



PRESS RELEASE

Paris, March 7, 2017

2016 RESULTS

- **An outstanding commercial performance: Free becomes the leading alternative Broadband and Ultra-Fast Broadband operator ahead of SFR and remains the leading recruiter of mobile subscribers for the 20th quarter in a row¹**
- **Record ultra-fast network rollouts: 4.4 million connectible FTTH sockets and 310,000 subscribers at end-2016**
- **Over 2,400 3G mobile sites rolled out during the year, allowing the 90% population 3G coverage commitment to be met almost a year in advance**
- **Revenues and profit up sharply, by 7% and 20% respectively**
- **4th mobile operator: promising growth opportunities in Italy**
- **Ambitious objectives for the rollout of Ultra-Fast Broadband on the landline and mobile markets and prospects of high cash generation by 2020**

¹ Metropolitan France excluding M2M

SIGNIFICANT EVENTS OF THE YEAR

Just five years after it entered the mobile market, the Group has become one of the leading telecommunications operators in France, with more than 19 million subscribers, of which nearly 13 million mobile subscribers and more than 6 million Broadband and Ultra-Fast Broadband subscribers. At December 31, 2016, it had market shares of 24%² for Broadband and Ultra-Fast Broadband and 18%³ for mobile. In 2016, the Group continued its profitable growth trajectory, generating over €4.7 billion in revenues – up 7% on 2015.

The most significant events of 2016 were as follows:

- **The Group became France's leading alternative landline Broadband and Ultra-Fast Broadband operator with 6.4 million subscribers, adding 247,000 new subscribers** during the year, representing a net add market share of 32%². This good subscriber recruitment level was achieved despite a persistently fiercely competitive environment in which the Group carried out one-off targeted promotional campaigns. Free's strong sales performance drove a further increase in revenues for the Landline business, which climbed 3.6% year on year to just under €2.7 billion (up 5.3% in the fourth quarter of 2016 alone).
- **ARPU for the Landline business swung up in the fourth quarter of 2016, boosted by the TV by CANAL Panorama offer**, and came in at €34.70 as of December 2016.
- **Mobile business: The Group was France's leading recruiter of mobile subscribers for the fifth year in a row, notching up over 1,000,000 net adds in 2016**, thanks to its strategy of always offering more for the same price. At December 31, 2016, it had nearly 13 million mobile subscribers, giving it a market share of 18%³.
- **Consolidated revenues increased once again**, advancing 7% versus 6% in 2015 (and 8.6% in the fourth quarter of 2016 alone), despite a highly competitive operating context marked by numerous promotional offers by other operators.
- **Mobile revenues topped the €2 billion mark for the first time since the Group launched its mobile offerings in 2012**, with overall revenues for the Mobile business climbing nearly 12% year on year and Mobile services revenues advancing by more than 13%. This robust growth for Mobile services was directly attributable to the better subscriber mix, with more subscribers choosing the €19.99 per month offer (€15.99 per month for Freebox subscribers).
- **The success of 4G**, with the number of 4G subscribers rising sharply once again (up 60%) and totaling some 6 million at December 31, 2016. Average monthly data usage per 4G subscriber – which was already among the highest in Europe – also continued to rise, reaching 4.9 GB (representing an increase of more than 50% year on year).
- **A record year for mobile site deployments**. In 2016, the Group stepped up its rollout drive by (i) opening over 2,400 new 3G sites, (ii) equipping 3,300 4G sites for 1,800 MHz frequencies, and (iii) opening 236 sites using 700 MHz frequencies. The high number of sites opened during the year enabled the Group to extend and enhance the quality of its network, notably by broadening its 3G and 4G coverage. At December 31, 2016, the Group's full coverage rate (i.e., both indoor and outdoor) was 89% of the French

² Company estimate

³ Metropolitan France excluding M2M

population for 3G and over 76% for 4G (exceeding its target of achieving a 4G coverage rate of around 75%).

