395	4,395	0	0
– other	389	389	0	0
• Amounts due on fixed assets	82	82	0	0
• Other payables	32,375	32,375	0	0
TOTAL	**2,802,225**	**635,558**	**1,316,667**	**850,000**

Bonds

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

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

Other borrowings

Loans granted by the European Investment Bank (EIB)

In 2010, the EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan has a 10 year term and is repayable in installments.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of next-generation landline networks. This loan also has a 10-year term and is repayable in installments.

Both of these loans had been fully drawn down at December 31, 2017. The first, second and third repayment installments of €25 million, €42 million and €58 million were made during 2015, 2016 and 2017 respectively.

On December 8, 2016, the EIB granted Iliad a further €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. This loan had been fully drawn down at December 31, 2017.

A €1,400 million syndicated credit facility

The Group has a €1,400 million syndicated credit facility set up with a pool of 12 international banks. As the second extension option for this facility was exercised in 2017, the facility now matures in 2022.

The applicable interest rate is based on Euribor for the period plus a margin of between 0.35% and 1.10% per year depending on the Group's Leverage ratio.

A €500 million term loan

On January 8, 2016, the Group signed a new syndicated loan agreement with a pool of 11 international banks for an aggregate amount of €500 million.

This loan – which has a five-year term expiring in 2021 – had been fully drawn down at December 31, 2017.

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

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

The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.10% per year depending on the Group's Leverage ratio.

None of this facility had been drawn down at December 31, 2017.

NOTE 3 2017 REVIEW OF OPERATIONS

3.1 Revenues

2017 revenues can be analyzed as follows by segment:

In € thousands	Amount
• Iliad Telecom services	593
• Inter-Company rebillings	178,222
• Other revenues	389
TOTAL	**179,204**

All of the Company's revenues are generated in France.

3.2 Number of employees

At December 31, 2017, Iliad S.A. had 133 employees, breaking down as follows by category:

In € thousands	Men	Women	Total
• Management	29	25	54
• Other	26	53	79
TOTAL	**55**	**78**	**133**

3.3 Net financial income

Net financial income came to €378,544 thousand in 2017, breaking down as follows:

In € thousands	
Net interest on subsidiaries' current accounts	54,049
Interest income from loans and other receivables	12
Income from securities	356,067
Overdraft charges, interest on borrowings and other financial expenses	(30,724)
Net losses on disposals of marketable securities	(274)
Net additions to financial provisions	(946)
Net gains on disposals of own shares	360
	378,544

3.4 Exceptional items

In 2017, exceptional items represented a net expense of €1,753 thousand and corresponded to an asset disposal loss.

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 €*	**2017**	**2016**
• Salaries, commission and other compensation (including lump-sum expense allowances), and paid leave	973,898	942,000
• Directors' fees:		
– Exempt from payroll taxes	191,000	170,667

Management bodies *In €*	**2017**	**2016**
• Salaries, commission and other compensation (including lump-sum expense allowances), and paid leave	189,000	189,000
• Benefits-in-kind	0	0

NOTE 4 FINANCIAL ITEMS

4.1 Finance leases

Iliad S.A. had no outstanding finance leases at December 31, 2017.

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.

4.3 Financial commitments

At December 31, 2017 Iliad S.A. had been granted financial commitments representing €3 million.

Commitments given by Iliad on behalf of Group companies

At December 31, 2017, Iliad S.A. had given the following commitments on behalf of Group companies:

Subsidiary	Amount *(in € thousands)*
Free Infrastructure	3,000
Freebox	18,700
Resolution Call	600

4.3.1 Collateralized debt

None of the property belonging to the Company has been used as collateral for any debt.

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 €1,174 thousand at December 31, 2017. This obligation was not recognized in the 2017 financial statements.

4.5 CICE tax credit

The CICE tax credit due to the Company for the year ended December 31, 2017 amounted to €177 thousand. This tax credit has been recognized as a deduction from payroll costs in accordance with French generally accepted accounting principles.

During 2017, the Company received a payment of €136 thousand as a refund of its 2016 CICE tax credit.

The Company is using the amounts it receives under the CICE tax credit system to help it pursue its strategy of recruiting new talent, developing its employees' skills through training, and building its R&D and innovation capabilities.

NOTE 5 OTHER INFORMATION

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'Évêque, 75008 Paris, France – prepares consolidated financial statements in its capacity as the parent company of the Iliad Group.

5.2 Tax-related information

5.2.1 Tax group

Iliad S.A. has a tax group in place, which at December 31, 2017 included all of its consolidated companies apart from companies (i) that are less than 95%-owned by Iliad, (ii) that were newly formed in 2017, 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 income.

  Iliad S.A. recorded these tax savings on the liabilities side of its balance sheet under "Other payables". They totaled €31,983 thousand at December 31, 2017;
- 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 when a company leaves the tax group.

5.2.2 Deferred taxes

Items subject to adjustments for the purposes of calculating taxable income 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	9
"*Contribution sociale*" surtax	89
Temporary differences related to marketable securities	0
TOTAL	**98**
Total deferred tax assets	**98**
Tax loss carryforwards for the Company	None
Tax group	
Long-term capital losses	None

5.2.3 Corporate income tax relating to exceptional items

Corporate income tax payable for 2017 amounted to €28,505 thousand, breaking down as follows:

- corporate income tax benefit relating to ordinary activities: €29,089 thousand;
- corporate income tax charge relating to exceptional items: €(584) thousand.

5.3 Information on the segregation of accounting periods

5.3.1 Accrued expenses

Accrued expenses included in balance sheet items can be broken down as follows:

Balance sheet item	Amount *(in € thousands)*
Convertible bonds	0
Ordinary bonds	3,121
Bank borrowings	4,992
Other borrowings	0
Trade payables	8,542
Accrued taxes and employee-related payables	1,078
Other payables	0
TOTAL	**17,733**

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	1,412	0
Financial expenses/income	9,516	0
Exceptional expenses/income	0	0
TOTAL	**10,928**	**0**

5.4 Events after the balance sheet date

No significant events that could have a material impact on the financial statements for the year ended December 31, 2017 occurred between January 1, 2018 and the date the financial statements were approved for issue.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

Iliad

16, rue de la Ville-l'Évêque

75008 Paris

To the Shareholders of Iliad,

I. 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, 2017.

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 as at December 31, 2017 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.

II. 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, 2017 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.

III. Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 to the financial statements, which refers to the change in accounting method arising from the first-time application by Iliad of Regulation no. 2015-05 issued by the ANC (the French accounting standards body) on July 2, 2015 on forward financial instruments and hedging operations.

IV. 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 of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

V. Measurement of investments in subsidiaries and affiliates and related loans and advances

Description of risk

At December 31, 2017, the balance of investments in subsidiaries and affiliates and loans and advances to these entities amounted to €1,619 million and €3,931 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 1.4.2 to the financial statements, fair value (equivalent to 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 1.4.3 to the financial statements, receivables are stated at nominal value and a provision for impairment is recorded when their fair value – determined based on the risk of non-recovery – is lower than their carrying amount. 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 these investments and 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 financial statements of the entities concerned. For measurements based on forward-looking information, we obtained analyses from Iliad's management relating to projected future earnings and the strategic nature of these entities. We also assessed the consistency of the assumptions used concerning the economic outlook at year-end and the date of preparation of the financial statements.

Where the values in use of investments in subsidiaries and affiliates were lower than their carrying amount, we verified that a provision for impairment had been recorded for these investments and for any related loans and advances granted.

VI. Verification of the management report and of the other documents provided to the shareholders

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report 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 management report of the Board of Directors and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report

VII. 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, 2017, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth year and the third year of total uninterrupted engagement and the fourteenth year and the third year since the securities of the Company were admitted to trading on a regulated market, respectively.

VIII. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting 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 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.

IX. 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 of users taken 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 management of the company.

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 of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 internal control 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 of most significance in 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, March 13, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Cauchois

Partner

Deloitte & Associés

François Buzy - Jean-Paul Séguret

Partners

20.3 DIVIDEND POLICY

20.3.1 PROVISIONS OF THE BYLAWS RELATED TO DISTRIBUTABLE PROFIT

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. Shareholders at the Annual General Meeting may appropriate all or part of this amount to any discretionary reserves or to retained earnings. They 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.

Shareholders at the Annual General Meeting may decide to offer each shareholder the option of receiving all or part of the final dividend or any interim dividends in the form of shares.

Dividends must be paid no later than nine months following the end of the fiscal year unless an extension is authorized by a court of law.

The total dividend payout must take into account all of the shares making up the Company's capital at the ex-dividend date. If at that date (i) the Company holds any of its own shares or (ii) any shares that should have been issued on the exercise of stock options granted by the Board of Directors have not actually been issued, the amount corresponding to the dividends payable on the shares referred to in (i) and (ii) will be allocated to the "Other reserves" account.

Dividends that have not been claimed within five years are time-barred and are remitted to the French State.

20.3.2 DIVIDENDS PAID IN THE PAST FIVE FISCAL YEARS

The Board of Directors determines the dividend policy based on a review of the Company's earnings and financial position and other factors. At the Annual General Meeting to be held on May 16, 2018, the Board will recommend the payment of a €0.68 dividend per share for all the shares making up the Company's share capital at that date, and carrying rights to the 2017 dividend.

By default, the gross amount of this €0.68 per-share dividend will be subject to the 12.8% flat-rate dividend tax (PFU) applicable in France and will not be eligible for the 40% tax relief provided for in Article 158-3-2° of the French Tax Code. However, individual shareholders who are tax resident in France may expressly and irrevocably opt for all of their investment income to be taxed using the standard progressive income tax scale, in which case the above-mentioned 40% tax relief would apply. In all circumstances, the dividend will be subject to social security contributions at a rate of 17.2%.

The Company expects its dividend policy to be consistent with its expansion strategy in 2018. 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 for the past five fiscal years:

Year	Per-share dividend	Total dividend payout
2012	€0.37	€21,404,748
2013	€0.37	€21,591,098
2014	€0.39	€22,821,951
2015	€0.41	€24,062,093
2016	€0.44	€25,909,763

For individuals domiciled in France for tax purposes, cash dividends were taken into account when calculating personal income tax subject to the progressive tax scale. They were eligible for the tax relief provided for under Article 158.3-2° of the French Tax Code (40% for 2012 to 2016), subject to the applicable conditions and ceilings set down by law and any other specific conditions applicable to each individual shareholder.

From 2013 to 2016, for this category of shareholders the Company withheld at source from the dividend payment the amount required under French law unless the shareholder concerned applied for an exemption from this withholding tax in compliance with Article 242 *quater* of the French Tax Code.

20.4 LITIGATION AND ARBITRATION PROCEEDINGS

Apart from the cases described in Chapter 4 of this Registration Document, there have been no governmental, legal or arbitration proceedings (including pending or threatened proceedings) which may have, or have had during the 12 months preceding the date of this Registration Document, a significant effect on the Company's financial position or profitability.

The aggregate amount of provisions set aside to cover all of the Group's claims and litigation (see Note 34 to the consolidated financial statements in Chapter 20, Section 20.1) corresponds to all of the outflows of resources (excluding any amounts recoverable) that are deemed probable for all types of claims and litigation in which the Group is involved as a result of conducting its business.

20.5 SIGNIFICANT CHANGES IN THE COMPANY'S FINANCIAL OR TRADING POSITION

There were no significant changes in the Company's financial or trading position between December 31, 2017 and the date on which this Registration Document was filed. Events that may reasonably be expected to affect the Company's business and outlook for 2018 are described in Chapter 9 (notably Section 9.5.2) and were disclosed by the Company during the presentation of its 2017 results on March 13, 2018.

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21.1 SHARE CAPITAL

21.1.1 AMOUNT OF SHARE CAPITAL

At the date this Registration Document was filed, the Company's share capital amounted to €13,062,510.20, divided into 58,946,268 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.

21.1.2 SHARES NOT REPRESENTING CAPITAL

At the date this Registration Document was filed, the Company had not issued any shares not representing capital.

21.1.3 SHARE BUYBACK PROGRAMS

Presentation of the authorization given to the Board of Directors to carry out a share buyback program

In the fifteenth resolution of the May 17, 2017 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 17, 2018.

The maximum purchase price under the program is €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 the Code of Ethics recognized by the French securities regulator (*Autorité des marchés financiers* – AMF) as an approved 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 legislation, in particular Articles L. 3332-14 *et seq.* of the French Labor Code;
- to remit shares as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders, following a share grant plan put in place within that company, on the date(s) decided by the Board of Directors and subject to a ceiling representing 1% of Iliad S.A.'s capital as at the date of the buyback(s);
- to hold shares for subsequent remittance in connection with external growth transactions (as consideration, in exchange for shares in another company or any other use), representing up to 5% of the Company's share capital;
- to allocate shares on exercise of stock options granted to employees and executive officers of the Company and its subsidiaries, in accordance with the applicable law, on the dates decided by the Board of Directors or any representative duly authorized by the Board;
- to cancel all or some of the shares purchased, in accordance with the terms and conditions set out in the twenty-seventh resolution of the May 17, 2017 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 dates 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 2017

The Company carried out the following transactions under the share buyback program during 2017:

	Purchases	Sales
Number of shares	402,328	387,943
Average unweighted transaction price (in €)	210.64	211.03
Total (in €)	84,499,897.23	81,494,834.65

Following the above transactions, the Company held the following Iliad shares at December 31, 2017:

Percentage of capital held directly or indirectly by the Company	0.21%
For the purpose of:	
• maintaining a liquid market	0.06%
• allocation on exercise of stock options	0.15%
Number of shares canceled in the past 24 months	0
Number of shares held in the portfolio	124,245
Carrying amount of the portfolio *(in €)*	
Market value of the portfolio* *(in €)*	24,817,939

* *Based on the Iliad closing share price on December 29, 2017, i.e., €199.75.*

Description of the new share buyback program submitted for shareholder approval at the Annual General Meeting of May 16, 2018

The share buyback authorization given at the May 17, 2017 Annual General Meeting is due to expire on November 17, 2018. At its March 12, 2018 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 16, 2018 that they grant the Board a new authorization to carry out a share buyback program (see the twenty-first resolution in the presentation of the resolutions set out in Appendix B to this Registration Document). If this resolution is adopted, the authorization would be given for a period of 18 months as from the May 16, 2018 Annual General Meeting.

The objectives of the share buyback program are described in the twenty-first resolution that will be submitted to shareholders for approval (see Appendix B to this Registration Document).

The number of shares bought back under this authorization would not be able to exceed the equivalent of 10% of the Company's capital. In accordance with French company law, the Company may not hold more than 10% of its own shares in treasury. For information purposes, based on the Company's capital at January 31, 2018, the total amount invested in the share buyback program would not exceed €1,769,010,900, corresponding to a maximum of 5,896,703 shares purchased at a maximum per-share price of €300.

21.1.4 POTENTIAL CAPITAL

21.1.4.1 Stock options

The table below sets out information concerning the stock options granted by the Company which were outstanding at December 31, 2017.

