

Paris, August 30, 2013

- Over 12 million subscribers to Free offerings (landline or mobile), up by almost 2 million in first-half 2013
- Sustained Group revenue growth, up 27%
- 40% rise in EBITDA and 78% jump in consolidated profit
- A strengthened financial structure: positive consolidated Free Cash Flow and excellent leverage ratios
- Ongoing investment in our future: €448 million in capital expenditure and more than 450 new jobs created in France during the six-month period

SIGNIFICANT EVENTS IN FIRST-HALF 2013

In the first half of 2013, the Group saw continued growth for both its landline and mobile businesses as well as higher profitability. The main drivers of this performance were:

- **Numerous innovations during the period.** The first half of 2013 was particularly dynamic for Free in terms of innovation, with the launch of the Freebox OS and Femtocells, the opening up of VDSL2 technology to subscribers and the introduction of a new offer for France's large Portuguese community.
- **Another period of strong growth for the landline business.** The first six months of 2013 saw strong growth of over 9% for the landline business, enabling Iliad to cement its position as France's leading alternative landline operator and to notch up the largest number of net adds in the market for the sixth quarter in a row. In parallel, the landline business's profitability continued to rise, with EBITDA up by more than 15%, thanks to the Group's ongoing focus on unbundling and optimizing its fixed cost base.

- **Continued commercial success for the mobile business.** Net adds for the Group's mobile business came to over 1.5 million in the first half of 2013 bringing the total number of mobile subscribers to nearly 6.8 million, which represents a market share of 10.3%. Revenues generated by the mobile business were up 88% on first-half 2012, topping the €600 million mark.
- **Solid financial performance.** At €586 million, consolidated EBITDA was 40% higher than in first-half 2012, propelled by the rise in profitability achieved by the landline business and the €54 million contribution from the mobile business. This increase in EBITDA fueled a 78% jump in profit for the period.
- **A strengthened financial structure.** Free Cash Flow from ADSL operations climbed 27% to €291 million. This robust performance from the Group's traditional business enabled it to generate €47 million in Free Cash Flow for first-half 2013, compared with a negative €130 million in the first six months of 2012. This positive cash generation combined with the higher profitability achieved during the period strengthened the Group's financial structure, with the leverage ratio coming in below 1x at June 30, 2013, at 0.95x.

KEY INDICATORS

Operating performance indicators

	June 30, 2013	June 30, 2012	June 30, 2011
Total mobile subscribers	6,795,000	3,600,000	-
Total broadband subscribers	5,518,000	5,147,000	4,717,000
- Free	5,388,000	4,885,000	4,245,000
of which migrations from Alice to Free	45,000	90,000	44,000
- Alice	130,000	262,000	472,000
Percentage of unbundled subscribers	94.40%	93.60%	90.80%

<i>In €</i>	June 30, 2013	June 30, 2012	June 30, 2011
	End of period	End of period	End of period
Broadband ARPU	35.9	35.5	35.5
<i>Freebox Revolution ARPU</i>	>38	>38	>38

Financial performance indicators

<i>In € millions</i>	Six months to June 30, 2013	Six months to June 30, 2012	% change
Consolidated revenues	1,829.4	1,444.3	+26.7%
- Landline	1,234.6	1,130.4	+9.2%
- Mobile	600.8	319.5	+88.0%
- Intra-group sales	(6.0)	(5.6)	+7.1%
Consolidated EBITDA	585.8	417.3	+40.4%
- Landline	531.6	461.6	+15.2%
- Mobile	54.2	(44.3)	-
Profit from ordinary activities	276.6	178.5	+55.0%
Profit for the period	141.8	79.6	+78.1%
Free Cash Flow from ADSL operations	291.4	229.4	+27.0%
Leverage ratio	0.95x	1.35x	-

GROUP OBJECTIVES

■ Landline business:

- Achieve a 25% share of the landline broadband market in the long term;
- Pursue horizontal FTTH rollouts and co-financing arrangements;
- Grow revenues by more than 5% in 2013.

