

Paris, August 29, 2014

- Close to 15 million subscribers (landline and mobile)
- Consolidated revenues up by 10% to €2 billion
- 24% jump in Mobile revenues, with over 1 million new subscribers
- Solid financial performance: EBITDA up 7% to €624 million, and a record €372 million in Free Cash Flow from ADSL operations
- Ongoing capital expenditure drive, with 20% of the Group's revenues reinvested in first-half 2014
- Sharp increase in mobile coverage

SIGNIFICANT EVENTS IN FIRST-HALF 2014

In the first half of 2014 the Group saw continued solid growth, with over 1 million new subscribers (landline and mobile combined) and a more than 10% year-on-year increase in revenues to over €2 billion.

The most significant events of the period were as follows:

- **Landline business: ongoing growth against a competitive backdrop.** Despite marketing strategies and price reductions implemented by its competitors during the period, the Group continued to grow its broadband business, with 95,000 net adds during the period (representing a 24% net add market share). This performance was particularly impressive given that the Group maintained its broadband ARPU at a high level (€35.80), and saw an increase in this indicator between the first and second quarters of the year. Landline revenues rose by nearly 4% to €1,279 million, despite the negative impact of VAT rises in France during the period.

- **Mobile business: an excellent commercial performance.** During the first six months of 2014 the Group was once again by far France's leading recruiter of mobile subscribers, with over 1 million net adds. Thanks to this outstanding showing, at June 30, 2014 the Group topped the 9 million mark in terms of total mobile subscribers and had a market share of over 13%. This means that just over two years after first launching its mobile offerings it is already close to achieving its initial target of a 15% market share. Revenues generated by the Mobile business jumped 24% during the period to €746 million.
- **Mobile business: a commercial strategy focused on innovation and constantly-enriched offers.** During the first six months of 2014 the Group pursued its strategy of enriching its offerings by increasing the number of roaming destinations included in the Free Mobile Plan (adding the French West Indies and Guiana, Italy, Germany, the Netherlands, Poland, Austria, the Czech Republic and Romania). At the same time it continued to roll out its mobile phone installment payment and rental offers launched in December 2013. Although these new offers may weigh on short- and medium-term profitability they enable the Group to keep up its excellent sales momentum.
- **A solid financial performance despite a rise in VAT and the end of asymmetrical call termination charges.** In spite of the negative impact of the higher VAT rates introduced in France (notably for audiovisual offers) and the end of asymmetrical call termination charges, the Group's EBITDA rose by nearly 7% year on year to €624 million. A key driver of this growth was the solid profitability levels recorded by the Landline business during the six months under review. Despite the growth in EBITDA, profit for the period was more or less unchanged from first-half 2013, coming in at just under €140 million. This year-on-year stability in the Group's bottom line reflects (i) an increase in depreciation charges, notably due to the launch of 4G services, and (ii) a higher corporate income tax rate.
- **A solid financial structure that enabled the Group to finance its capital expenditure programs.** The Group's robust generation of Free Cash Flow from ADSL operations (€372 million versus €291 million in first-half 2013) enabled it to pursue its pro-active capital expenditure strategy, with the rollout of over 600 new 3G sites, the opening of some 600 new 4G sites, and an acceleration of the migration of its landline network to VDSL2 technology. During the first six months of 2014 the Group reinvested some 20% of its revenues (i.e., over €400 million) in capital expenditure programs. Despite this outlay, the Group managed to further strengthen its financial structure by generating around €100 million in Free Cash Flow (before dividends) and once again lowering its leverage ratio (0.75x at June 30, 2014).

KEY INDICATORS

Operating performance indicators

	June 30, 2014	June 30, 2013	June 30, 2012
Total number of subscribers:	14,830,000	12,313,000	8,747,000
<i>Broadband subscribers</i>	5,735,000	5,518,000	5,147,000
<i>Mobile subscribers</i>	9,095,000	6,795,000	3,600,000
Percentage of unbundled subscribers	95.60%	94.40%	93.60%

<i>ARPU at end-June (in €)</i>	2014	2013	2012
Broadband ARPU	35.80	35.90	35.50
<i>Freebox Revolution ARPU</i>	>38.00	>38.00	>38.00