Outstanding stock options at December 31, 2017 (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	05/29/2008	05/29/2008	05/29/2008	05/24/2011
Date of Board meeting	11/05/2008	11/05/2008	08/30/2010	11/07/2011
Total number of shares under option	80,000	516,600	610,500(1)	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	11/05/2013	11/05/2013	1st tranche 08/29/2014 2nd tranche 08/29/2015	11/06/2016
Expiration date	11/04/2018	11/04/2018	08/29/2020	11/06/2021
Exercise price *(in €)*	53.79	53.79	67.67	84.03
Number of options exercised	76,804	423,097	348,065	148,816
Total number of options canceled or forfeited	0	52,800	131,820	26,400
Outstanding options at year-end	3,196	40,703	130,615	223,374
Dilutive impact	0.00%	0.1%	0.2%	0.4%

(1) 30% exercisable on the first exercise date and 70% on the second exercise date.

21.1.4.2 Shares granted free of consideration

Iliad share grant plan

On August 30, 2017, the Board of Directors decided to grant 293,360 performance shares to 61 Group employees and officers. These performance shares will vest in tranches at the end of each vesting period (ranging between three and six years).

The shares delivered to the beneficiaries may be either new or existing shares, as decided on by the Company before the end of each vesting period.

Iliad share grants – Situation at December 31, 2017 (based on Table 10 of the AMF template)

Date of Shareholders' Meeting		Plan no. 1
Date of Board of Directors' meeting or Management Board meeting		Aug. 30, 2017
Total number of shares granted free of consideration		293,360
*O/w to executive officers**		102,460
Cyril Poidatz		20,000
Maxime Lombardini		21,230
Rani Assaf		20,000
Antoine Levavasseur		20,000
Xavier Niel		0
Thomas Reynaud		21,230
Vesting date of shares	Tranche 1:	Aug. 30, 2020
	Tranche 2:	Aug. 30, 2021
	Tranche 3:	Aug. 30, 2022
	Tranche 4:	Aug. 30, 2023
End of lock-up period	Tranche 1:	Aug. 30, 2020
	Tranche 2:	Aug. 30, 2021
	Tranche 3:	Aug. 30, 2022
	Tranche 4:	Aug. 30, 2023
Total number of shares vested at December 31, 2017		0
Total number of shares canceled or forfeited		0
Non-vested shares at December 31, 2017		0

Free Mobile shares granted free of consideration

On May 3, 2010 the Board of Directors authorized an incentive plan to be set up for employees and officers of Free Mobile, which is presented in Chapter 15, Sections 15.1.2.3.2 and 15.2 and in Note 27 to the consolidated financial statements in Chapter 20, Section 20.1.

The share grant plans put in place include an option to settle the share-based payment in Iliad shares, based on a price determined by an independent valuer and subject to the authorization of such settlement by the Company's Board of Directors and shareholders in a General Meeting.

Free Mobile share grants – Situation at December 31, 2017 (based on Table 10 of the AMF template)

	Information on free share grants		
Date of Shareholders' Meeting	**Plan no. 1**	**Plan no. 2**	**Plan no. 3**
Date of Board of Directors' meeting or Management Board 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, 2017	10,968,400	1,823,536	1,265,906
Total number of shares canceled or forfeited	0	365,138	87,633
Non-vested shares at December 31, 2017	0	0	0

21.1.4.3 Information about the potential dilutive impact on the Company's capital following operations relating to the Company's potential dilutive instruments during the past three fiscal years

Except for items relating to (i) the potential dilutive impact on the Company's capital following the exercise of stock options described in Section 21.1.4.1 above and (ii) the option included in the Free Mobile share grant plans which could result in the issuance of Iliad shares, as described in Section 21.1.4.2, there are no securities that are convertible, redeemable, exchangeable or otherwise exercisable for the Company's shares and/or voting rights.

Information about the potential dilutive impact on the Company's capital is set out in Note 13 to the consolidated financial statements.

21.1.5 INFORMATION ABOUT THE TERMS OF ANY ACQUISITION RIGHTS OR ANY OBLIGATIONS OVER AUTHORIZED BUT UNISSUED CAPITAL OR AN UNDERTAKING TO INCREASE THE SHARE CAPITAL

None.

21.1.6 INFORMATION ABOUT THE SHARE CAPITAL OF ANY MEMBER OF THE GROUP WHICH IS UNDER OPTION OR AGREED CONDITIONALLY OR UNCONDITIONALLY TO BE PUT UNDER OPTION AND DETAILS OF SUCH OPTIONS (INCLUDING THOSE PERSONS TO WHOM SUCH OPTIONS RELATE)

There are no options or conditional or unconditional agreements providing for the share capital of any member of the Group to be placed under option.

21.1.7 CHANGES IN THE COMPANY'S SHARE 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 €)*
Feb. 13, 2014	Capital increase following exercise of stock options	438,992	97,280.63	27,237,349.14	370,674,263.14	12,869,835.44	58,076,797	0.22
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

21.1.8 AUTHORIZED UNISSUED SHARE CAPITAL

In the extraordinary sessions of the Annual General Meetings of May 19, 2016 and May 17, 2017, the shareholders authorized the Board of Directors to increase the Company's capital as follows:

Authorization given to the Board of Directors at the AGM	Date of the AGM (resolution no.)	Duration (expiration date)	Maximum nominal amount authorized *(in €)*	Utilization	Amendments to ceilings and/or expiration dates of authorizations as submitted for shareholder approval at the May 16, 2018 AGM	
To increase the Company's capital, with pre-emptive subscription rights					**Duration**	**Ceiling** *(in €)*
To increase the Company's capital through the issue of shares and/or securities carrying rights to shares or debt securities, with pre-emptive subscription rights for existing shareholders	May 17, 2017 (16th resolution)	26 months (July 17, 2019)	5,000,000[1] 2,000,000,000[2]	N/A	N/A	N/A
To increase the Company's capital by capitalizing reserves, profit or additional paid-in capital	May 17, 2017 (24th resolution)	26 months (July 17, 2019)	500,000,000	N/A	N/A	N/A
To increase the Company's capital, without pre-emptive subscription rights					**Duration**	**Ceiling** *(in €)*
To increase the Company's capital by way of a public offering of shares and/or securities carrying rights to shares or debt securities, without pre-emptive subscription rights for existing shareholders	May 17, 2017 (17th resolution)	26 months (July 17, 2019)	20% of share capital on the date of the meeting, i.e. approx. €2.6 million[1] 2,000,000,000[2]	N/A	N/A	N/A

Authorization given to the Board of Directors at the AGM	Date of the AGM (resolution no.)	Duration (expiration date)	Maximum nominal amount authorized *(in €)*	Utilization	Amendments to ceilings and/or expiration dates of authorizations as submitted for shareholder approval at the May 16, 2018 AGM	
To increase the Company's capital by way of a private placement of shares and/or securities carrying rights to shares or debt securities, without pre-emptive subscription rights for existing shareholders	May 17, 2017 (18th resolution)	26 months (July 17, 2019)	20% of share capital on the date of the meeting, i.e. approx. €2.6 million[1] 2,000,000,000[2]	N/A	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 12-month period	May 17, 2017 (19th resolution)	26 months (July 17, 2019)	2,600,000[1] 2,000,000,000[2]	N/A	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 17, 2017 (21st resolution)	26 months (July 17, 2019)	1,306,249[1]	N/A	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 17, 2017 (22nd resolution)	26 months (July 17, 2019)	130,624[1]	N/A	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 17, 2017 (23rd resolution)	26 months (July 17, 2019)	2,000,000[1]	N/A	N/A	N/A
To increase the Company's capital, with or without pre-emptive subscription rights						
To increase the number of securities included in an issue carried out with or without pre-emptive subscription rights if the issue is oversubscribed	May 17, 2017 (20th resolution)	26 months (July 17, 2019)	15% of the original issue[1]	N/A	N/A	N/A
To carry out employee share issues						
To issue shares to Group employees	May 17, 2017 (26th resolution – rejected)	N/A	N/A	N/A	N/A	N/A
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 share capital at the grant date, taking into account options already granted (for information purposes, 590,326 shares at December 31, 2017)	N/A	N/A	N/A
To grant shares free of consideration	May 19, 2016 (16th resolution)	38 months (July 19, 2019)	0.5% of the Company's capital at the grant date	Fully utilized	N/A	1% of the Company's share capital at the grant date (for information purposes, 590,326 shares at December 31, 2017)

(1) This amount is included in the overall €5,000,000 ceiling applicable to issues of shares and/or securities carrying rights to shares as set in the sixteenth resolution of the May 17, 2017 AGM.

(2) This amount is included in the overall €2,000,000,000 ceiling applicable to issues of debt securities as set in the sixteenth resolution of the May 17, 2017 AGM.

21.2 BYLAWS

21.2.1 CORPORATE PURPOSE

The Company's purpose is to directly or indirectly conduct the following activities in France or any other country:

- to 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;
- to publish and broadcast all services, programs and information, in particular, to 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;
- to 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;
- to acquire, by any means, bonds, founders' shares or other securities issued by such companies;
- to provide any services relating to commercial, financial, accounting and administrative activities;
- to 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;
- to 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, to 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.

21.2.2 GOVERNANCE AND MANAGEMENT OF THE COMPANY

21.2.2.1 Board of Directors

The Company is governed by a Board of Directors.

The Board of Directors is responsible for defining the Company's strategies and overseeing their implementation. Except for the powers directly vested in shareholders, and within the scope of the corporate purpose, the Board is responsible for dealing with all matters related to the efficient running of the Company and for making all related decisions.

21.2.2.2 Executive Management

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.

The Board of Directors selects one of these two options for managing the Company, and the selected management structure must subsequently remain in place for a period of no less than one year.

21.2.3 RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

21.2.3.1 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.

21.2.3.2 Legal form of securities issued by the Company

The securities issued by the Company may be held in the form of registered or bearer securities, at the holder's choice. Their existence is evidenced by their registration in securities accounts held in the name of the holder for that purpose under the terms and conditions set out by law either by the Company or its appointed custodian in the case of

registered securities or by an intermediary authorized for that purpose in the case of bearer securities.

21.2.3.3 Voting rights

Each share entitles its holder to vote at General Shareholders' Meetings in accordance with the conditions set down in the applicable laws and regulations as well as in the Company's bylaws.

Unless otherwise agreed and notified to the Company, voting rights attached to shares are exercised by the beneficial owners of the shares at Ordinary Shareholders' Meetings and by the legal owner of the shares at Extraordinary Shareholders' Meetings.

Information relating to double voting rights is set out in Section 21.2.5.5 below and in Chapter 18, Section 18.2.

21.2.4 CHANGES IN THE RIGHTS OF SHAREHOLDERS

Any changes in the rights attached to shares are subject to the provisions of the applicable laws governing French joint-stock corporations as there are no specific related provisions in the Company's bylaws.

21.2.5 GENERAL SHAREHOLDERS' MEETINGS

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.

21.2.5.1 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.

21.2.5.2 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.

21.2.5.3 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;
   - 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.

21.2.5.4 Meeting officers

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed by the Board for that purpose. Where a meeting is called by the Statutory Auditors or a court-appointed representative, it is chaired by the party calling the meeting. Where necessary, the chair is elected by the shareholders at the meeting concerned.

The role of teller (*scrutateur*) is filled by the two shareholders present who hold the largest number of votes, either in their own right or as proxies, and agree to serve in this capacity.

These meeting officers appoint a secretary, who need not be a shareholder.

The meeting officers are responsible for verifying, certifying and signing the attendance register, overseeing deliberations, resolving any matters that may arise during the meeting, monitoring the voting process and ensuring that it is properly applied, and overseeing the drafting of the minutes.

21.2.5.5 Quorum and voting in Shareholders' Meetings

Subject to the double voting rights described in Chapter 18, Section 18.2 of this Registration Document, in Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a number of votes equal to the number of shares owned or represented.

The quorum is calculated based on the total number of shares making up the Company's share capital, less any shares stripped of voting rights pursuant to the applicable laws or the Company's bylaws.

An Ordinary General Meeting cannot validly deliberate on first call unless the shareholders present, represented or casting votes remotely hold at least one-fifth of the voting rights. No quorum is required on second call. Ordinary General Meetings adopt decisions by a majority of the votes cast by shareholders present, represented or casting votes remotely.

An Extraordinary 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.

21.2.6 ARTICLES OF THE BYLAWS THAT MAY HAVE AN IMPACT ON A CHANGE IN CONTROL

None.

21.2.7 DISCLOSURE THRESHOLDS

Any individual or legal entity, acting alone and/or in concert, that comes to hold in any way whatsoever within the meaning of Articles L. 233-7 *et seq.* of the French Commercial Code, a number of shares representing 1% or more of the Company's capital or voting rights must disclose to the Company, within five trading days of the date the threshold was crossed, the total number of shares and voting rights held, either directly or indirectly, alone and/or in concert. The disclosure must be made by registered mail with recorded delivery, or by any equivalent method outside France in the case of shareholders non-resident in France, and must state the date the threshold was crossed. Shares referred to in Article L. 233-9-I of the Commercial Code must also be taken into consideration for the purpose of disclosing such ownership interests and voting rights.

The disclosure must also state the number of securities owned by the person or entity making the disclosure that carry rights to new shares in the Company and the corresponding voting rights, as well as the number of existing shares or voting rights that such person or entity may acquire or is entitled to acquire under the terms of an agreement or financial instrument referred to in Article L. 211-1 of the French Monetary and Financial Code. If the holder of such a financial instrument or a beneficiary of such an agreement comes to own the shares or voting rights provided for in the instrument or agreement and as a result their interest in the Company – either alone or acting in concert – is increased to more than the above-mentioned 1% threshold, a new disclosure must be made to the Company.

The same disclosure formalities must be carried out whenever the proportion of the capital or voting rights held is increased to more than any multiple of 1% or reduced to less than any such multiple, even when such notification is not required under the disclosure obligations provided for in the applicable laws and regulations. If the only thresholds crossed are those referred to in Article L. 233-7-I of the French Commercial Code, the disclosure must be made within the timeframe specified in the applicable laws and regulations.

In the event of failure to comply with these disclosure requirements, the shares in excess of the relevant threshold will be stripped of voting rights. If the omission is remedied, the voting rights concerned will only be exercisable after the expiration of the period specified in the applicable laws and regulations, at the request of one or more shareholders holding at least 1% of the Company's capital or voting rights, as placed on record in the minutes of the Shareholders' Meeting at which the request is made.

21.2.8 SPECIFIC PROVISIONS GOVERNING CHANGES IN THE COMPANY'S SHARE CAPITAL

Any changes in the Company's share capital are subject to the provisions of the applicable laws governing French joint-stock corporations as there are no specific related provisions in the Company's bylaws.

21.2.9 FORM OF SHARES AND IDENTIFICATION OF SHAREHOLDERS

Except as provided by law, fully paid shares can take the form of registered or bearer shares, at the option of the shareholder. However, they must be held in registered form until they are fully paid.

The Company is entitled to request at any time, under the terms and conditions provided for in the applicable laws and regulations, that the securities clearing house provide it with the name, address, nationality, date of birth (or, in the case of corporate shareholders, the year of incorporation), of holders of bearer shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares carrying rights to vote at Shareholders' Meetings, as well as the number of shares held by each such party and any restrictions applicable to the securities.

