

Paris, March 10, 2014

- 13.7 million subscribers (landline and mobile)
- Revenues up by nearly 19% to more than €3.7 billion
- EBITDA up 31%, topping €1.2 billion
- Profit for the period jumps 42% to €265 million
- 24% of revenues reinvested in 2013, representing the largest capital expenditure program in the industry

## SIGNIFICANT EVENTS OF THE YEAR

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In line with the Group's objectives, 2013 was another year of strong growth, with over 3.1 million new subscribers (including 2.8 million mobile subscribers) and a 19% rise in revenues. The most significant events of 2013 were as follows:

- **Landline business: Ongoing development of the Group's profitable growth model.** With 276,000 net adds and a net add market share of 35%, in 2013 the Group was France's leading recruiter of broadband subscribers for the second year in a row, despite a fiercely competitive environment. Landline revenues climbed by almost 8% year on year to €2,498 million and EBITDA advanced 13%.
- **Mobile business: 2.8 million new subscribers, the highest number of net adds among French mobile operators in 2013.** This sharp increase in Free Mobile's subscriber base drove up the Group's market share to 12% at December 31, 2013, less than two years after its mobile offerings were first launched. Revenues generated by the mobile business surged 50% year on year to €1,261 million, representing a third of the Group's total revenue figure. In line with its strategy of enhancing its commercial offerings, Free proposed numerous innovations in 2013, including roaming services in Portugal, the

launch of Femtocells, 4G services and a rental offer for smartphones. Although these innovations could weigh on margins in the short term, they will enable the Group to keep up its excellent sales momentum.

- **Mobile business: A €114 million contribution to consolidated EBITDA.** The mobile business contributed €114 million to consolidated EBITDA in 2013, compared with a negative €46 million in 2012. The 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 network's extended coverage. This performance was particularly impressive given that the Group was able to apply asymmetric call termination charges only during the first half of the year.
- **An ambitious capital expenditure policy to drive the Group's growth.** In 2013 the Group kept up its capital expenditure drive, by reinvesting 24% of its revenues (or over €900 million) in order to extend the coverage of its landline and mobile networks. During the year the Group continued its mobile network rollout process, with over 700 new sites deployed, which raised its total number of 3G sites in service to over 2,500 at the year-end. This represents a coverage rate of more than 60% of the French population.
- **A solid financial performance and an even stronger financial structure:** Consolidated EBITDA topped €1 billion for the first time in the Group's history, coming in 31% higher than in 2012 at €1,204 million. Profit for the period jumped by just over 42% to €265 million. The Group further strengthened its already very solid financial structure during the year, by (i) refinancing its main credit facility (representing €1.4 billion) and extending its maturity, (ii) increasing its Free Cash Flow from ADSL operations to €636 million from €509 million in 2012, and (iii) significantly decreasing its leverage ratio, which stood at 0.85x at December 31, 2013.

## KEY INDICATORS

### Operating performance indicators

<i>In € millions</i>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
<b>Total number of subscribers:</b>	<b>13,680,000</b>	<b>10,569,000</b>	<b>4,849,000</b>
<i>Broadband subscribers</i>	5,640,000	5,364,000	4,849,000
<i>Mobile subscribers</i>	8,040,000	5,205,000	-
Percentage of unbundled subscribers	94.8%	94.1%	92.2%

<i>ARPU at end-December (in €)</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Broadband ARPU</b>	<b>36.00</b>	<b>36.00</b>	<b>35.50</b>
<i>Freebox Revolution ARPU</i>	>38.00	>38.00	>38.00

### Financial performance indicators

<i>In € millions</i>	<b>2013</b>	<b>2012</b>	<b>% change</b>
<b>Consolidated revenues</b>	<b>3,747.9</b>	<b>3,153.3</b>	<b>+18.9%</b>
- <i>Landline</i>	2,497.5	2,321.4	+7.6%
- <i>Mobile</i>	1,261.3	843.9	+49.5%
- <i>Intra-group sales</i>	(10.9)	(12.0)	-9.2%
<b>Consolidated EBITDA</b>	<b>1,204.2</b>	<b>921.4</b>	<b>+30.7%</b>
- <i>Landline</i>	1,090.7	967.5	+12.7%
- <i>Mobile</i>	113.5	(46.1)	-
<b>Profit from ordinary activities</b>	<b>540.9</b>	<b>411.7</b>	<b>+31.4%</b>
<b>Profit for the period</b>	<b>265.4</b>	<b>186.5</b>	<b>+42.3%</b>
<b>Free Cash Flow from ADSL operations</b>	<b>636.0</b>	<b>508.8</b>	<b>+25.0%</b>
<b>Leverage ratio</b>	<b>0.85x</b>	<b>1.16x</b>	<b>-26.7%</b>

## GROUP OBJECTIVES

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- Landline business:
  - Achieve a 25% share of the landline broadband market in the long term.
  - Pursue horizontal FTTH rollouts and co-financing arrangements.
  - Generate over €700 million in Free Cash Flow from ADSL operations in 2014.
  