- **An acceleration in FTTH rollouts and connections**, with (i) some 2 million new connectible sockets, bringing the total to 4.4 million at December 31, 2016, and (ii) more than 100,000 subscribers connected to fiber in 2016, including 45,000 in the fourth quarter alone. This means that the Group's FTTH subscriber base increased by more than 50% in the space of a year and at December 31, 2016 it stood at 310,000.
- **A rise in the Group's profitability.** For the first time since it launched its Mobile business, the Group's EBITDA margin rose back above the 35% mark, widening by 1.7 point. Consolidated EBITDA came to €1,676 million in 2016, up 12.5% year on year, fueled by an increase in the volume of mobile traffic carried directly on the Group's own network. Profit for the period amounted to over €400 million, up by more than 20% on 2015 despite an increase in depreciation charges (notably due to the faster pace of network rollouts).
- **A pro-active capital expenditure strategy for Ultra-Fast Broadband networks, backed by a solid financial structure.** The Group invested some €1.3 billion in its landline and mobile infrastructures in France in 2016, enabling it to become more autonomous and augment its profitability while at the same time enhancing its subscriber service. Also during the year, the Group made the first two payments (totaling €472 million) for its purchase of frequencies in the 700 MHz band. Despite this outlay, the Group's financial structure remained strong, and with a leverage ratio of less than 1.0x EBITDA at December 31, 2016, it was once again one of the European telecom operators with the least amount of debt.
- **Fourth mobile network operator in Italy: a unique opportunity for the Group.** 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, with a view to acquiring assets that will enable the Group 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 for €450 million, (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. These different assets, combined with the Group's know-how, mean that it can implement an efficient cost model in view of achieving balanced EBITDA with a market share of less than 10%.

KEY INDICATORS

Operating performance indicators

<i>Subscriber numbers</i>	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Total mobile subscribers	12.7m	11.7m	10.1m
- Of which 4G	5.9m	3.7m	1.7m
Total Broadband and Ultra-Fast Broadband subscribers	6.4m	6.1m	5.9m
Total number of subscribers	19.1m	17.8m	16.0m

<i>Other indicators</i>	2016	2015	2014
Broadband and Ultra-Fast Broadband ARPU (in €)	34.70	34.50	35.10
<i>Freebox Revolution ARPU* (in €)</i>	>38.00	>38.00	>38.00
Number of connectible FTTH sockets	4.4m	2.5m	-
Average 4G data usage (in GB per month per subscriber)	4.9 GB	3.2 GB	1.8 GB

* Excluding promotions

Financial performance indicators

<i>In € millions</i>	2016	2015	% change
Consolidated revenues	4,722.1	4,414.4	+7.0%
- Landline	2,689.6	2,597.1	+3.6%
- Mobile	2,043.0	1,828.7	+11.7%
- Intra-group sales	(10.5)	(11.4)	-7.9%
Consolidated EBITDA	1,675.7	1,489.9	+12.5%
Profit from ordinary activities	744.1	666.2	+11.7%
Profit for the period	402.7	335.0	+20.2%
Leverage ratio	1.0x	0.8x	+21.9%

GROUP 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 more than 200,000 in 2017, then by 300,000 to 500,000 subscribers per year over the medium term.
- 9 million connectible FTTH sockets by end-2018.
- 20 million connectible FTTH sockets by end-2022.

■ Mobile business:

- Targeting a mobile network of more than 12,000 sites by end-2017.
- Finalize the migration of mobile sites to 1,800 MHz in 2018.
- 4G coverage rate of around 85% of the French population by end-2017.
- Achieve a 25% mobile market share in the long term.

■ Group:

- Achieve consolidated EBITDA margin for France of over 40% by 2020.
- Set capital expenditure levels for France (excluding purchases of frequencies) at between €1.4 billion and €1.5 billion per year for 2017 and 2018.
- Generate more than €1 billion in EBITDA less CAPEX in France as from 2020 thanks to:
 - *Lower charges on roaming agreements.*
 - *An improved mobile subscriber mix.*
 - *A national mobile network in 2020.*

CONSOLIDATED INCOME STATEMENT

Revenues

In 2016, the Group once again reported solid year-on-year growth, with revenues up by more than €300 million, or 7.0%, to over €4.7 billion (up 8.6% in the fourth quarter of 2016 alone). The Group managed to accelerate its revenue growth despite persistently fierce competition, thanks to another good performance from the Landline business (with revenues up 3.6% to almost €2.7 billion) as well as a further double-digit revenue increase for the Mobile business (up 11.7% to over €2 billion).