After reviewing the information provided by the clearing house, if the Company believes that individuals or legal entities featured on the list may be holding securities on behalf of third parties, it is entitled to request the clearing house, or the listed parties themselves, under the same terms and conditions, whether they are holding the securities on their own account or on behalf of a third party, and if so, to provide the Company with information identifying those third parties. If the identity of the owner(s) of the relevant shares is not disclosed, any vote or proxy issued by the registered intermediary will not be taken into consideration.

21.2.10 FISCAL YEAR

The Company's fiscal year begins on January 1 and ends on December 31 of each calendar year.

21.3 THE MARKET FOR ILIAD SHARES

Iliad's shares have been traded on Eurolist by Euronext™ (compartment A) since January 30, 2004.

21.3.1 GENERAL INFORMATION

Number of shares listed at December 31, 2017	59,032,661
Closing price at December 31, 2017	€199.75
52-week high	€236.70
52-week low	€181.65
Market capitalization at December 31, 2017	€11.79 billion
Average 6-month daily trading volume	84,856
ISIN	FR0004035913
Stock exchange indices	CAC Next 20, SBF 120, SBF 80 and SBF 250 EURO STOXX Index, STOXX Europe 600 Index and STOXX Europe Mid 200

21.3.2 CHANGES IN THE ILIAD SHARE PRICE SINCE JANUARY 1, 2017

	Share price* *(in €)*	
	High	**Low**
2017		
January	197.95	182.90
February	200.95	189.10
March	212.95	197.40
April	227.45	206.90
May	235.20	224.65
June	230.95	207.10
July	214.75	203.90
August	218.35	210.65
September	226.25	218.00
October	225.90	208.65
November	214.35	194.10
December	205.75	196.15
2018		
January	213.50	199.70
February	209.40	192.35

* *Share price corresponding to the highest and lowest closing price on a trading day.*

21.3.3 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).

21.4 LIQUIDITY CONTRACT

On June 12, 2007, Iliad entered into a liquidity contract with Exane – BNP Paribas that complies with the applicable law and regulations. This contract also complies with the French Association of Investment Firms' Code of Ethics approved by the AMF in a decision issued on March 22, 2005 and published in the French legal announcements journal (*Bulletin des Annonces Légales Obligatoires*) on April 1, 2005.

The following transactions were carried out in connection with the liquidity contract in 2017:

	Purchases			Sales		
	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*
January	36,288	189.25	6,835,622	40,444	189.25	7,626,186
February	36,520	196.25	7,177,284	35,255	196.53	6,932,493
March	35,223	206.59	7,312,282	36,381	207.44	7,548,216
April	24,491	213.66	5,202,324	26,530	213.35	5,632,097
May	35,041	228.89	8,054,672	37,123	229.37	8,536,231
June	58,914	220.47	12,930,307	43,271	220.99	9,575,994
July	38,016	209.31	7,953,191	42,256	209.50	8,842,637
August	19,308	214.72	4,136,606	23,676	215.22	5,080,922
September	20,330	222.46	4,528,084	20,962	222.82	4,676,102
October	29,489	218.22	6,410,236	28,122	218.97	6,111,599
November	40,290	204.57	8,285,376	29,615	204.48	6,084,262
December	28,418	200.27	5,673,913	24,308	200.69	4,848,095
TOTAL	**402,328**	**210.39**	**84,499,897.23**	**387,943**	**210.74**	**81,494,834.65**

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MATERIAL CONTRACTS

22.1 FINANCIAL CONTRACTS 256

22.2 OPERATING CONTRACTS 256

22.1 FINANCIAL CONTRACTS

Information on the Group's debt is provided in Chapter 9, Section 9.4.3 of this Registration Document.

22.2 OPERATING CONTRACTS

In addition to the agreements referred to in Chapter 6, Section 6.4.3, on March 2, 2011, Free Mobile signed a 2G and 3G roaming agreement with Orange France for Orange France's 2G and 3G networks. Orange France has provided roaming services since the launch of Free Mobile. The roaming agreement has been adapted several times since 2012 – notably in terms of interconnection capacity – to take into account the increasing number of Free Mobile subscribers. On June 15, 2016, Free Mobile and Orange France signed a further addendum to this agreement, covering the period until the end of 2020. The addendum provides for Free Mobile to gradually stop using the Orange network for national roaming services in France, notably by reducing the maximum Internet speeds provided to roaming subscribers as follows: theoretical maximum download speeds of up to 1 Mbps (448 kbps upload) for 2017 and 2018; 768 kbps (384 kbps upload) for 2019 and 384 kbps (384 kbps upload) for 2020. This termination of the use of roaming services is in line with Iliad's objective of putting in place its own mobile network so that it can have the highest degree of technical and commercial independence.

Free Mobile has entered into agreements with several mobile telephone suppliers for the purpose of including handsets in its offerings.

In early July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups, as part of the plan to merge their respective H3G and Wind subsidiaries. The agreement provides for Iliad to become Italy's fourth mobile operator by acquiring the assets constituting the remedy package proposed to the European Commission as part of the Commission's investigation into the planned merger.

Apart from the contracts referred to above, Iliad has not entered into any material contracts other than those executed in the normal course of business.

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THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

Not applicable.

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DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Company's bylaws, this Registration Document and other corporate documents made available to shareholders as required in accordance with the law can be consulted at the Company's registered office.

Copies of this Registration Document can be obtained free of charge from the Company's registered office (16, rue de la Ville l'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**).

24 DOCUMENTS ACCESSIBLE TO THE PUBLIC

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INFORMATION ON SHAREHOLDINGS

The Company only has shareholdings in Group companies. These shareholdings are described in Chapter 7, “Organizational structure”, and their financial impact is described in the notes to the consolidated financial statements included in Chapter 20 of this Registration Document (“Financial information concerning the Company’s assets and liabilities, financial position and profits and losses”).

See Note 2.3.4 to the parent company financial statements in Chapter 20, Section 20.2 of this Registration Document for a list of the Company’s subsidiaries and affiliates.

GLOSSARY

The glossary below is provided as a supplement and as an aid to understanding this Registration Document. Some of the definitions below therefore give only a summary of the technical processes described, without providing details as to the functioning of such processes.

Add/Drop Multiplexer (ADM): Equipment on a telecommunications network used for inserting or extracting data packets.

ADM (Add/Drop Multiplexer): See Add/Drop Multiplexer.

ADSL (Asymmetrical Digital Subscriber Line): ADSL is an xDSL technology used for high-speed data transmission, in particular when using a subscriber's conventional telephone line consisting of a pair of copper wires. By using two modems, one installed on the subscriber's premises and the other in a DSLAM located in the main distribution frame, ADSL technology is able to increase network bandwidth considerably and obtain transmission speeds up to 320 times faster than with a conventional analog modem. The principle behind ADSL is that part of the bandwidth is reserved for transporting voice traffic (low frequencies) while another part is used for transporting data (high frequencies) either in the direction of the network backbone (upload) or in the direction of the subscriber (download). The technology is asymmetrical in the sense that the upload bit rate (data sent by the user) is lower than the download rate (data received by the user). For the correct representation of voice traffic (using the low frequency spectrum), splitters located at each end of the line eliminate those parts of the signal which are not needed.

In the ADSL2+ version the bandwidth of the line is divided as follows:

0 – 5 KHz:	analog telephone line
30 KHz – 130 KHz:	narrowband channel towards the network (upload)
30 KHz – 2.2 MHz:	broadband channel towards the subscriber (download)

FDM (Frequency Division Multiplexing) is used to separate the various data traffic flows. An echo cancellation system is used for spectrum recovery on the upload and download channels.

AFNIC (*Association Française pour le Nommage Internet en Coopération* – www.afnic.fr/en): AFNIC is a non-profit organization whose principal function is to establish and implement a naming registry for the .fr (France) and .re (Reunion Island) domains. It has drawn up naming charters which set out its rules for registering domain names in these geographic areas. Members of AFNIC include service providers who have been accredited as registrars of domain names in the French domain name areas.

ATM (Asynchronous Transfer Mode): This network technology, which is used for ADSL, enables the simultaneous transmission of data, voice and video. ATM is based on the transmission of signals in short, fixed-length packets. The transmission of these packets is said to be asynchronous because they are transported over different routes and do not necessarily arrive at their destination in the same chronological order as they were sent.

Backbone: Network consisting of a number of very high bandwidth links to which other, smaller networks are connected (including metropolitan networks).

Bandwidth: The transmission capacity of a transmission link. Bandwidth determines the quantity of data (in bits per second) that can be transmitted simultaneously.

Bit: Contraction of "binary digit". A bit is the smallest unit of data processed by a computer. In a binary system, each bit has a value 0 or 1. Data recorded in digital form are coded in bits. One character (letter or figure) is generally coded as 8 bits (1 byte).

Bit rate: Amount of data passing through a communication channel over a given period of time. The bit rate is measured in bits per second or in multiples thereof (kbps = kilobits per second, Mbps = megabits per second, Gbps = gigabits per second, Tbps = terabits per second). The upload bit rate corresponds to the transmission of data from the subscriber to the network and the download bit rate corresponds to data transmitted from the network to the subscriber.

Broadband: The concept of broadband is a relative concept, depending on the capabilities of transmission technology at any given time. At present, broadband is generally accepted as corresponding to a bit rate of at least 512 kbps. See also "bit rate".

Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Broadband and Ultra-Fast Broadband User): Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another

or subscription and cancellation fees), divided by the total number of Broadband and Ultra-Fast Broadband subscribers invoiced at the end of the period.

Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Freebox Révolution Broadband and Ultra-Fast Broadband User excluding promotional offers): Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), and the impact of promotional offers, divided by the total number of Freebox Révolution Broadband and Ultra-Fast Broadband subscribers invoiced at the end of the period.

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

Byte: A set of eight bits. Bytes and their multiples (kilobyte (kB), megabyte (MB), gigabyte (GB), terabyte (TB), etc.) are used to measure the size of electronic files. When such measurements are given in multiples of bytes, it is generally accepted that a kilobyte is equal to 210, or 1,024 bytes (and not 1,000 bytes), and that a megabyte is equal to 220 bytes (and not 1,000,000 bytes).

Call termination: An operation that consists of the routing of calls to subscribers on a particular network. In principle, call termination requires either that the call be made from the network on which the caller is a subscriber or from an interconnected network.

CNIL (*Commission Nationale de l'Informatique et des Libertés* – http://www.cnil.fr/english/): The CNIL is an independent administrative authority established by Act no. 78-17 of January 6, 1978 (France's data protection law). Its principal role is to protect privacy and personal or public freedom, and it is responsible for ensuring compliance with the data protection law.

Co-location facilities or space: A room located in the incumbent operator's sites containing equipment belonging to third-party operators used for local loop unbundling. The room is built by the incumbent operator which then rebills the cost of construction to the operators located in the room. The third-party operators then rent whatever space they need (one or more racks each occupying a floor area of 600 mm x 600 mm) for their unbundled activities.

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

Cookie: Information recorded by a server in a text file located on the subscriber's computer and which can be read by this same server (and by this server alone) at a later time.

Copper pair: Type of cable used for the transmission of electrical signals, consisting of one or more pairs of metal conductors. The two wires forming the pair are braided in order to minimize potential interference between two conductors. By extension, the copper pair also refers to the local loop link between a subscriber and the local concentrator. See also "local loop".

CSA (*Conseil Supérieur de l'Audiovisuel* – www.csa.fr): The CSA is a French independent administrative authority established by the Act of January 17, 1989. Its principal role is to guarantee the freedom of audiovisual communications in France in accordance with the provisions of the Act of September 30, 1986, as amended.

Dark optical fiber: Raw optical fiber without the equipment which allows it to be used.

Dedicated facilities or space: A room located in the incumbent operator's sites containing equipment belonging to third-party operators used for local loop unbundling. Third-party operators rent the space (one or more racks each occupying a floor area of 600 mm x 600 mm) necessary for their unbundled activities. See also "Co-location facilities or space".

Dial-up (also called narrowband): Historically this corresponds to the bit rate of a conventional telephone line using the voice frequency spectrum. By way of example, an Internet connection using a conventional telephone line is established at a maximum download rate of 56 kilobits per second (kbps). See also "bit rate".

Digital: Coding in binary form (0 or 1) of information to be processed by a computer.

Digital local exchange (DLE/LX): Switch on the incumbent operator's telephone network to which subscribers are connected by means of local concentrators. The incumbent operator's network is organized in a hierarchical fashion, with the digital local exchange being the lowest level in the hierarchy of exchanges installed on the network.

Digital main switching unit (DMSU): The incumbent operator's interconnect point, occupying the highest level in the hierarchy of switches in a trunk exchange area. See also "trunk exchange area".

DNS (Domain Name System): A DNS is a database which registers Internet resources (computer, server, router, etc.) in the form of a domain name and allocates them a unique IP address. The Internet protocol converts the domain name into the corresponding IP address. Without the DNS, users would have to remember websites or email addresses in the complicated form of the domain's IP address. See also "domain name".

Domain name: A domain name is the unique identifier of an IP address. The DNS (see "DNS – Domain Name System") matches the domain name to the IP address. A domain name consists of a string of characters (from "a" to "z" or "0" to "9", plus "-") corresponding to the name of a trademark, association, company, individual, etc., plus a suffix known as the TLD (see "TLD [Top Level Domain]"), such as ".fr", ".de", ".net", or ".com".

Domain name registration: Domain name registration consists of hosting domain names on a computer with an IP address on behalf of the domain name owners, who are in turn entered in the register relating to their top level domain or TLD. See also "TLD".

DSL (Digital Subscriber Line): See xDSL.

DSLAM (Digital Subscriber Line Access Multiplexer): Equipment installed in the telephone exchange closest to the subscriber which is part of the equipment used to transform a conventional telephone line into an xDSL line. DSLAMs connect several xDSL lines and are connected to the modem on the subscriber's premises via the local loop.

DWDM (Dense Wavelength Division Multiplexing): Technology permitting the transmission of a large number of frequencies on the same fiber strand, thereby significantly increasing the bandwidth capacity of the optical fiber.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): Corresponds to profit from ordinary activities before

(i) depreciation, amortization and provisions for impairment of non-current assets and (ii) share-based payment expense. The Group uses EBITDA as an indicator of its operating performance.

Eligibility: A telephone line is said to be "eligible" for ADSL when the technical characteristics of the line in terms of signal loss are such that xDSL-type technologies can be used. The length and diameter of the copper pairs (local loop) are the main parameters determining eligibility. Using current technologies, in order to obtain a 512 kbps Internet connection, the subscriber's access point must be located within four kilometers of the DSLAM.

Firewall: Hardware or software device which controls access to all the computers on a network from a single point of entry. The main function of the firewall is to filter the data packets transmitted between the protected network and outside networks. In addition, a firewall can be used to perform advanced security functions such as virus detection, IP address masking on the protected network and the establishment of encryption tunnels subject to authentication.

Free Cash Flow from ADSL operations: Represents EBITDA plus or minus changes in working capital and minus investments made in connection with property, plant and equipment and intangible assets acquired for the Group's ADSL operations.

FTTH (fiber-to-the-home): Data delivery technology that directly connects subscribers' homes to an optical node (ON).

Full unbundling: Full unbundling consists of allowing a third-party operator to control the entire local loop (both low and high frequencies).