- Mobile business:
  - Deploy more than 1,500 sites in 2014.
  - Reach a 3G coverage rate of 75% of the French population by end-2014.
  - Reach a 4G coverage rate of around 50% of the French population in 2014.
  - Achieve a 25% market share in the long term (objective raised due to the attainment of a 12% market share at December 31, 2013).
  
- Group:
  - Raise revenues to more than €4 billion by 2015.
  - Achieve consolidated EBITDA margin of over 40% by the end of the decade.

## CONSOLIDATED INCOME STATEMENT

### Revenues

Consolidated revenues for the year ended December 31, 2013 totaled €3,748 million, up by nearly €600 million, or 19%, on 2012. This robust rise was primarily attributable to the expansion of the Group's mobile business and, to a lesser extent, ongoing growth in the landline business.

The table below shows the breakdown of revenues by category for 2013 and 2012 as well as the percentage change between the two years.

<i>In € millions</i>	<b>2013</b>	<b>2012</b>	<b>% change</b>
<b>Landline</b>	<b>2,497.5</b>	<b>2,321.4</b>	<b>+7.6%</b>
<b>Mobile</b>	<b>1,261.3</b>	<b>843.9</b>	<b>+49.5%</b>
<i>Telecom services</i>	1,121.1	719.5	+55.8%
<i>Terminals</i>	140.2	124.4	+12.7%
Intra-group sales	(10.9)	(12.0)	-9.2%
<b>Total consolidated revenues</b>	<b>3,747.9</b>	<b>3,153.3</b>	<b>+18.9%</b>

#### Landline revenues

Despite the fiercely competitive environment in the French broadband market, the Group continued to grow its landline business in 2013, with revenues climbing nearly 8% year on year to €2,498 million. The main highlights of 2013 for the Landline business were as follows:

- **Iliad was once again the operator that attracted the largest number of broadband subscribers**, with 276,000 net adds and a net add market share of 35% in 2013. This excellent showing demonstrates (i) the strong reputation of the Free brand, (ii) the major efforts undertaken in recent years to improve the quality of subscriber service, and (iii) the Group's dynamic innovations including, among others, the launch of new functions for the Freebox OS and the opening up of VDSL2 technology. At December 31, 2013, the Group had a total of 5,640,000 broadband subscribers.
- **Broadband ARPU held firm at €36.00 unchanged from 2012**, testifying to the success of the Freebox Revolution, which now represents over 50% of the Group's total subscriber base. This performance was particularly noteworthy given that 2013 was a year that saw a number of major advertising campaigns launched by France's other operators.

## Mobile revenues

2013 was another year of strong growth for the Group's mobile business, with over 2.8 million net adds, representing a net add market share of 81%. The mobile business now accounts for a third of total consolidated revenues and in 2013 its revenue figure came to €1,261 million, primarily reflecting the following:

- **Ongoing commercial success for Free's mobile offerings.** With 2,835,000 net adds and a 12% share of the mobile market in 2013, the Group was once again France's leading recruiter of mobile subscribers during the year. In line with its strategy of enhancing its commercial offerings, Free proposed numerous innovations in 2013, including roaming services in Portugal, the launch of Femtocells, 4G services and a rental offer for smartphones. Although these innovations could weigh on margins in the short and medium term they will enable the Group to keep up its excellent sales momentum.
- **Continuing appeal of the €2/month plan.** Since December 6, 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.
- **A slight year-on-year increase in revenues from sales of terminals,** to €140 million.

## 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 €1,725 million, consolidated gross profit was €240 million higher than in 2012, representing a year-on-year increase of 16%. As a percentage of revenues, however, it contracted by 1.1 percentage points to 46%, due to the higher weighting within consolidated revenues of the mobile business, which has a lower gross margin than the landline business.

The main factors affecting gross profit during the year were:

- **Ongoing unbundling and economies of scale for the fixed cost base.** Throughout 2013 the Group kept up its drive to extend its ADSL network and raise its unbundling rate to 95% thanks to its 5,100 subscriber connection nodes. This was achieved despite the fact that certain regulated prices rose during the year, particularly unbundling costs, which increased from €8.80 to €8.90 in the first half of 2013.
- **Higher gross profit for the mobile business due to an increase in traffic carried on Free Mobile's network.** The rise 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. When analyzing the 2013 figure it is important to note that gross profit was adversely affected in the second half of the year because the Group was no longer permitted to apply asymmetric call termination charges.