The table below shows the breakdown of consolidated revenues by category for 2016 and 2015 as well as the percentage change between the two years.

<i>In € millions</i>	2016	2015	% change
Landline	2,689.6	2,597.1	+3.6%
Mobile	2,043.0	1,828.7	+11.7%
Intra-group sales	(10.5)	(11.4)	-7.9%
Total consolidated revenues	4,722.1	4,414.4	+7.0%

Landline revenues

Against a backdrop of ongoing fierce competition, growth for the Landline business picked up pace even further in 2016, with revenues climbing 3.6% year on year (5.3% in the fourth quarter of 2016 alone) to almost €2.7 billion. The main factors that drove this performance were as follows:

- **The end-September launch of the new Freebox Revolution offer including the TV by CANAL Panorama package** and the myCANAL service. This package adds 50 channels (of which 25 are exclusive) to the 226 channels already included in the Freebox TV offer, for €39.99 per month.
- **247,000 new Broadband and Ultra-Fast Broadband subscribers**, representing a net add market share of 32%⁴. In a highly competitive environment and despite numerous promotional offers by other operators, the Group's net add market share was once again higher than its overall market share. This achievement was due to (i) the strong reputation of the Free brand and the quality of the Freebox, (ii) the measures taken to enrich the Group's offerings, notably by including new landline destinations in the Freebox plan, (iii) the introduction of the TV by CANAL Panorama offer, (iv) the quality of subscriber relations (which won it first place in the survey conducted by the major French consumer magazine, *60 millions de consommateurs*, with a 92% satisfaction rate for landline Internet access services), and (v) one-off promotional offers. At December 31, 2016, the Group had a total of almost 6.4 million Broadband and Ultra-Fast Broadband subscribers, making it France's leading alternative Broadband and Ultra-Fast Broadband operator.

⁴ Company estimate

- **Broadband and Ultra-Fast Broadband ARPU rose to €34.70 in the fourth quarter of 2016**, driven by the inclusion of the TV by CANAL Panorama package in the Freebox Revolution offer. This offer continued to prove very popular, with its ARPU once again exceeding €38⁵.

Mobile revenues

The Mobile business reported strong growth in 2016 – reflecting the success of its commercial offerings – with revenues up almost 12% year on year and topping the €2 billion mark for the first time. This rise stemmed primarily from an excellent showing from mobile services, whose revenues advanced 13%. Just five years after it was launched, the Mobile business now accounts for 43% of the Group's total revenues. At December 31, 2016, the Group had 12.7 million mobile subscribers, i.e., over one million more than at the previous year-end. The main factors that drove the Mobile business's performance in 2016 were as follows:

- **Solid sales performances thanks to constantly-enriched and attractive offers.** By continuing to stand out from the competition for the depth and breadth of its offerings and unchanged prices, Free was once again France's leading recruiter of mobile subscribers in 2016 (and for the 20th quarter in a row), with more than one million net adds during the year. Free is the only operator in France to offer a plan costing less than €20 per month that includes (i) 50 GB of 4G internet, and (ii) roaming from all European Union countries, South Africa, Australia, Canada, the United States, Iceland, Israel, Norway and New Zealand. At December 31, 2016, the Group had 12.7 million mobile subscribers, representing a market share of 18%⁶.
- **Faster take-up of Free's €19.99 per month plan** (€15.99 per month for Freebox subscribers), **primarily due to an increase in 4G usage and subscriber migrations from the €2 per month plan** (€0 per month for Freebox subscribers). In 2016, 75% of the Mobile business's net adds were signed up to the €19.99 per month plan (€15.99 per month for Freebox subscribers). This improved subscriber mix drove up Mobile services revenues by over 13% during the year – a figure which is even more impressive when compared against the 8.7% growth rate for the overall subscriber base.
- **The growing success of 4G.** The number of 4G subscribers rose sharply once again, up 60% year on year, and totaled some 6 million at December 31, 2016. Average monthly data usage per 4G subscriber – which was already among the highest in Europe – also continued to rise, reaching 4.9 GB (representing an increase of more than 50% year on year).
- **Customer satisfaction recognized and rewarded.** Free was ranked the best operator in France in the most recent customer satisfaction survey carried out by the major French consumer magazine, *60 millions de consommateurs*, with an overall 95% satisfaction rate for mobile telephony services. In addition, Free once again obtained the best score for 4G connections in France in the nPerf mobile connections performance survey for the fourth quarter of 2016.