Gross profit: Corresponds to revenues less purchases used in production.

IEEE 802.11a/b/g/n standards: Radio-telecommunications standards established by the IEEE (Institute of Electrical and Electronic Engineers) describing the characteristics of wireless networks using the 5 GHz (IEEE 802.11a/n) and 2.4 GHz (IEEE 802.11b/g/n) frequency bands. (See also "RLAN – Radio Local Area Network" and "WLAN – Wireless Local Area Network").

Interconnection: The term interconnection refers to the reciprocal services provided by two operators of networks open to the public, permitting all of their users to communicate freely with one another, irrespective of the type of network or services they use. The term also refers to the provision to a public telephone service provider of access to a public network operator's network. The objective of interconnection is to allow a given operator's subscribers to make telephone calls to the subscribers of all other interconnected operators. Interconnection between the incumbent operator (Orange) and third-party operators is governed by the provisions of the French Post and Telecommunications Code and is regulated by ARCEP.

Internet Service Provider (ISP): Organization or company that provides subscribers with access to the Internet, either free of charge, or for a cost.

IP (Internet Protocol): Telecommunications protocol used on the networks supporting the Internet which divides the data to be transmitted into packets, addresses the various packets, transports them independently of one another and, finally, recreates the packets in their initial form once they reach their destination. This protocol uses a technique known as packet switching. On the Internet, it is associated with a data transmission control protocol (TCP) – hence the term TCP/IP.

IP address: The IP address allows a router using TCP/IP to identify the unique network interface of a machine connected to the Internet. In order to be accessible or to send data packets over the Internet, a machine must have a public IP address, i.e., an address that is known on the Internet. Icann has overall responsibility for managing IP addressing on a worldwide basis, but delegates responsibility for certain areas to regional and local organizations. An IP address is a sequence of 32 binary digits (see also "bit") grouped into four bytes in the form A.B.C.D where A, B, C and D are numbers between 0 and 255 (this structure corresponds to version 4 of the IP protocol, or IPv4). The problem of limited addressing resources caused by the growth of the Internet has led to the development of a new version of the IP protocol (IPv6), based on 128 binary elements, which is gradually being brought into use.

IRU (Indefeasible Right of Use): Special type of agreement, specific to the telecommunications sector, for the provision of optical fibers (or transmission capacity) over a long period.

Leverage ratio: Represents the ratio between Net debt (short- and long-term financial liabilities less cash and cash equivalents) and EBITDA.

Linux: Linux is a multi-task and multi-user operating system based on Unix (Uniplexed Information and Computer Service). It is a so-called "open source" software system, i.e., it is freely available in source code form and modifiable under the terms of a General Public License (GNU GPL).

Local concentrator: Active telecommunications equipment connected to both the digital local exchange and the copper pairs constituting the local loop. This is the primary active equipment in the incumbent operator's network. The function of the local concentrator is to group several subscriber lines into one cable.

Local loop: Physical circuit of the telephone network which connects the termination point of the network on the subscriber's premises (i.e., the subscriber's telephone socket) and the local loop operator's main distribution frame (i.e., generally the incumbent operator's local telephone exchange) which contains a digital switch. The local loop is composed of a pair of braided copper wires.

M2M: Machine to machine communications.

Main distribution frame (MDF): Establishes a temporary connection between a copper pair (local loop) and any active equipment on the operator's network. It is a vital point of flexibility in the operation of a telecommunications network.

MMS (Multimedia Messaging Service): Extends the core SMS capability by enabling users to send to and from their phones messages that include photos as well as audio or video content.

Modem (modulator-demodulator): Device that transforms analog signals into digital signals and vice versa. A modem is required in order to connect to the Internet (where the data exchanged are digital).

MPEG-2: Video signal compression standard, used mainly for DVDs.

MPEG-4: Digital compression standard for new-generation audiovisual content. This format is able to broadcast High Definition streaming data and provides enhanced audiovisual quality at low bandwidths.

Multicast: Routing system minimizing the number of data flows from a server to various subscribers by multiplying the data flows only when they are as close as possible to end users.

Multiplexing: Technique permitting several communication flows to pass through the same channel/transmission bearer. Multiplexing can work in different ways: frequency multiplexing uses different frequencies for the various communications, while time division multiplexing allocates a period of time (known as a slot) to each communication.

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

Optical fiber: Transmission medium which routes digital data in the form of modulated light signals. It consists of an extremely thin glass cylinder (the core strand) surrounded by a concentric layer of glass (the sheath). The potential bandwidth that can be passed through an optical fiber in conjunction with the corresponding active equipment is enormous.

Optical node (ON): Site hosting optical local loop equipment bringing together all of the optical local loop interconnection links serving end-subscribers for a given geographic area.

Partial unbundling: Partial unbundling involves providing an operator with access to the incumbent operator's local loop and allowing the operator to use the high (non-voice) frequencies of the frequency spectrum on the copper pair. The incumbent operator continues to use the local loop in order to provide conventional telephone services to the public (using the low frequencies of the local loop). Customers continue to pay the telephone line rental to the incumbent operator.

Peering: Type of interconnection agreement between two IP backbone networks (known as peer networks) for the exchange of Internet traffic destined for their respective networks. These exchanges take place at exchange nodes called peering points and may be invoiced if they are not fully reciprocal.

Ping: Ping is an acronym for Packet Internet Groper, and is a component of the Internet connection protocol which verifies the connections established on the Internet between one or more remote hosts and measures the time data packets require to be transmitted to one computer connected to the Internet and back again. The lower the ping value (i.e., the closer to zero) the faster the network connection.

POP (Point of Presence): Physical site from which the operator can use an interconnection link to connect to the interconnect point of another operator (whether another POP or, in the case of the incumbent operator, a digital main switching unit or a digital local exchange). The POP is located on the operator's network backbone. See also "digital main switching unit".

Portability: Possibility for subscribers to keep their telephone numbers when changing operators and/or geographical location.

Preselection: Carrier selection mechanism allowing a subscriber to automatically route all eligible calls (local, national, international, and calls to mobile phones) so that they are carried by the operator of the subscriber's choice, without having to dial a special prefix.

Primary digital block: Basic unit of measurement of the capacity of interconnection links to the incumbent operator's switched network (telephone traffic and dial-up Internet traffic). It corresponds to a grouping of several communications on the same physical support structure (31 simultaneous communications, i.e., a capacity of 2 Mbps).

Profit for the period from recurring operations: Profit for the period excluding the impact of the additional and exceptional income tax contribution.

Public switched telephone network (PSTN): Conventional telephone network which uses switching (a non-permanent link established by line seizure and then dialing). Each call established on the PSTN ties up network resources.

Reference Interconnect Offer: Document describing the technical and pricing terms of the incumbent operator's interconnect offer (or the interconnect offer of any other operator designated as having significant market power pursuant to Article L. 36-7 of the French Post and Telecommunications Code). It informs third-party operators of what interconnection services are available and sets out the prices and the technical terms of these services.

Reverse look-up directory: Service allowing users to retrieve the name and address of the owner of a telephone line by searching the corresponding telephone number, provided the owner of the line has not opted out of the directory.

RLAN (Radio Local Area Network): Wireless network. RLANs generally conform to IEEE 802.11 standards.

SDH (Synchronous Digital Hierarchy): Multiplexing technique providing for the secure transmission of different types of data. This technique is used for the transmission of data on conventional telephone networks.

Services revenues: Total revenues excluding revenues related to handsets.

SMS (Short Message Services): Short alphanumerical text messages.

Source code: List of instructions in a computer program in a language capable of being understood by human beings.

Spamming: The bulk mailing of unsolicited electronic messages. This type of message is generally sent to email lists obtained unconventionally or illegally (for example, through the use of a search engine on public websites or through the sale of email address files without the permission of the owners of such addresses).

Subscriber connection node: A site hosting the incumbent operator's network equipment bringing together all of the interconnection links for its copper local loop for a given geographic area. Subscriber connection nodes provide access to the various services available via the copper local loop. Third-party operators may access these services through unbundling arrangements in order to directly serve end-subscribers.

Switch: Equipment which routes calls to destinations by establishing a temporary link between two circuits on a telecommunications network (or occasionally by routing information in packet form). Switches are organized in a hierarchical fashion, i.e., the higher the position they occupy in the hierarchy, the more subscribers they serve.

TLD (Top Level Domain): The top level domain name classification, corresponding to a geographic area or a sector of activity, such as ".com", ".org" or ".fr".

Total Broadband and Ultra-Fast Broadband subscribers: Represents, at the end of a period, the total number of subscribers identified by their telephone lines who have signed up for Free's and Alice's Broadband or Ultra-Fast Broadband service, excluding those recorded as having requested the termination of their subscription.

Total mobile subscribers: 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.

Triple-play: A technical service capable of managing bandwidth-intensive voice, data and audiovisual content simultaneously and over long distances.

Trunk exchange (TX): Telephone network switch linking together the digital local exchanges. The incumbent operator's network is organized in a hierarchical fashion, with the trunk exchange being the highest level in the hierarchy of national exchanges. Through the digital local exchanges, the trunk exchange serves all subscribers in a given geographic area (called a trunk exchange area). See also "trunk exchange area".

Trunk exchange area: The geographic area covered by a trunk exchange. The incumbent operator's switched network in Metropolitan France is divided into 18 trunk exchange areas, defined by the incumbent operator in its Reference Interconnect Offer and generally corresponding to the administrative regional divisions of France. See also "Trunk exchange (TX)".

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

Unbundling: Operation involving the separation of a range of telecommunications services into several distinct units. Unbundling of the local loop (or unbundled access to the incumbent operator's local network) consists of separating the access services provided over the local loop, allowing new operators to use the local network of the incumbent operator and provide services directly to their subscribers.

Universal service: The main element of the public telecommunications service as defined by law, with the intended purpose of providing high-quality telephone services to the general public at an affordable price.

Urban area: In the architecture of the incumbent operator's network, Ile-de-France is divided into two trunk exchange areas: the urban area, which corresponds to the former Seine *département* (Paris, Hauts-de-Seine, Seine-Saint-Denis, and Val-de-Marne) and the peripheral area, which covers the Seine-et-Marne, Essonne, Yvelines and Val-d'Oise *départements*.

VoIP (Voice over DSL): Transmission of voice traffic (in packets) using ADSL technology, i.e., using the high frequencies of the local loop, as compared to conventional telephony which uses the low frequencies of the local loop.

WLAN (Wireless Local Area Network): A wireless network based on radio telecommunications. An RLAN (see RLAN [Radio Local Area Network]) is a specific type of WLAN.

xDSL (x Digital Subscriber Line): The family of technologies used to transmit digital data over the copper pair (local loop) at high speeds (such as ADSL, SDSL, ADSL2+, VDSL2, etc.). See also "ADSL".

APPENDIX A

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE

To the Shareholders,

In addition to the management report, in accordance with Article L. 225-37-4 of the French Commercial Code, the Board of Directors has prepared this report on Iliad's corporate governance.

The Group's policy is to ensure that the operational procedures of its administrative and management bodies comply with best corporate governance practices as well as with the relevant recommendations and regulations applicable to listed companies.

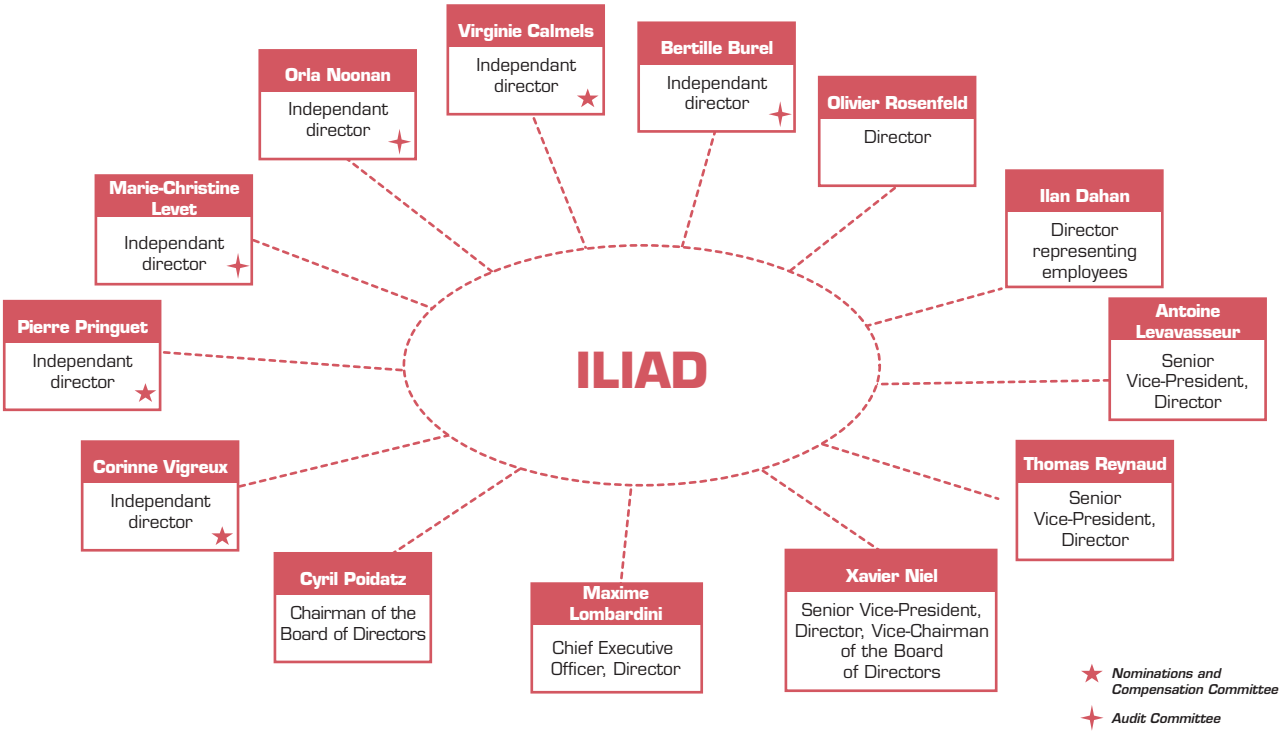
The Board of Directors has stated that the Company uses as its corporate governance framework the AFEP-MEDEF Corporate Governance Code for listed companies in France (the "AFEP-MEDEF Code"), as revised in November 2016, which is available on the AFEP and MEDEF websites.

As required under the "Comply or Explain" rule provided for in Article L. 225-37-4 8° of the French Commercial Code and referred to in Article 27.1 of the AFEP-MEDEF Code, the Company hereby states that it considers its corporate governance practices comply with the recommendations of said Code, apart from a number of exceptions which are explained in this report.

1. CORPORATE GOVERNANCE

The membership structure of the Board of Directors, its Internal Rules, operating procedures and a description of the work it carried out and decisions it made during the year are set out in this report. The Board conducts its work in a collegial way and in an ethical manner, in compliance with all of the applicable laws, regulations and market recommendations.

1.1 Members of the Board of Directors at December 31, 2017



In 2017 the number of Iliad's Board members was increased from 11 to 12 following the election of Bertille Burel at the Annual General Meeting of May 17, 2017. At December 31, 2017, the Board included six independent directors and one director representing employees[1]. The proportion of female directors is 42%. The directors' experience and expertise are presented in the section below.