■ Mobile business:

- Continue and intensify site rollouts;
- Reach the obligatory coverage rate of 75% of the French population by end-2014;
- Achieve a 15% market share in the medium term with a long-term goal of 25%.

■ Group:

- Generate revenues of over €4 billion by 2015.

CONSOLIDATED INCOME STATEMENT

Revenues

Consolidated revenues for the six months ended June 30, 2013 topped €1.8 billion, up by almost 27% on first-half 2012. This strong year-on-year increase was primarily driven by the sustained rapid business development reported by both landline and mobile operations.

The table below shows the breakdown of revenues by business and category for first-half 2013 and first-half 2012 as well as the percentage change between the two periods.

<i>In € millions</i>	Six months to June 30, 2013	Six months to June 30, 2012	% change
Landline	1,234.6	1,130.4	+9.2%
Mobile	600.8	319.5	+88.0%
<i>Telecom services</i>	535.4	264.2	-
<i>Terminals</i>	65.3	55.3	+18.1%
Intra-group sales	(6.0)	(5.6)	+7.1%
Total consolidated revenues	1,829.4	1,444.3	+26.7%

Landline revenues

Landline revenues advanced from €1,130 million in first-half 2012 to €1,235 million in the first six months of 2013, representing growth of more than 9%. The year-on-year rise primarily reflects the impacts of the following:

- **Another robust sales performance in first-half 2013.** The Group's landline business delivered an excellent showing in the first six months of 2013, with more than 154,000 new subscribers during the period (net of terminations and excluding migrations from Alice) and a market share of net adds at 41%. This achievement demonstrates the strong reputation of the Free brand and its dynamic technological and commercial innovations, as well as the appeal of the Freebox Revolution offerings and the significant revenue synergies leveraged between our landline and mobile businesses. At June 30, 2013, the Group had a total of 5,518,000 broadband subscribers.
- **Success of the migration and retention program for Alice subscribers.** In 2011, the Group launched a program offering Alice subscribers the possibility of migrating to Free's offers (including the Freebox Revolution). Some 45,000 Alice subscribers took up this option during the first half of 2013.
- **Broadband ARPU of €35.9 at end-June 2013, close to its record high** and up slightly on first-half 2012.

Mobile revenues

The Group's share of the French mobile market topped 10% in first-half 2013, with 6,795,000 total subscribers at June 30, 2013. Revenues generated by this business during the period came to over €600 million, reflecting the following:

- **Continued commercial success for the innovative mobile offerings proposed by Free**, which enabled the Group to attract 1,590,000 new subscribers during the period. Since December 2012, when Free enhanced its €2/month mobile plan, the Group has accelerated its adds of users who make only moderate use of their mobiles and who are therefore attracted by the €2 plan.
- **A modest rise in revenues from sales of terminals** to €65 million, reflecting unfavorable seasonal effects.

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 €852 million, consolidated gross profit was €177 million higher than in first-half 2012, representing a year-on-year increase of 26%. The main factors affecting gross profit during the period were:

- **The positive effects of lower operating costs and a rise in the unbundling rate.** During the first six months of 2013, the Group continued its drive to extend its ADSL network, increasing its unbundling rate to over 94% thanks to its 4,804 unbundled connection nodes. This was achieved despite the fact that certain regulated prices rose during the period, particularly unbundling costs, which increased from €8.80 to €8.90 per month and per subscriber.
- **Higher gross profit for the mobile business due to a significant increase in traffic carried on Free Mobile's network.** The increase in gross profit for the mobile business was primarily due to the use of 900MHz frequencies in densely populated areas and the extended coverage of the Free Mobile network. However, it should be noted that the Group was still permitted to apply asymmetric mobile call termination charges during the period. This will no longer be possible as from July 1, 2013, which will have an adverse effect on profitability.
- **Synergies leveraged between the landline and mobile businesses.** The ongoing rapid development of the Group's mobile offerings has enabled it to increase the synergies between its two businesses, especially concerning interconnection charges and intra-group calls.

EBITDA

Consolidated EBITDA rose by more than 40% year on year to almost €586 million. EBITDA margin widened by nearly 3 points, coming in at 32%.