⁵ Excluding promotions

⁶ Metropolitan France excluding M2M

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.

Gross profit

At €2,399 million, consolidated gross profit was €223 million higher than in 2015, representing a year-on-year increase of 10.3%.

As a percentage of revenues, it climbed 1.5 percentage points to 50.8%, reflecting the combined impact of two opposing factors: (i) the positive effect of higher profitability for the Mobile business (although its gross margin is still lower than that of the Landline business), thanks to the better subscriber mix and the increase in volumes of mobile traffic carried directly on the Group's own network, and (ii) a lower gross margin for the Landline business due to a rise in unbundling fees and the impact of the TV by CANAL Panorama offer on the last two months of the year.

EBITDA

Consolidated EBITDA advanced by 12.5% in 2016 to €1,676 million. EBITDA margin also increased sharply, widening by 1.7 point and topping 35% for the first time since the Group launched its Mobile business, mainly reflecting the rise in profitability reported by this business.

The Group's EBITDA performance in 2016 was fueled by the Mobile business's higher margin as the Landline margin narrowed slightly during the year. The main factors affecting EBITDA in 2016 were as follows:

- **Better mobile network coverage.** Thanks to the Group's extension of its mobile network coverage in 2016, it was able to increase the volume of traffic carried directly on its own network.
- **An improved subscriber mix for the Group's mobile offers,** with the majority of new subscribers signing up to the €19.99 per month offer (€15.99 per month for Freebox subscribers).
- **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 costs, administrative costs, etc.) and to capitalize on its status as an integrated operator (landline/mobile). In addition, the Mobile business's EBITDA margin rose once again in 2016 despite the extension of roaming services to additional countries and the termination of airtime revenue from premium numbers as from end-2015.
- **Ongoing measures to optimize the Group's landline networks (unbundling, migration and rollout of the FTTH network).** During 2016, the Group pursued its measures to (i) continue the rollout of its directly-owned FTTH network and the FTTH networks deployed in accordance with co-financing arrangements with the incumbent operator, and (ii) extend its ADSL network, by opening some 1,200 new subscriber connection nodes.
- **Dilutive impacts for the Landline business** resulting from (i) an increase in certain taxes, particularly the COPE tax, (ii) a rise in unbundling fees, and (iii) the dilutive effect of the TV by CANAL Panorama offer for the last two months of the year.

Profit from ordinary activities

Profit from ordinary activities amounted to €744 million, up 12% on the 2015 figure due to the above-described rise in EBITDA.

Depreciation/amortization expense increased to €930 million as a result of the beginning of depreciation/amortization for landline and mobile network components brought into service during the year, particularly due to (i) the migration of mobile sites to 4G technology for the 700 MHz, 1,800 MHz and 2,600 MHz frequency bands, and (ii) the FTTH network rollout.

Profit for the period

Profit for the period advanced by more than 20% to €403 million from €335 million in 2015.

Cash flows and capital expenditure

<i>In € millions</i>	2016	2015	% change
Consolidated cash flow from operations	1,603.8	1,472.7	+8.9%
Change in working capital requirement	25.6	(23.4)	-
Operating Free Cash Flow	1,629.4	1,449.3	+12.4%
Capital expenditure (excluding the purchase of 700 MHz frequencies)	(1,286.3)	(1,219.9)	+5.4%
Income tax paid	(239.4)	(229.7)	+4.2%
Other ⁷	(64.5)	(76.0)	-15.1%
Consolidated Free Cash Flow (excluding 700 MHz frequencies and dividends)	39.2	(76.1)	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	(432.3)	(76.1)	-
Dividends	(24.1)	(23.0)	+4.8%
Cash and cash equivalents at year-end	235.7	718.5	-