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

SUMMARY TABLE OF THE MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Name	Age	Date first elected as a director	Expiration of current term	Number of years on the Board	Audit Committee	Nominations and Compensation Committee
Executive directors (executive officers of the Company)						
Maxime Lombardini Chief Executive Officer and a director *French nationality*	52	May 29, 2007	2017 AGM	10		
Cyril Poidatz Chairman of the Board of Directors *French nationality*	56	Dec. 12, 2003	2019 AGM	14		
Antoine Levavasseur Senior Vice-President and a director *French nationality*	40	May 27, 2005	2019 AGM	12		
Xavier Niel Senior Vice-President, a director and Vice-Chairman of the Board of Directors *French nationality*	50	Dec. 12, 2003	2020 AGM	14		
Thomas Reynaud Senior Vice-President and a director *French nationality*	44	May 29, 2008	2019 AGM	9		
Directors qualified as independent by the Board						
Virginie Calmels *French nationality*	47	June 23, 2009	2020 AGM	8		✔
Marie-Christine Levet *French nationality*	51	May 29, 2008	2019 AGM	9	Chair	
Orla Noonan *Irish nationality*	48	June 23, 2009	2020 AGM	8	✔	
Pierre Pringuet *French nationality*	68	July 25, 2007	2020 AGM	10		✔
Corinne Vigreux *French nationality*	53	May 19, 2016	2019 AGM	1.5		Chair
Bertille Burel French nationality	48	May 17, 2017	2020 AGM	1	✔	
Director						
Olivier Rosenfeld *Belgian nationality*	47	Dec. 12, 2003	2019 AGM	14		
Director representing employees						
Ilan Dahan *French nationality*	37	Nov. 18, 2015	2019 AGM	2		
NUMBER OF MEETINGS IN 2017				9	5	3
AVERAGE ATTENDANCE RATE				94%	97.8%	100%

Maxime Lombardini's term of office as a director is due to expire at the close of the Annual General Meeting to be held to approve the 2017 financial statements. At its March 12, 2018 meeting the Board of Directors decided to put him forward for re-election at the next Annual General Meeting, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the 2021 financial statements.

1.2 General rules and principles relating to the membership structure of the Board of Directors

1.2.1 Directors with extensive complementary experience

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

The following information is presented on an individual basis for each director in the report on corporate governance:

- the names of the members of the Board of Directors at December 31, 2017, the date on which they were first elected and the expiration date of their current term of office, the main positions they hold outside the Group, as well as any positions they have held in administrative, management or supervisory bodies of French and foreign companies, during the past five years;
- their experience and expertise in corporate management.

Cyril Poidatz

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Maxime Lombardini

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2017	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
At its meeting on March 12, 2018, the Board of Directors decided that at the May 16, 2018 Annual General Meeting it will recommend to shareholders that they re-elect Maxime Lombardini as a director for a four-year term expiring at the close of the Annual General Meeting to be held to approve the 2021 financial statements.
(2) In companies other than Group subsidiaries.

Antoine Levavasseur

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Xavier Niel

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

Xavier Niel is the Group's founder and majority shareholder.
He is a self-taught entrepreneur and has been active in the data communications, Internet and telecommunications industry since the late 1980s. In 1993 he co-founded France's first ISP, Worldnet, and in 1999 he created Free – France's first free-access ISP.

In his role as an executive of Iliad, Xavier is the inspiration behind the Group's major strategic developments.

He has also invested in the telecommunications sector for many years in a personal capacity, notably in Israel, Monaco and Switzerland.

In 2013, he cofounded "42", a revolutionary IT school with an innovative peer-to-peer learning system which trains more than 1,000 developers a year in France and the USA.

In parallel, Mr. Niel is a major investor in start-ups through his own venture capital fund – Kima Ventures – which invests in 50 to 100 start-ups a year throughout the world.

Another of his joint creations is Station F – the largest start-up campus in the world – which opened its doors in July 2017 and hosts a thousand start-ups in a former railway station occupying 35,000 sq.m.

In 2010 he became a co-shareholder of the Le Monde newspaper alongside Pierre Bergé and Matthieu Pigasse and subsequently became a joint owner of the weekly magazine, L'Obs, again with Pierre Bergé and Matthieu Pigasse.

In April 2016, Xavier Niel, Matthieu Pigasse and Pierre-Antoine Capton created Mediawan, an investment company dedicated to acquiring businesses in the media and entertainment industries.

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2020	***French companies*** Legal Manager of Élysées Capital Chairman of SE 51 S.A.S. Legal Manager of OH4S SNC Chairman of 1bis Place des Vosges S.A.S. Legal Manager of 9 rue de Lagny S.A.R.L. Chairman of Golf du Lys Chantilly 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 the Supervisory Board of BlackPills S.A.S. Chairman of Sons Holdco Chairman of Invest SB S.A.S. Chairman of NJJ Holding S.A.S. Chairman of NJJ Capital S.A.S. Chairman of NJJ Immobilier S.A.S. Chairman of NJJ Market S.A.S. Chairman of NJJ Monaco Acquisition S.A.S. Chairman of NJJ Indian Ocean S.A.S. Chairman of NJJ Animation S.A.S. Chairman of NJJ Invest Tel S.A.S. Chairman of NJJ Entertainment 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 Strategy S.A.S. Chairman of NJJ Innovation S.A.S. Chairman of NJJ Télécom 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 Boru S.A.S. Chairman of NJJ Project Four S.A.S. Chairman of NJJ Project Five S.A.S. Chairman of NJJ Telecom Europe S.A.S (formerly Matterhorn GPH S.A.S.) Chairman of Proper 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 SEHF S.A.S. ***Foreign companies*** Member of the Board of Salt Mobile S.A. Suisse Member of the Board of Salt Network S.A. Suisse Member of the Board of Monaco Telecom Monaco Member of the Board of Telecom Comores Holding Maurice	Member of the Supervisory Board of Le Monde S.A. Director of Ateme S.A.

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.
* *Company listed on Euronext Paris.*

Thomas Reynaud

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

Thomas Reynaud is a graduate of HEC business school and New York University. He joined Iliad in the summer of 2007 as Head of Business Development and a member of the Management Committee before becoming Chief Financial Officer of the Group on January 1, 2008. He was appointed Senior Vice-President of Iliad on March 18, 2010. Prior to joining Iliad, Thomas held the position of Managing Director in charge of the Telecoms, Media and Technology sector at Société Générale. During the ten years he spent with the bank, he worked in both the Paris and New York offices, in the Debt then Equity Capital Markets departments, leading numerous IPOs, privatizations and equity and debt offerings. He has acted as an advisor to the Iliad Group since 2003, notably for the Group's IPO in 2004 and convertible bond issue in 2006.

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	Member of the Board of Directors of Tomato-n-co Member of the Board of Directors of the Mozaik Foundation	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Bertille Burel

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

Bertille Burel graduated from Sciences Po Paris in 1996, and in 1997 earned a post-graduate degree in international business studies from Paris Dauphine University. She began her career in 1998 at WizArt Software (specialized in client/server applications), where she was responsible for operations in the Benelux region and subsequently Japan and the United States. Then in 2000 she joined TPS (a French satellite television company) as Head of Business Development.

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2020	***French companies*** Legal Manager of W Group Chief Executive Officer of Wonderbox S.A.S. President 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 S.R.L. (Italy) Director of Vivaboxes International S.A. (Belgium) Director of WBX Business Support Espana S.L. (Spain)	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Virginie Calmels

Independent director

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

Virginie Calmels is a graduate of Toulouse École Supérieure de Commerce (ESC) and holds a post-graduate degree in accounting and finance (DESCF). She is also a certified accountant and auditor, and a graduate of the Advanced Management Program (AMP) of INSEAD. In March 2014, she was elected Deputy Mayor of Bordeaux in charge of the Economy, Employment and Sustainable Growth, working alongside Alain Juppé (Mayor). She is also a local councilor (*Conseillère communautaire*) in the Bordeaux region, where in December 2015 she was elected Vice-President in charge of major commercial development sites. In addition, since December 13, 2015 she has been a councilor (*Conseillère régionale*) for the Aquitaine Limousin Poitou-Charentes region and since December 2017 first Vice-President and Delegate Vice-President of the "Les Républicains" political party in France.

She has been a director of Iliad (Free) since June 2009 and a director of Assystem since March 2016. She also founded SHOWer Company, which she has chaired since April 2013 but which has been dormant for the past few years.

Virginie began her career in 1993 with the audit firm Salustro Reydel. She then worked with the Canal+ group between 1998 and 2003, holding the positions of Finance Director of NC Numericable, Finance Director of the Canal+ group's international and development divisions and subsequently Chief Financial Officer of Canal+ S.A. before being appointed as the Deputy Chief Executive Officer and then joint Chief Operating Officer of the Canal+ television channel. Virginie joined Endemol France in 2003 as CEO and was appointed Chair and CEO in October 2007. She became CEO of Endemol Monde in May 2012 while remaining Chair of Endemol France before resigning from these positions in mid-January 2013. From January 2013 through February 2017 she held the position of Chair of the Supervisory Boards of Euro Disney and Euro Disney Associés S.C.A, of which she had been a member since March 2011. She was also a director of Technicolor from May 2014 through July 2016 and then a non-voting member of Technicolor's Board until May 2017.

Virginie is a member of the "Le Siècle" think-tank and has been awarded the title of Chevalier in the French National Order of Merit.

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2020	Chair of SHOWer Company S.A.S.U. 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. Director of Assystem S.A. Director of Bordeaux Mérignac airport Director of BGI Bordeaux Gironde Investissement Director of Aerospace Valley Director of Bordeaux Aéroparc S.P.L. Deputy Mayor of Bordeaux Vice-President of Bordeaux Metropole Regional councilor for the Aquitaine Limousin Poitou-Charentes region President of Etablissement Public d'Aménagement Bordeaux Euratlantique	Director of MEDEF Paris CEO of Endemol Monde Director of Endemol Holding B.V. Director of Endemol Denmark A/S Director of Endemol Italia S.p.A. Director of Endemol Espana S.L. Substitute member of the Board of Directors of Endemol Finland OY Chair and a director of Endemol Nordic AB Chair and a director of Endemol Norway AS Chair and a director of Endemol Sweden AB Chair of Endemol France Chair of Endemol Fiction Chair of Endemol Productions Chair of Mark Burnett Productions France Chair of NAO Chair of DV Prod Chair of Endemol Jeux Chair of Tête de Prod Chair of Orevi Vice-President of SPECT (the French Union of producers and creators of television programs) Member of the Executive Committee of Formidooble Member of the Supervisory Board of Nijenhuis & de Levita Holding B.V. Vice-Chairman of the CEPS research center Director of Technicolor S.A. Chair of the Board of Directors of SAEML Régaz Director of SAEML SBEPEC

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Marie-Christine Levet

Independent director

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

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	Associate director of Educapital Director of Mercialys S.A. Director of Econocom Director of Maisons du Monde Director of AFP Director of SoLocal	Associate director of LER Associate Director of Jaina 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)

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Orla Noonan

Independent director

Business address: Groupe AB – 132, avenue du Président Wilson – 93210 La Plaine Saint Denis, France

Orla Noonan graduated from Trinity College, Dublin (Ireland) with a BA in Economics in 1992 and from HEC business school in Paris (France) in 1994. Orla is Chief Executive Officer of the AB Group, a leading independent editor, producer and distributor of audiovisual content in French-speaking Europe, which is owned by Mediawan. She began her career with the investment bank Salomon Brothers in London, working particularly in the media and telecoms sectors. She then joined the AB Group in 1996, working first on its IPO in New York and Paris and then on its acquisition projects, notably the purchases of the RTL9 and TMC television channels. She was also in charge of financial and regulatory matters at the AB Group and from 2005 through 2010 was Chair of the NT1 television channel. She was appointed Chief Executive Officer of the AB Group in 2014 and in this role has developed its production business through the acquisitions of several independent production companies.

In 2017, following Mediawan's acquisition of the AB Group, she became a member of Mediawan's Strategy Committee.

Orla is also an independent director of Schibsted and an independent director and Chair of the Audit Committee of SMCP.

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2020	***French companies*** Chief Executive Officer (non-director) of the AB Group Member of the Strategy Committee of Mediawan Independent director and Chair of the Audit Committee of SMCP Chair of Knightly Investments S.A.S. ***Foreign companies*** Director of RTL9 SA Luxembourg Director of AB Entertainment S.A. Luxembourg Independent director of Schibsted, Norway	***French companies*** Chief Executive Officer (director) of Groupe AB S.A.S. Chair of TEAM Co.

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Pierre Pringuet

Independent director

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

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

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

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

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2020	Vice-Chairman of the Board of Directors of Pernod Ricard S.A.* Director of Cap Gemini S.A.* Vice-Chairman of the Supervisory Board of Vallourec S.A.* Director of Avril Gestion	Chief Executive Officer and a director of Pernod Ricard S.A.*

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.
** Company listed on Euronext Paris.*

Olivier Rosenfeld

Director

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

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

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	***French company*** Member of the Supervisory Board of Iway Holdings S.A.S. ***Foreign companies*** Legal Manager of Levary S.P.R.L. Director of Gaziano & Girling Ltd Director of Monaco Telecom Director of Salt Mobile S.A. Director of Mattehorn Telecom Holding S.A. Director of MTI and Mattehorn Holding S.A.	Director of Eutelsat Communication S.A.* Director of OpenERP S.A.

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.
** Company listed on Euronext Paris.*

Corinne Vigreux

Independent director

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

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

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

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

In 2012 Corinne was named 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.

Expiration of current term[1]	Main positions and directorships held outside the Group	Positions and directorships that have expired in the past five years[2]
2019	***Foreign companies*** Managing Director of TomTom Ltd (United Kingdom) Managing Director of TomTom Inc. (United States) Managing Director of TomTom Sales BV (Netherlands) Chair of the Board of Directors of the Sofronie Foundation Member of the Supervisory Board of the Dutch National Opera & Ballet (Amsterdam, Netherlands) Member of the Supervisory Board of Takeaway.com Member of the Dutch division of the National Committee of French Foreign Trade Advisers (CNCCEF) Director of the Netherlands Chamber of Commerce and Industry	N/A

(1) Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

1.2.2 Director representing employees

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

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

1.2.3 Gender equality

Of the Board of Directors' 12 members (excluding the director representing employees, who is not taken into account in compliance with the law and the AFEP-MEDEF Code), five are women – i.e. a proportion of 42%. In addition, both of the Board's committees are chaired by women. The Board of Directors regularly assesses the structure of the Board and its committees as well as the different skills and experience contributed by each of their members. The Board also uses its best efforts to ensure that it has the best possible balance by seeking members with complementary profiles based on international experience as well as diversity in terms of nationality, gender and expertise.

1.2.4 Independent directors

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

He or she must not:

Criterion 1 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 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 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 Have close family ties with an officer or director of the Company.

Criterion 5 Have been a Statutory Auditor of the Company at any time in the past five years.

Criterion 6 Have been a director of the Company for more than 12 years.

Criterion 7 Hold a significant percentage (over 10%) of the Company's capital or voting rights.