The Group continued to boost the profitability of its landline business by pursuing its focus on unbundling and optimizing the fixed cost base. As a result, EBITDA for that business was up by more than 15% year on year.

The mobile business contributed €54 million to consolidated EBITDA in the first six months of 2013 compared with a negative €44 million in the same period of 2012, and its EBITDA margin stood at 9%. This positive swing was attributable to (i) the business reaching the critical mass necessary to absorb its fixed cost base, and (ii) the increase in traffic carried on the Free Mobile network, primarily due to the use of 900MHz frequencies in densely populated areas and the extended coverage of the Free Mobile network. However, it should be noted that the Group was still permitted to apply asymmetric mobile call termination charges in the first half of 2013.

Profit from ordinary activities

Profit from ordinary activities amounted to €277 million in first-half 2013, up 55% year on year. The increase was primarily due to the mobile business's wider margins.

Depreciation/amortization expense came to €305 million, remaining relatively stable at 16.7% of revenues.

Profit for the period

In view of the above-described achievements, profit for the period surged 78% year on year to €142 million from just under €80 million in the first half of 2012.

Cash flows and capital expenditure

<i>In € millions</i>	Six months to June 30, 2013	Six months to June 30, 2012	% change
Consolidated cash flow	599.3	422.2	+41.9%
Change in working capital requirement	8.8	78.7	-88.8%
Operating Free Cash Flow	608.1	500.9	+21.4%
Net cash used in investing activities	(448.3)	(479.0)	-6.4%
Income tax paid	(70.7)	(115.5)	-38.8%
Other	(41.9)	(36.0)	+16.4%
Consolidated Free Cash Flow (excluding financing activities and dividends)	47.2	(129.6)	-
Free Cash Flow from ADSL operations	291.4	229.4	+27.0%
Dividends	(21.4)	(21.2)	+0.9%
Cash and cash equivalents at period-end	306.9	395.8	-22.5%

Consolidated Free Cash Flow

Consolidated Free Cash Flow totaled a positive €47 million versus a negative €130 million in the first half of 2012. This year-on-year change mainly reflects the following:

- a 21% rise in operating Free Cash Flow to almost €610 million;
- total capital outlay of €448 million during the period due to an ongoing proactive capital expenditure policy;
- a 27% jump in Free Cash Flow from ADSL operations to €291 million;
- payment of €71 million in tax.

BALANCE SHEET

At June 30, 2013, the Group had gross debt of €1,353 million and net debt of €1,039 million. The Group strengthened its financial structure during the period and its leverage ratio at June 30, 2013 returned to below the 1x mark at 0.95x. This enabled Iliad to retain its position as one of the European telecom operators with the least amount of debt.

The Group ended the first half of 2013 with €307 million in available cash and cash equivalents. Excluding the operating items presented above, the main changes in cash and cash equivalents during the period related to:

- the repayment of €200 million worth of the Group's €1,400 million syndicated credit facility;
- the drawdown of the last €100 million tranche of the second loan granted to the Group by the EIB;
- payment of the 2012 dividend amounting to €21 million.

GLOSSARY

Broadband ARPU (Average Revenue Per 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 subscribers invoiced for the period.

Broadband subscribers: Subscribers who have signed up for the Group's ADSL or FTTH offerings.

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).

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.

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

Total 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 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 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 broadband. Free is behind several innovations in the high-speed access segment (VoIP, IPTV, flat-rate calling plans to multiple destinations, etc.). Free provides straightforward and innovative offerings at the best prices. At the end of 2010, Free introduced the Freebox Revolution, the 6th generation of Freebox units that notably includes an NAS and a Blu-Ray™ drive. Free was the first operator to include calls from landlines to mobile phones as well as calls to French overseas departments (départements d'outre-mer – DOM). Beginning from January 2012, Free has made mobile phones affordable for everyone' through a generous, straightforward, no-contract offerings at a very attractive price. Free has over 5.5 million broadband subscribers and 6.8 million mobile subscribers (as at June 30, 2013).

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Market place: **Eurolist A of Euronext Paris (SRD)**

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Member of **Euro Stoxx, SBF 120, CAC Next 20, CAC Mid 100**