- **Synergies leveraged between the landline and mobile businesses.** The continued 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 advanced by more than 30% in 2013 to €1,204 million, and the EBITDA margin widened by nearly 3 percentage points, coming in at 32%.

The Group continued to boost the profitability of its landline business, thanks notably to the increase in its unbundling rate and economies of scale achieved for the fixed cost base. This drove a 13% year-on-year rise in the business's EBITDA.

The mobile business contributed €114 million to consolidated EBITDA in 2013 compared with a negative €46 million in 2012. The sharp year-on-year upswing was due to the increase in gross profit recorded by the business as well as the economies of scale achieved for the fixed cost base as a result of the business's growth. This performance was particularly impressive given that the Group was able to apply asymmetric call termination charges only in the first half of 2013.

## **Profit from ordinary activities**

Profit from ordinary activities climbed 31% to €541 million, fueled by the above-described increase in margins.

Depreciation/amortization expense rose to €656 million, primarily due to the beginning of depreciation/amortization for (i) the 4G license, and (ii) network components capitalized during the year. At December 31, 2013, property, plant and equipment were written down by €15 million due to the retirement of certain network components.

## **Profit for the period**

In view of the above-described achievements, profit for the period surged 42% year on year to €265 million from €187 million in 2012.

## Cash flows and capital expenditure

<i>In € millions</i>	<b>2013</b>	<b>2012</b>	<b>% change</b>
<b>Consolidated cash flow</b>	<b>1,226.2</b>	<b>987.2</b>	<b>+24.2%</b>
Change in working capital requirement	(23.2)	130.8	-
<b>Operating Free Cash Flow</b>	<b>1,203.0</b>	<b>1,118.0</b>	<b>+7.6%</b>
Net cash used in investing activities	(905.5)	(945.2)	-4.2%
Income tax paid	(161.7)	(196.5)	-17.7%
Other	(51.6)	(14.3)	-
<b>Consolidated Free Cash Flow (excluding financing activities and dividends)</b>	<b>84.2</b>	<b>(38.0)</b>	<b>-</b>
<b>Free Cash Flow from ADSL operations</b>	<b>636.0</b>	<b>508.8</b>	<b>+25.0%</b>
Dividends	(21.5)	(21.2)	+1.4%
<b>Cash and cash equivalents at year-end</b>	<b>315.1</b>	<b>382.6</b>	<b>-17.6%</b>

### Consolidated Free Cash Flow

Consolidated Free Cash Flow totaled a positive €84 million versus a negative €38 million in 2012. This year-on-year change mainly reflects the following:

- an 8% rise in operating Free Cash Flow to €1,203 million;
- total capital outlay of €906 million during the year due to an ongoing proactive capital expenditure policy;
- a further increase in Free Cash Flow from ADSL operations, which doubled between 2011 and 2013, reaching €636 million;
- €162 million in income tax paid.



## BALANCE SHEET

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At December 31, 2013 the Group had gross debt of €1,341 million and net debt of €1,023 million. The Group further strengthened its financial structure during the year and its leverage ratio at December 31, 2013 returned to well below the 1x mark at 0.85x. This enabled Iliad to retain its position as one of the European telecom operators with the least amount of debt.

The Group ended 2013 with €315 million in available cash and cash equivalents. Excluding the operating items presented above, the main changes in cash and cash equivalents during the year related to:

- the refinancing of the €1.4 billion syndicated credit facility and the repayment of €200 million in drawdowns under the 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.

## EVENTS AFTER THE REPORTING PERIOD

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Iliad has announced on March 9, 2014 that it has signed an agreement for exclusive negotiations with Bouygues and Bouygues Telecom with a view to purchasing both a portfolio of 2G/3G/4G frequencies and Bouygues Telecom's mobile telephony network for a sum that could go up to €1.8 billion.

This transaction will only go through if the takeover of SFR by Bouygues is complete, and the necessary authorisations have been obtained.

In a potential market configuration back to three players, this operation would enable Free Mobile to speed up its ambitious commercial dynamics - to the benefit of the consumer - in a context where infrastructure competitiveness reigns. Indeed Free Mobile thus considerably strengthens both its autonomy and its frequency portfolio.

This operation is due to be financed by the Group's own and bank resources, without resorting to capital increase.

## GLOSSARY

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**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.

**EBITDA:** Corresponds to profit from ordinary activities before (i) depreciation, amortization and provisions for impairment of non-current assets and (ii) share-based payment expense.

**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 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. Free is behind numerous innovations in the broadband 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 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. Free has over 13.6 million subscribers (5.6 million broadband subscribers and 8.0 million mobile subscribers as at December 31, 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**