In accordance with the recommendations of the AFEP-MEDEF Code, at its meeting on March 12, 2018, the Board examined on a case-by-case basis the situation of each of its members based on the above independence criteria and the advice put forward by the Nominations and Compensation Committee.

Concerning Criterion 3 and the related recommendations of 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 revenue that the revenue generated from the business relationship represents). Consequently, the Board's independence assessment must take into account any business relationships that may exist between Iliad Group companies and the companies in which certain directors hold an executive position or a directorship or similar office.

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

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

Independent directors represent 50% of the Board's members, in excess of the third recommended in the AFEP-MEDEF Code for controlled companies. Consequently, the Board can carry out its duties with the required level of independence and objectivity and can ensure that its discussions are of the highest quality while taking into account the interests of all of the Company's shareholders.

1.2.5 Responsible directors

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

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

Acting in the Company's best interests

Directors are mandated by the Company's shareholders and must act in all circumstances in the best interests of both the shareholders and the Company itself.

Attendance and diligence

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

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

Loyalty and declaring conflicts of interest

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

They must always ensure that their personal situation does not give rise to any conflicts of interest with the Group. If they find themselves in a situation where there is a conflict of interests, they must inform the Board of Directors so that it can deliberate on the issue, and must not take part in the related discussions or vote, as provided for in AMF Recommendation 2012-05.

During 2017, in connection with the Company's acquisition of a minority interest in eir (Ireland's incumbent telcom operator), alongside NJJ (Xavier Niel's personal holding company), Iliad's Board of Directors put in place a procedure that complies with best corporate governance practices in order to avoid any potential conflict of interests between Xavier Niel's personal interests and those of the Company and its minority shareholders. The Board went even further than the AMF's recommendations in that it decided to set up a special committee comprising solely independent directors, who were tasked with overseeing the work of the independent financial services firm appointed to issue a fairness statement on the terms and conditions of the transaction.

As Xavier Niel's personal holding company, the corporate purpose of NJJ Holding is to acquire interests in different types of companies and assets, notably in the media and telecommunications sectors. As NJJ Holding and Iliad could be interested in the same opportunities for investing in a particular landline and/or mobile telecommunications operator, NJJ and Iliad decided to put in place a specific procedure designed to clarify the positioning of NJJ Holding and the Company when such a situation occurs, in the interests of their respective shareholders. Consequently, if NJJ Holding were to consider acquiring a stake in a landline and/or mobile telecommunications operator in France or abroad, NJJ Holding would be required to inform Iliad's Board of Directors about the potential investment project in a timely fashion. The Board would then examine the project to see whether it was of interest to the Company and would inform NJJ of its decision. If Iliad decided to pursue the project, NJJ would then withdraw from it (unless it reached a joint-investment agreement with Iliad). However, NJJ would be free to go ahead with the project again if Iliad subsequently decided not to pursue it.

Duty of confidentiality

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

Rules concerning inside information and the prevention of insider trading

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

It is the personal responsibility of each director to assess whether or not the information they possess is inside information and consequently to decide whether or not to use or relay such information.

In their capacity as "insiders", the Company's directors have been informed of the legal provisions currently in force concerning the possession of inside information, the rules concerning insider trading, the sanctions that may be imposed in the event of insider trading and the prevention measures put in place.

The Board of Director's Internal Rules were amended on January 30, 2017 to take into account the recent regulatory changes resulting from EU regulation no. 596/2014 dated April 16, 2014 on market abuse (the "MAR").

The revised version of the Internal Rules states that 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 shares or debt securities or in any derivatives or other financial instruments related to the Company's shares or debt securities during the following periods: (i) the 30 calendar days before the date on which the annual and half-yearly results are released, (ii) the 15 calendar days before the release of quarterly financial information, and (iii) any other periods in which they are privy to inside information.

Rules relating to compulsory disclosures to the AMF of transactions in the Company's securities

As required under the applicable legislation, Iliad's directors and executives and any 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.

1.3 Organization and operating procedures of the Board of Directors

Powers and remit

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

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

The Board of Directors conducts its work in a collegiate way. It is responsible for determining the Company's overall business, economic, financial and technological strategies and overseeing their implementation by Management. The Board reviews in advance any transaction falling outside the scope of the Company's stated business strategy or which could significantly affect or change the Company's financial structure or results. It is regularly informed of – and may at any time request information on – the Company's operations and results as well as its liquidity position so that it can take the decisions required in relation to its debt and financing.

Internal Rules of the Board of Directors and Directors' Code of Conduct

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

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

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

The Internal Rules also include an appendix containing a Code of Conduct which states the duties and obligations of directors in compliance with the principles of the AFEP-MEDEF Code, particularly those concerning professional diligence, loyalty, confidentiality and conflicts of interest. The Code of Conduct also sets out directors' duties concerning market transactions in the Company's securities. The most recent amendments to the Board of Director's Internal Rules were made on January 30, 2017 to take into account the recent regulatory changes resulting from the MAR, notably concerning the blackout periods for transactions in the Company's securities and the disclosure requirements applicable to directors and persons closely associated with them.

Meetings of the Board of Directors

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

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

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

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

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 each Board meeting, the Chairman informs the directors of the significant events that have arisen in relation to the Group since the previous meeting.

Board meetings also provide the directors with an opportunity to review and discuss the Company's operations and outlook and make any required changes to its overall strategy. Directors are informed of developments in the Group's markets, competitive environment and the main challenges that it faces, including in the area of corporate social responsibility.

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

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

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

Attendance and diligence

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

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

Work conducted by the Board of Directors in 2017

In 2017 the Board of Directors:

- made decisions regarding all major strategic, economic and financial matters affecting the Company and the Group and ensured that these decisions were implemented;
- approved the annual and interim financial statements;
- prepared and called the Annual General Meeting;
- drew up the budget;
- assessed the independence of the Company's directors;
- allocated directors' fees;
- authorized a bond issue and the purchase of a minority interest in eir (Ireland's incumbent telecom operator), alongside NJJ (Xavier Niel's personal holding company);
- authorized the grant of free shares to employees and executives of the Group.

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

The Board of Directors met nine times in 2017, with a 94% average attendance rate. Each meeting last two hours on average.

Assessment of the Board of Directors' work

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

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

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

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

The self-assessment process carried out in early 2018 enabled the Company to obtain a full update on how the operating procedures of the Board and its committees are working, as well as to verify that important issues are being properly prepared and debated and to appraise each director's contribution to the Board's overall work. The main area for improvement identified in the process was enhancing the international dimension of the directors' profiles. In addition, the directors gave a number of constructive suggestions that they felt would improve the Board's work. Based on these suggestions the Board made the following proposals:

- to devote more time to the reports on the work carried out by the Board's committees;
- to deepen the Board's knowledge of the Group, notably by inviting operations managers to give presentations at Board meetings.

1.4 Committees of the Board of Directors

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

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

The Board of Directors has set up two such specialist committees – the Audit Committee and the Nominations and Compensation Committee (which was originally called the Compensation Committee before its role was widened in 2015). It may set up other specialist committees whenever it deems it appropriate and compensate the members for their work.

Each committee has its own set of Internal Rules approved by the Board of Directors, which set out its specific roles and responsibilities.

1.4.1 The Audit Committee

Membership structure

At December 31, 2017 all of the members of the Audit Committee were independent directors:

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

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

Operating procedures and main roles and responsibilities of the Audit Committee

On February 9, 2010, the Board approved the Audit Committee's Internal Rules, which set out its organizational and operating procedures and apply in conjunction with the provisions of the Board's Internal Rules.

The Audit Committee is currently responsible for:

Integrity of the financial statements

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

Effectiveness of internal control and risk management procedures

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

- reviewing and commenting on the Company's internal control and risk management procedures.

Independence and appointment of Statutory Auditors

- approving the supply of the services referred to in Article L. 822-11-2 of the French Commercial Code (a list of the services already approved by the Audit Committee is set out in Appendix 1 of the Board of Directors' Internal Rules);
- issuing a formal recommendation to the Board of Directors – drawn up in accordance with Article 16 of EU regulation 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' networks 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 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*;
- reviewing, at the Board's request, the Committee's own operating procedures and effectiveness and implementing any requisite changes after approval by the Board.

Report on the Audit Committee's work in 2017

The Audit Committee met five times in 2017, with the meeting dates coinciding with the Company's major financial reporting dates. The average attendance rate at these meetings was 97.8%.

The committee meetings dedicated to examining the financial statements were held close to the dates on which they were reviewed by the Board of Directors. All requisite accounting and financial documents – particularly relating to the close of the annual accounts – were provided to the Committee's members prior to the meetings concerned.

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

During the year, the Audit Committee heard presentations given by a Senior Vice-President and the Head of Financial Control. The Committee gave the Board a presentation on risk exposure and informed the Board's members of the Company's material off-balance sheet commitments.

At each half-yearly closing, the Statutory Auditors gave the Committee a presentation, highlighting the key findings of their audit engagement and explaining the accounting options selected. During 2017, the Committee did not use the services of any external experts.

The meetings held in 2017 also covered various other subjects falling within the Committee's remit, notably reviewing the annual and half-yearly financial statements and the Group's budget, its financial and cash management policy and accounting standards, and its provisioning and risk management strategy.

Company Management representatives were able to attend all of the Audit Committee meetings held in 2017 as none of the issues addressed were deemed to be highly sensitive. In addition, the Committee's members considered that the Statutory Auditors' answers to their questions raised during the meetings were satisfactory.

The Audit Committee reported to the Board of Directors on all of its work performed in 2017.

1.4.2 The Nominations and Compensation Committee

Membership structure

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

At December 31, 2017 all of the Nominations and Compensation Committee's members were independent directors:

- Corinne Vigreux (Chair since July 4, 2016);
- Virginie Calmels;
- Pierre Pringuet.

Operating procedures and main roles and responsibilities of the Nominations and Compensation Committee

The Nominations and Compensation Committee is responsible for:

Nominations

Where requested by the Chairman of the Board of Directors, the Committee:

- examines the membership structures of the Board and its committees, particularly taking into consideration (i) the aim of achieving a balanced membership in line with the Company's ownership structure, (ii) the number of independent directors, (iii) the proportion of male and female directors required in the applicable regulations, (iv) whether existing terms of office should be renewed, and (v) the integrity, skills, experience and independence of candidates. The Committee subsequently makes proposals for changes in these membership structures when it deems fit;
- issues opinions on candidates for election/re-election as directors by the shareholders or appointment as directors by the Board, and on the appointment or renewal of the terms of office of the Chairman of the Board, the Chief Executive Officer, the Senior Vice-Presidents and the members or Chairs of the Board committees. These opinions take the form of reasoned recommendations submitted to the Board of Directors, which are based on the best interests of the Company and its shareholders.

  As a general principle, the Committee ensures that its recommendations take into account the level of independence and objectivity that the Board requires in order to perform its duties;

- examines requests by executive officers concerning taking up new directorships or other positions outside the Company;
- puts forward succession planning proposals to the Board for executive officer positions, particularly in the event of unforeseeable departures;
- prepares the Board's annual review of directors' independence based on the independence criteria adopted by the Company and contained in the Board's Internal Rules;
- discusses any issues referred by the Board of Directors or its Chairman for the Committee's review concerning the operating procedures of the Company's administrative and management bodies (e.g. the choice of governance structure, issues related to directors holding employment contracts, and managing conflicts of interest), especially in light of developments in French regulations related to the governance of listed companies and the recommendations contained in the AFEP-MEDEF Code.

Compensation

The Committee's roles and responsibilities in relation to compensation include:

- issuing opinions and/or recommendations to the Board on the main components of the executive officers' compensation packages, particularly their fixed and variable compensation, but also pension benefits, personal protection insurance, termination benefits, benefits in kind and any other form of compensation paid by the Company or other Group entity;
- recommending the general policy for granting stock options and free shares and, more particularly, the terms and conditions applicable for such grants to executive officers;
- putting forward recommendations to the Board concerning the aggregate amount of directors' fees to be submitted for approval at the Annual General Meeting, as well as recommending to the Board how the fees should be allocated among the individual directors, taking into account their actual attendance at Board meetings and their degree of involvement in the work of the Board and the Board's committees;
- putting forward recommendations on the principles and criteria applicable for determining executive officers' compensation;
- putting forward proposals concerning the information to be provided to shareholders in the Company's Annual Financial Report regarding executive officers' compensation and, more generally, the work carried out by the Nominations and Compensation Committee;

  drawing up, at the request of the Board, any other recommendations concerning compensation.

Report on the Nominations and Compensation Committee's work in 2017

The Nominations and Compensation Committee met three times in 2017, with a 100% attendance rate.

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

This Committee also met during the year in order to prepare recommendations to issue to the Board on the appointment of a new Senior Vice-President.

1.5 Governance structure

Separation of the duties of Chairman of the Board and Chief Executive Officer

On December 12, 2003, the Board of Directors decided to separate the duties of Chairman of the Board and Chief Executive Officer with a view to ensuring transparency of corporate governance within the Company. This separation of duties enables the Board to operate more effectively, as it means that its Chairman is exclusively devoted to that role and it gives the Board greater supervisory authority over executive management functions.

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

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

Executive Management

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

Since June 14, 2007, the Company's executive management has been placed under the responsibility of the Chief Executive Officer, Maxime Lombardini.

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

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

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

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.

At its meeting on December 4, 2017, acting on the recommendation of the Chief Executive Officer, the Board appointed Alexis Bidinot as a new Senior Vice-President.

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.

The Company's Senior Vice-Presidents are:

Rani Assaf*

Aged 43, French nationality

Rani Assaf is in charge of the Group's IP and Télécom network. He is also one of the founders of the Freebox project. Rani Assaf joined the Group in 1999.

Alexis Bidinot*

Aged 30, French nationality

Before joining the Iliad Group, Alexis Bidinot co-founded the start-up Actradis.fr, a leading player in inter-business file sharing. In the last six years, Alexis Bidinot 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 Bidinot is a graduate of ESCE and ESSEC business schools and École Centrale Paris.

Antoine Levavasseur

See Section 1.2.1 of this report on corporate governance.

Xavier Niel

See Section 1.2.1 of this report on corporate governance.

Thomas Reynaud

See Section 1.2.1 of this report on corporate governance.

The Board of Directors renewed the terms of office of the Chief Executive Officer and the Senior Vice-Presidents at its March 12, 2018 meeting, for a four-year period expiring at the close of the Annual General Meeting to be called to approve the 2021 financial statements.

Operational structure of the Company's Senior Management team

Since June 2004, the Company's Senior Management team has been structured around (i) a Management Committee headed by the Chairman of the Board of Directors and (ii) a number of other committees reporting to Senior Management, which are described below.