⁷ Including interest paid

Consolidated Free Cash Flow

The Group kept up the brisk pace of its landline and mobile network rollouts during 2016, which pushed up its capital expenditure (excluding purchases of frequencies) by 5% to €1.3 billion in line with forecasts. The year-on-year change in consolidated Free Cash Flow mainly reflects the following:

- A 9% increase in consolidated cash flows from operations to over €1.6 billion.
- A €26 million positive change in working capital requirement.
- A sustained high level of capital expenditure, which amounted to €1.3 billion (excluding the purchase of 700 MHz frequencies). Significant capital outlay was incurred during the year for both the Mobile and Landline businesses, mainly as a result of (i) the continued brisk pace of the mobile network rollout, (ii) site migrations, and (iii) the acceleration of the fiber network deployment.
- €239 million in income tax paid.
- Payment of the first two installments for the Group's purchase of 700 MHz frequencies, amounting to €472 million.
- Redemption of the €500 million worth of bonds due in June 2016, and drawdown of the same amount under a medium-term credit facility set up in early 2016.
- A positive €39 million in consolidated Free Cash Flow excluding the payments of the first two installments for the purchase of the 700 MHz frequencies (a negative €432 million including these payments).

BALANCE SHEET

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.).

On June 1, 2016, the Group redeemed at face value the €500 million worth of bonds it had issued on May 26, 2011 and which paid interest at 4.875% per year.

At December 31, 2016, the Group had gross debt of €1,881 million and net debt of €1,643 million. The Group maintained its solid financial structure during the year and its leverage ratio at December 31, 2016 was once again below the 1.0x mark. At the same time, it also had a very strong liquidity position.

The Group ended 2016 with €236 million in available cash and cash equivalents.

GLOSSARY

Alternative operator: An operator that entered the market subsequent to the incumbent State operator losing its monopoly.

Broadband and Ultra-Fast Broadband ARPU (Average Revenue Per Broadband and Ultra-Fast Broadband User): Includes revenues from the flat-rate package and value-added services but excludes one-time revenues (e.g., fees for migration from one offer to another or subscription and cancellation fees), divided by the total number of Broadband and Ultra-Fast Broadband subscribers invoiced for the period.

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

EBITDA: Profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets.

Freebox Revolution ARPU (Average Revenue Per Freebox Revolution Subscriber, excluding promotions): 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 Freebox Revolution subscribers invoiced for the period.

FTTH (fiber-to-the-home): Data delivery technology that directly connects subscribers' homes to an optical node (ON).

Gross profit: Corresponds to revenues less purchases used in production.

Leverage ratio: Represents the ratio between net debt (short- and long-term financial liabilities less cash and cash equivalents) and EBITDA.

M2M: Machine to machine communications.

Mobile services revenues: Mobile revenues excluding handset-related revenues (sales and rental).

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

Services revenues: Total consolidated revenues excluding handset-related revenues (from handset sales and rental).

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 or 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.

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

About Iliad

Iliad is the parent company of Free, the inventor of the Freebox, the first multiservice box on ADSL. Free is behind numerous innovations in the Broadband and Ultra-Fast Broadband access segment (VoIP, IPTV, flat-rate calling plans to multiple destinations, etc.). Free provides straightforward and innovative offerings at the best prices. The Freebox Revolution, the 6th generation of Freebox units, notably includes an NAS and a Blu-Ray™ drive. Free also offers the Freebox mini 4K, the first Android TV™ and 4K box on the French market. Free was the first operator to include calls from landlines to mobile phones in its offerings and also calls to French overseas departments (DOM). Since January 2012, Free has brought mobile phone usage within everyone's reach with straightforward, no-commitment offerings at very attractive prices. Subscribers can use their Free Mobile Plan for 35 days per year and per destination (excl. 4G) when they are traveling in all European Union countries, the United States, Canada, Israel, Australia, New Zealand, South Africa, Norway and Iceland. As at December 31, 2016, Free had over 19 million subscribers (6.4 million Broadband and Ultra-Fast Broadband subscribers and 12.7 million mobile subscribers).

Exchange: **Euronext Paris**

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