Committees reporting to Senior Management

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

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

- the Debt Recovery Committee, which monitors receivables and collection procedures in order to ensure that adequate provisions are set aside to cover any risks of non-recovery;
- the Cash Management Committee, which sets the framework for the Group's debt management policy, particularly concerning liquidity, interest rates and currency risks, as well as counterparty risks that may arise on future financial transactions;
- the Operators Committee, which examines purchases from operators in order to assess whether proper internal controls are in place in terms of approvals and accounting treatment. It also examines the Group's main claims, litigation and commitments in this area, to ensure that there are adequate provisions to cover the related risks;
- the Audiovisual Committee, which analyzes the performance of the Group's audiovisual operations and related marketing campaigns. It verifies that business performance is effectively monitored and that the terms and conditions of contracts entered into with content providers, service suppliers and subscribers are respected;
- the Fiber Committee, which is tasked with ensuring the effective application of the Group's strategy for acquiring premises to house optical nodes (ONs), for the "horizontal" and "vertical" rollouts of the FTTH network, and for connecting subscribers to the network;
- the Mobile Committee, which is in charge of monitoring the progress of the rollout of the Group's network, as well as negotiations with suppliers and levels of financial commitments;
- the Manufacturing/Freebox Committee, which verifies that production cycles are effectively managed and that all necessary measures are taken to meet the Group's targets;
- the Accounting Committee, which sets the framework for the Group's accounts closing procedures and ensures that they are formally documented. It examines the financial statements and checks that accounting standards are properly applied and that adequate provisions are set aside to cover any risks. It also verifies that the financial statements give a true and fair view of the Group in accordance with the applicable accounting principles. Lastly, it schedules pre-closes, carries out reviews of the accounts and ensures that financial data is effectively shared, which helps strengthen the financial control function;
- the Subscriber Relations Committee, comprising the heads of the contact centers and managers from the Subscriber Relations Department. This Committee meets monthly in order to coordinate the work of the contact centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the contact centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals for defining and implementing 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.

* *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.*

2. DIRECTORS AND OFFICERS' COMPENSATION

2.1 Compensation of members of the Board of Directors

The rules for allocating the shareholder-approved aggregate amount of directors' fees among the individual directors are set by the Board based on recommendations put forward by the Nominations and Compensation Committee. In the tenth resolution of the May 17, 2017 Annual General Meeting, the shareholders set the aggregate amount of directors' fees for 2017 at €210,000.

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

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

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

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

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

The following table shows the amounts of directors' fees paid in 2016 and 2017.

Non-executive directors	Amount paid in 2017 *(in €)*	Amount paid in 2016 *(in €)*
Virginie Calmels		
Directors' fees	27,000	30,000
Other compensation	N/A	N/A
Marie-Christine Levet		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
Orla Noonan		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
Pierre Pringuet		
Directors' fees	30,000	30,000
Other compensation	N/A	N/A
Olivier Rosenfeld		
Directors' fees	22,800	30,000
Other compensation	N/A	N/A
Corinne Vigreux		
Directors' fees	30,000	20,667
Other compensation	N/A	N/A
Bertille Burel		
Directors' fees	21,200	
Other compensation	N/A	N/A

2.2 Compensation policy for the Company's executive officers

In accordance with Article L. 225-37-2 of the French Commercial Code as introduced by the French "Sapin II" Act of December 9, 2016, the Board of Directors hereby reports on the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits making up the total compensation and benefits of the Chairman of the Board of Directors, the Chief Executive Officer and the Senior Vice-Presidents for 2018, which constitute the compensation policy applicable to these executive officers.

In the eighteenth to twentieth resolutions of the Annual General Meeting to be held on May 16, 2018, shareholders will be asked to approve the compensation policies for the Company's executive officers, as set out below.

These principles and criteria are set by the Board of Directors based on the recommendations of the Nominations and Compensation Committee and are identical for the Company's executive and non-executive directors.

The Board of Directors is responsible for setting the compensation policy concerning the Company's executive officers, based on the recommendations of the Nominations and Compensation Committee.

The main principles of this policy are based on the AFEP-MEDEF Code, which the Company uses as its corporate governance framework. These principles are as follows:

- the Board of Directors ensures that the compensation policy for each executive officer is straightforward, clear and consistent with the Company's corporate values and entrepreneurial culture.
- the Board's objective is to provide the Company's executive officers with competitive compensation packages that comply with the recommendations in the AFEP-MEDEF Code and are aligned with the responsibilities of the officer concerned.
- a significant portion of executive officers' compensation is performance-related, with their performance measured via long-term incentive plans whose conditions are based on sustainable value creation for all of the Company's stakeholders.

The Nominations and Compensation Committee reviews, at relatively long intervals, the structure of the executive officers' compensation packages and ensures that there is an even balance between the various components of their compensation, verifies that the packages are competitive and suggests any changes it considers should be made.

If a new executive officer is appointed, the components and structure of the compensation package described in this compensation policy would also apply to that officer. The Board of Directors would set the new executive officer's compensation package based on the recommendation of the Nominations and Compensation Committee, in accordance with this policy and in line with the packages of the Group's other executive officers.

If the new executive officer comes from outside the Group, the Board may decide to pay him or her a bonus to compensate for some or all of the benefits they may have relinquished on leaving their previous employer.

2.2.1 Principles and rules for determining the individual compensation of the Company's executive officers

Fixed compensation

The annual compensation paid to executive officers solely comprises fixed compensation. The Board has decided that the executive officers' fixed compensation may only be increased at relatively long intervals, as recommended in the AFEP-MEDEF Code, unless there is a significant change in the officer's scope of responsibilities.

Variable and exceptional compensation

The executive officers have never received any annual or multi-annual variable compensation or any exceptional compensation.

To date, the Board has decided not to put in place any variable or exceptional compensation for the Chairman of the Board of Directors, the Chief Executive Officer or the Senior Vice-Presidents. If the Board were to decide to introduce a variable or exceptional component of these executive officers' compensation, its payment would be contingent on a favorable *ex post* vote by the shareholders at the Annual General Meeting.

Multi-year compensation

The Board has decided not to put in place any multi-year compensation system as it feels that a share-based incentive system is more closely aligned with shareholders' interests.

However, a multi-year compensation system could be envisaged if regulatory changes or any other circumstances make it difficult or impossible to use a share-based system.

2.2.2 Long-term incentive plan

Long-term incentive plans are a fundamental component of the compensation packages of Iliad's executive officers. The Board considers that share-based incentive plans are particularly suited to executive officers due to (i) the level of responsibility that comes with their position, and (ii) their ability to directly contribute to the Company's long-term performance, in line with the interests of its shareholders. Long-term incentive plans may be set up at the level of Iliad S.A. or any of its subsidiaries.

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 implicate them in the successful launch of the Mobile business in France. The share grant plans put in place involved 5% of Free Mobile's share capital, of which 2.9% for the executive officers (see the description of the plan in Section 15.1.2.3.2 of the Registration Document). Under these plans, the shares have to be held for a minimum of five years after a four-year vesting and lock-up period, bringing the overall compulsory holding period to a total of nine years, except if Iliad offers an early cash-payment option.

In order to closely involve the executive officers in the Group's performance, on August 30, 2017 the Board of Directors decided to set up a share grant plan. The shares granted under this plan will vest in four successive tranches following a vesting period of between three and six years, subject to the achievement of performance conditions set for each tranche (see Section 3 below).

During 2018, acting on the recommendations of the Nominations and Compensation Committee, the Board may decide to set up similar long-term incentive plans for the executive officers and Group employees involved in certain projects, in order to closely involve them in the Group's performance. These long-term incentive plans could take the form of grants of shares in the Company or one of its subsidiaries, either in France or abroad.

In such a case, based on the recommendations of the Nominations and Compensation Committee, the Board would determine:

- the applicable vesting conditions, which (i) must include a condition that the beneficiary still forms part of the Group on the vesting date(s), and (ii) may include performance conditions (with the achievement of the conditions measured over a minimum of two years);
- the lock-up period following the vesting date(s);
- the number or proportion of vested shares that executive officers are required to hold for the entire duration of their term of office.

In accordance with the AFEP-MEDEF Code, the shares awarded to executive officers under share grant plans are subject to a cap set by shareholders at the Annual General Meeting. Consequently, shares awarded to executive officers may not represent more than 50% of the total number of shares that could be awarded under share grant plans (which corresponds to 1% of the Company's capital).

2.2.3 Commitments given to executive officers

At its meeting on March 4, 2015, the Board of Directors decided that the Chief Executive Officer, Maxime Lombardini, would be eligible for the payment of a termination benefit (contingent on performance conditions) in the event of an involuntary departure from the Group resulting from a change in control or strategy of the Company.

Payment of this termination benefit – which could have represented up to 18 months' worth of his fixed compensation – was contingent on achieving one or more of the following performance conditions:

- a medium-term increase in consolidated EBITDA margin (as a %) compared with 2014 (based on a constant Group structure);
- sustained growth (of over 5% a year on average over the period concerned);
- an average increase of at least 50,000 FTTH subscribers per year;
- rollout of a 3G network covering at least 90% of the French population by 2018;
- rollout of a 4G network covering at least 60% of the French population by 2018.

This commitment was approved by shareholders at the May 20, 2015 Annual General Meeting and was included in the Statutory Auditors' special report on related party agreements and commitments.

When the Board re-appointed Maxime Lombardini as Chief Executive Officer at its meeting on March 12, 2018, in agreement with Mr. Lombardini, the Board decided that he would no longer be eligible for this termination benefit.

Other commitments

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

3. COMPENSATION AND BENEFITS PAID OR AWARDED FOR 2017

In accordance with Article L. 225-100 II of the French Commercial Code, as introduced by the French "Sapin II" Act, at the 2018 Annual General Meeting Iliad's shareholders will be asked to vote on the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2017 to each of the Company's executive officers, namely:

- Cyril Poidatz;
- Maxime Lombardini;
- Rani Assaf;
- Alexis Bidinot;
- Antoine Levavasseur;
- Xavier Niel;
- Thomas Reynaud.

3.1 Compensation and benefits paid or awarded for 2017 to Cyril Poidatz (Chairman of the Board of Directors), submitted to the shareholders under a say-on-pay vote (eleventh resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€180,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Cyril Poidatz does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Cyril Poidatz does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Cyril Poidatz does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: – 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. – 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. – 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. – 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	As is the case for all executive directors, Cyril Poidatz does not receive any directors' fees.
Value of benefits-in-kind	N/A	Cyril Poidatz does not receive any benefits-in-kind.
Termination benefit	N/A	Cyril Poidatz is not eligible for a termination benefit.
Non-compete indemnity	N/A	Cyril Poidatz is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Cyril Poidatz is not a member of an Iliad supplementary pension plan.

3.2 Compensation and benefits paid or awarded for 2017 to Maxime Lombardini (Chief Executive Officer), submitted to shareholders under a say-on-pay vote (twelfth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€384,000	Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee.
Annual variable compensation	N/A	Maxime Lombardini does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Maxime Lombardini does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Maxime Lombardini does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,258,168 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 21,230 shares Applicable tranches, vesting dates and performance conditions: – 8,492 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. – 2,123 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. – 2,123 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. – 8,492 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	As is the case for all executive directors, Maxime Lombardini does not receive any directors' fees.
Value of benefits-in-kind	N/A	Maxime Lombardini does not receive any benefits-in-kind.
Termination benefit	No termination benefit was due for 2017.	Maxime Lombardini was eligible for a termination benefit, which was subject to performance conditions and was capped at 1.5 times his gross annual compensation. This commitment was authorized by the Board of Directors on March 4, 2015 and approved by shareholders in the 5th resolution of the May 20, 2015 Annual General Meeting, as required under the procedure applicable to related-party agreements and commitments.
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.

3.3 Compensation and benefits paid or awarded to the Senior Vice-Presidents

Compensation and benefits paid or awarded for 2017 to Rani Assaf (Senior Vice-President), submitted to the shareholders under a say-on-pay vote (fourteenth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Rani Assaf does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Rani Assaf does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Rani Assaf does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: – 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. – 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. – 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. – 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Rani Assaf does not receive any directors' fees.
Value of benefits-in-kind	N/A	Rani Assaf does not receive any benefits-in-kind.
Termination benefit	N/A	Rani Assaf is not eligible for a termination benefit.
Non-compete indemnity	N/A	Rani Assaf is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Rani Assaf is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Alexis Bidinot (Senior Vice-President), submitted to the shareholders under a say-on-pay vote (seventeenth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€31,800	Fixed compensation set by the Board of Directors on December 4, 2017 based on the recommendation of the Compensation Committee (based on annual fixed compensation of €200,400).
Annual variable compensation	N/A	Alexis Bidinot does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Alexis Bidinot does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Alexis Bidinot does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	N/A	Alexis Bidinot did not receive any free share grants.
Directors' fees	N/A	Alexis Bidinot does not receive any directors' fees.
Value of benefits-in-kind	N/A	Alexis Bidinot does not receive any benefits-in-kind.
Termination benefit	N/A	Alexis Bidinot is not eligible for a termination benefit.
Non-compete indemnity	N/A	Alexis Bidinot is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Alexis Bidinot is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Antoine Levavasseur (Senior Vice-President), submitted to the shareholders under a say-on-pay vote (fifteenth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Antoine Levavasseur does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Antoine Levavasseur does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Antoine Levavasseur does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,069,400 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 20,000 shares Applicable tranches, vesting dates and performance conditions: – 8,000 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. – 2,000 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. – 2,000 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. – 8,000 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Antoine Levavasseur does not receive any directors' fees.
Value of benefits-in-kind	N/A	Antoine Levavasseur does not receive any benefits-in-kind.
Termination benefit	N/A	Antoine Levavasseur is not eligible for a termination benefit.
Non-compete indemnity	N/A	Antoine Levavasseur is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Antoine Levavasseur is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Xavier Niel (Senior Vice-President), submitted to the shareholders under a say-on-pay vote (thirteenth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€189,000	Fixed compensation set by the Board of Directors on August 27, 2015 based on the recommendation of the Nominations and Compensation Committee.
Annual variable compensation	N/A	Xavier Niel does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Xavier Niel does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Xavier Niel does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	N/A	Xavier Niel does not receive any stock options or performance shares.
Directors' fees	N/A	Xavier Niel does not receive any directors' fees.
Value of benefits-in-kind	N/A	Xavier Niel does not receive any benefits-in-kind.
Termination benefit	N/A	Xavier Niel is not eligible for a termination benefit.
Non-compete indemnity	N/A	Xavier Niel is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Xavier Niel is not a member of an Iliad supplementary pension plan.

Compensation and benefits paid or awarded for 2017 to Thomas Reynaud (Senior Vice-President), submitted to the shareholders under a say-on-pay vote (sixteenth resolution)

Compensation and benefits paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€384,000	Fixed compensation set by the Board of Directors on June 30, 2009 based on the recommendation of the Compensation Committee.
Annual variable compensation	N/A	Thomas Reynaud does not receive any annual variable compensation.
Multi-year variable compensation	N/A	Thomas Reynaud does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Thomas Reynaud does not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Performance shares: 3,258,168 (accounting value of the instruments granted for 2017)	Decision taken by the Board of Directors on August 30, 2017 using the shareholder authorization given at the Annual General Meeting of May 19, 2016 (16th resolution). 21,230 shares Applicable tranches, vesting dates and performance conditions: – 8,492 shares will vest on October 30, 2020 if the EBITDA margin in France for 2019 is higher than the EBITDA margin in France for 2017. – 2,123 shares will vest on October 30, 2021 if the EBITDA margin in France for 2020 is higher than 40%. – 2,123 shares will vest on October 30, 2022 if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022. – 8,492 shares will vest on October 30, 2023 if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.
Directors' fees	N/A	Thomas Reynaud does not receive any directors' fees.
Value of benefits-in-kind	N/A	Thomas Reynaud does not receive any benefits-in-kind.
Termination benefit	N/A	Thomas Reynaud is not eligible for a termination benefit.
Non-compete indemnity	N/A	Thomas Reynaud is not eligible for a non-compete indemnity.
Supplementary pension benefits	N/A	Thomas Reynaud is not a member of an Iliad supplementary pension plan.

4. OTHER DISCLOSURES REQUIRED PURSUANT TO ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE

4.1 Specific procedures for participating in Shareholders' Meetings

Attendance at the Company's Shareholders' Meetings is governed by the applicable laws and Article 26 of the Company's bylaws. In particular, the shareholders are entitled to attend and vote at Shareholders' Meetings, either in person or by proxy, irrespective of the number of shares they hold, in accordance with the conditions set out in Article 26 of the Company's bylaws.

4.2 Application of the "comply or explain" rule

As required under the "Comply or Explain" rule provided for in Article L. 225-37-4 8° of the French Commercial Code and referred to in Article 27.1 of the AFEP-MEDEF Code, the Company hereby states that it considers its corporate governance practices comply with the recommendations of said Code. However, the Company has elected not to apply certain recommendations, for the reasons presented below.

Recommendations of the AFEP-MEDEF Code that have not been applied	Reasons
Meetings of the Board of Directors Article 10.3 of the Code recommends that the non-executive directors should meet once a year without the executive directors being present.	In view of the fact that the Board operates as a collegiate body, the non-executive directors do not hold formal meetings without the Company's executive or "in-house" directors being present. The Board's Internal Rules provide for such a possibility but none of the Company's non-executive directors have expressed a wish for this type of meeting to be organized on a regular basis. However, the non-executive directors do meet without the executive or "in-house" directors being present where circumstances so require. For example, in 2017, in connection with the Company's acquisition of a minority interest in eir (Ireland's incumbent telcom operator), a special committee of independent directors was set up in order to issue an opinion on the terms and conditions of the acquisition based on the work conducted by external financial and legal advisors.
Membership structure of the Compensation Committee Article 17.1 of the Code recommends that one of the members of the Compensation Committee should be a director representing employees.	The Board of Directors does not wish to change the membership structure of Iliad's Nominations and Compensation Committee, which is entirely made up of independent directors. The director representing employees has the possibility of freely expressing his opinion before any decisions are taken at Board meetings during which compensation issues are addressed.

4.3 Other information

The disclosures required under Articles L. 225-37-4 3° and L. 225-37-5 of the French Commercial Code are provided in a specific section of the management report.

The Board of Directors

APPENDIX A

Report of the Board of Directors on corporate governance

APPENDIX B

PROPOSED RESOLUTIONS PRESENTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 16, 2018

ORDINARY RESOLUTIONS

- Approval of the parent company financial statements for the year ended December 31, 2017.
- Approval of the consolidated financial statements for the year ended December 31, 2017.
- Appropriation of profit for the year ended December 31, 2017 (as presented in the parent company financial statements) and approval of a dividend payment.
- Approval of related-party agreements governed by Articles L. 225-38 *et seq*. of the French Commercial Code (excluding the agreements entered into with NJJ).
- Approval of related-party agreements governed by Articles L. 225-38 *et seq*. of the French Commercial Code concerning the Company's acquisition of a minority interest in eir, entered into between the Company and NJJ.
- Approval of the related-party agreement governed by Articles L. 225-38 *et seq*. of the French Commercial Code concerning a right of first refusal granted to the Company, entered into between the Company and NJJ.
- Re-election of Maxime Lombardini as a director.
- Re-appointment of PricewaterhouseCoopers Audit as one of the Company's joint Statutory Auditors.
- Non-renewal of the appointment of Etienne Boris as Alternate Auditor.
- Setting directors' fees.
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Cyril Poidatz (Chairman of the Board of Directors).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Maxime Lombardini (Chief Executive Officer).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Xavier Niel (Senior Vice-President).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Rani Assaf (Senior Vice-President).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Antoine Levavasseur (Senior Vice-President).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Thomas Reynaud (Senior Vice-President).
- Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Alexis Bidinot (Senior Vice-President).
- Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors.
- Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer.
- Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents.
- Authorization for the Board of Directors to carry out a share buyback program.

EXTRAORDINARY RESOLUTIONS

- Authorization for the Board of Directors to grant existing or new shares free of consideration to Group employees and/or executive officers.
- Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares.
- Aligning Article 22 of the Company's bylaws to "Statutory Auditors", with the applicable new regulations.
- Powers to carry out formalities.

ORDINARY RESOLUTIONS

In accordance with paragraph 3 of Article L. 225-98 of the French Commercial Code, in order to be validly adopted, the following twenty-one ordinary resolutions must be approved by the majority of shareholders present or represented.

First resolution

Approval of the parent company financial statements for the year ended December 31, 2017

The Shareholders consider:

- the Board of Directors' management report for the year ended December 31, 2017; and
- the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2017.

In accordance with Article 223 *quater* of the French Tax Code, the shareholders note that the Company did not recognize any expenses in 2017 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, 2017

Having considered:

- the Board of Directors' management report for the year ended December 31, 2017; and
- the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2017;

the shareholders approve the consolidated financial statements for the year ended December 31, 2017, 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, 2017 (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, 2017 show a profit of €328,947,865, the shareholders approve the Board of Directors' recommendation and resolve to appropriate the distributable profit for the year as follows:

In €	
Profit for the year	**328,947,865**
Less prior-year losses	0
Plus retained earnings	2,425,827,325
Total distributable profit	**2,754,775,190**
Appropriation	
To the legal reserve	0
To a dividend payment representing a maximum of: i.e., €0.68 per share	40,354,026
BALANCE	
Appropriated to retained earnings	2,714,421,164

The shareholders note that a maximum of 59,344,156 shares are eligible for the 2017 dividend, corresponding to the aggregate of the 58,967,037 shares making up the Company's capital at January 31, 2018 and the 377,119 shares that are potentially issuable between February 1, 2018 and the ex-dividend date on the exercise of stock options granted by the Board of Directors.

The shareholders approve the payment of a per-share dividend of €0.68. The ex-dividend date will be June 20, 2018 and the dividend will be paid as from June 22, 2018 on positions closed as of the close of business on June 21, 2018.

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.

By default, the gross amount of this €0.68 per-share dividend will be subject to the 12.8% flat-rate dividend tax (PFU) applicable in France and will not be eligible for the 40% tax relief provided for in Article 158-3-2° of the French Tax Code. However, individual shareholders who are tax resident in France may expressly and irrevocably opt for all of their investment income to be taxed using the standard progressive income tax scale, in which case the above-mentioned 40% tax relief would apply. In all circumstances, the dividend will be subject to social security contributions at a rate of 17.2%.

In accordance with the disclosure requirements in Article 243 *bis* of the French Tax Code, dividends for the last three years were as follows:

	2014	2015	2016
Total number of shares making up the Company's capital[1]	58,517,825	58,688,031	58,885,825
Aggregate net dividends[2] *(in €)*	22,821,951	24,062,093	25,909,763
Net dividend per share[2] *(in €)*	0.39	0.41	0.44

(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 2014, 2015 or 2016.

Fourth resolution

Approval of related-party agreements governed by Articles L. 225-38 *et seq*. of the French Commercial Code (excluding the agreements entered into with NJJ)

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 which were authorized by the Board of Directors and entered into during 2017 and since the end of the fiscal year.

Fifth resolution

Approval of related-party agreements governed by Articles L. 225-38 *et seq*. of the French Commercial Code concerning the Company's acquisition of a minority interest in eir, entered into between the Company and NJJ

Having considered the report of the Board of Directors and the Statutory Auditors' special report, the shareholders place on record the findings of said report and approve the new agreements described therein concerning the Company's acquisition of a minority interest in the telecom operator, eir, which were authorized by the Board of Directors and entered into between the Company and NJJ during 2017.

Sixth resolution

Approval of the related-party agreement governed by Articles L. 225-38 *et seq*. of the French Commercial Code concerning a right of first refusal granted to the Company, entered into between the Company and NJJ

Having considered the report of the Board of Directors and the Statutory Auditors' special report, the shareholders place on record the findings of said report and approve the new agreement described therein concerning a right of first refusal granted to the Company, which was authorized by the Board of Directors and entered into between the Company and NJJ after the end of fiscal 2017.

Seventh resolution

Re-election of Maxime Lombardini as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Maxime Lombardini 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, 2021.

Eighth resolution

Re-appointment of PricewaterhouseCoopers Audit as one of the Company's joint Statutory Auditors

Having considered the report of the Board of Directors, and acting on the Board's recommendation, the shareholders re-appoint as one of the Company's joint Statutory Auditors PricewaterhouseCoopers Audit, whose registered office is located at 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France and which is represented by Thierry Leroux.

PricewaterhouseCoopers Audit is appointed for a six-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

Non-renewal of the appointment of Etienne Boris as Alternate Auditor

Having considered the report of the Board of Directors, and acting on the Board's recommendation, having placed on record that the term of office of the Alternate Auditor, Etienne Boris (63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France), is due to expire at the close of this Meeting, the shareholders resolve, subject to the adoption of the twenty-fourth resolution, not to re-appoint Etienne Boris as an Alternate Auditor of the Company.

Tenth resolution

Setting directors' fees

Based on the Board of Directors' recommendation, the shareholders resolve to set the aggregate annual amount of directors' fees at €210,000, to be allocated among the Company's independent directors and non-salaried directors.

Eleventh resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Cyril Poidatz (Chairman of the Board of Directors)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Cyril Poidatz, Chairman of the Company's Board of Directors, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Twelfth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Maxime Lombardini (Chief Executive Officer)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Maxime Lombardini, the Company's Chief Executive Officer, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Thirteenth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Xavier Niel (Senior Vice-President)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Xavier Niel, Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Fourteenth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Rani Assaf (Senior Vice-President)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Rani Assaf, Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Fifteenth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Antoine Levavasseur (Senior Vice-President)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Antoine Levavasseur, Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Sixteenth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Thomas Reynaud (Senior Vice-President)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Thomas Reynaud, Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Seventeenth resolution

Approval of the components of compensation paid or awarded for the year ended December 31, 2017 to Alexis Bidinot (Senior Vice-President)

In accordance with Article L. 225-100 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for the year ended December 31, 2017 to Alexis Bidinot, Senior Vice-President of the Company, as presented in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Eighteenth resolution

Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chairman of the Board of Directors, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Nineteenth resolution

Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Chief Executive Officer, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Twentieth resolution

Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents

In accordance with Article L. 225-37-2 of the French Commercial Code, the shareholders approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total compensation and benefits of the Senior Vice-Presidents, as set out in the Company's corporate governance report drawn up in compliance with Article L. 225-37 of said Code.

Twenty-first resolution

Authorization for the Board of Directors to carry out a share buyback program

Having considered the report of the Board of Directors, the shareholders authorize the Board of Directors to carry out a share buyback program in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, and regulation (EU) no. 596/2014 of the European Parliament and of the Council dated April 16, 2014. Under this authorization – which may be delegated as provided for by law – the Board of Directors may purchase Iliad S.A. shares on behalf of the Company, directly or indirectly, in one or several transactions at the Board's discretion, provided that the total number of shares purchased does not represent more than 10% of the Company's capital at the time of the buyback(s) (as adjusted for any corporate actions carried out subsequent to this Annual General Meeting). When shares are bought back to maintain a liquid market in the Company's shares as set out below, the number of shares taken into account for the calculation of this 10% ceiling will correspond to the number of shares purchased, less the number of shares sold during the period covered by this authorization.

The shareholders resolve that this authorization may be used for the following purposes:

1. to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider acting in the name and on behalf of the Company under a liquidity contract that complies with the Code of Ethics recognized by the *Autorité des Marchés Financiers* (AMF) as an approved 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 legislation, in particular Article L. 3332-14 of the French Labor Code;

3. to remit shares as payment for buying back some of the Free Mobile shares held by Free Mobile shareholders following a share grant plan put in place within that company, on the date(s) decided by the Board of Directors and subject to a ceiling representing 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 law, on the dates decided by the Board of Directors or any representative duly authorized by the Board;
6. to cancel all or some of the shares bought back, subject to the adoption of the twenty-third resolution of this Meeting or any other 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 dates 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 said use by means of a press release.

The shares may be purchased, held, sold, exchanged or transferred in one or several transactions, at any time – apart from when a public tender offer for the Company's shares is in progress and during the blackout periods provided by law and the applicable regulations – via regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, by any method permitted under the applicable law 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. However, the shareholders grant the Board of Directors full powers – which may be delegated as provided for by law – to adjust this maximum price to take into account the impact on the share price of any corporate actions, including a change in the par value of the Company's shares, a capital increase paid up by capitalizing reserves, retained earnings or additional paid-in capital, a bonus share issue, a reverse stock split, a distribution of reserves or any other assets, or a capital redemption.

For information purposes, based on the Company's capital at January 31, 2018, the total amount invested in the share buyback program would not exceed €1,769,010,900, corresponding to a maximum of 5,896,703 shares purchased at the above-mentioned maximum price of €300.

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 fifteenth resolution of the May 17, 2017 Annual General Meeting.

EXTRAORDINARY RESOLUTIONS

In accordance with paragraph 3 of Article L. 225-96 of the French Commercial Code, in order to be validly adopted, the following extraordinary resolutions must be approved by a two-thirds majority of shareholders present or represented.

Twenty-second resolution

Authorization for the Board of Directors to grant existing or new shares free of consideration to Group employees and/or executive officers, without pre-emptive subscription rights for existing shareholders

Having considered the report of the Board of Directors 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 1% 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 50% 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 1% of the Company's capital;
4. resolve that (i) the shares will only vest at the end of a pre-defined 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. 341-1 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, then 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 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 sixteenth resolution of the May 19, 2016 Annual General Meeting.

Twenty-third resolution

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

Having considered the report of the Board of Directors and the Statutory Auditors' special report and having noted the adoption of the twenty-first resolution, in accordance with the applicable laws and regulations, and notably Article L. 225-209 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors 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-first resolution of this Meeting, 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-seventh resolution of the May 17, 2017 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-fourth resolution

Aligning Article 22 of the Company's bylaws, "Statutory Auditors", with the applicable new regulations

Having considered the report of the Board of Directors, the shareholders resolve to amend the first paragraph of Article 22 of the Company's bylaws to read as follows: *"In accordance with the laws and regulations applicable to listed companies, the shareholders shall appoint two Statutory Auditors and, where deemed necessary, one or more alternate auditors, that meet the requirements set out in the applicable laws and regulations."*

Twenty-fifth 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.

CROSS-REFERENCE TABLES

CSR CROSS-REFERENCE TABLE

INFORMATION REQUIRED PURSUANT TO IMPLEMENTING DECREE 2012-557 DATED APRIL 24, 2012 FOR THE GRENELLE 2 ACT ON THE ENVIRONMENT

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CROSS-REFERENCE TABLE – INFORMATION REQUIRED IN THE ANNUAL FINANCIAL REPORT

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