Financial performance indicators

<i>In € millions</i>	Six months to June 30, 2014	Six months to June 30, 2013	% change
Consolidated revenues	2,019.6	1,829.4	+10.4%
- <i>Landline</i>	1,279.3	1,234.6	+3.6%
- <i>Mobile</i>	745.7	600.8	+24.1%
- <i>Intra-group sales</i>	(5.4)	(6.0)	-10.0%
Consolidated EBITDA	624.2	585.8	+6.6%
Profit from ordinary activities	281.4	276.6	+1.7%
Profit for the period	139.9	141.8	-1.3%
Free Cash Flow from ADSL operations	371.9	291.4	+27.6%
Leverage ratio	0.75x	0.95x	-21.1%

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.
- Generate over €700 million in Free Cash Flow from ADSL operations in 2014.

■ Mobile business:

- Deploy more than 1,000 sites in the second half of 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

In the first half of 2014 the Group's revenues topped the €2 billion mark for the first time in a six-month period and were up by nearly €200 million, or more than 10%, on first-half 2013. This robust year-on-year 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 first-half 2014 and first-half 2013 as well as the percentage change between the two periods.

<i>In € millions</i>	Six months to June 30, 2014	Six months to June 30, 2013	% change
Landline	1,279.3	1,234.6	+3.6%
Mobile	745.7	600.8	+24.1%
Intra-group sales	(5.4)	(6.0)	-10.0%
Total consolidated revenues	2,019.6	1,829.4	+10.4%

Landline revenues

Against a competitive backdrop and despite the negative impact of the rise in French VAT rates, the Group managed to keep up the growth momentum for its Landline business, whose revenues climbed nearly 4% year on year to €1,279 million. The main highlights of first-half 2014 for the Landline business were as follows:

- **The Group recruited 95,000 new broadband subscribers**, representing a net add market share of 24%. Despite a highly competitive environment characterized by major promotional offers by other operators, the Group's market share held firm during the period, thanks to (i) the strong reputation of the Free brand, (ii) the quality and breadth of the Freebox Revolution offering, and (iii) Iliad's strong innovation capacity. At June 30, 2014, the Group had a total of 5,735,000 broadband subscribers.
- **Broadband ARPU remained at a high level, at €35.80.** In spite of the unfavorable effect of the VAT increase, the Group was able to keep its ARPU close to the €36 mark, at €35.80. This performance reflects (i) the success of the Freebox Revolution, whose ARPU is above €38, (ii) a limited use of promotional offers, and (iii) the positive impact of the FIFA World Cup on value-added audiovisual services.

Mobile revenues

The Group's Mobile business delivered an excellent showing in first-half 2014, with more than 1 million net adds, representing a net add market share of over 65%. The Mobile business now accounts for almost 40% of total consolidated revenues and in the first six months of 2014 its revenue figure came to €746 million, primarily reflecting the following:

- **A commercial strategy focused on innovation and constantly-enriched offers.** During the first six months of 2014 the Group pursued its strategy of enriching its offerings by increasing the number of roaming destinations included in the Free Mobile Plan (adding the French West Indies and Guiana, Italy, Germany, the Netherlands, Poland, Austria, the Czech Republic and Romania). At the same time it continued to roll out its mobile phone installment payment and rental offers launched in December 2013. Although these new offers may weigh on short- and medium-term profitability they enable the Group to keep up its excellent sales momentum.
- **An excellent commercial performance.** During the first six months of 2014 the Group was once again France's leading recruiter of mobile subscribers, with over 1 million net adds. Thanks to this outstanding showing, at June 30, 2014 the Group topped the 9 million mark in terms of total mobile subscribers and had a market share of over 13%. Revenues generated by the Mobile business jumped 24% during the period to €746 million.
- **Higher sales of phones and a better subscriber mix within net adds.** In December 2013, the Group made it easier for subscribers to acquire a mobile phone, notably by offering a rental option and the possibility of paying for phones in installments. This initiative enabled the Group to increase its mobile phone sales in the first half of 2014 and to improve the subscriber mix within its net adds, even though the majority of new subscribers are still taking up the €2 plan.
- **Implementation of an innovative distribution strategy,** with the rollout of France's first self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser. At June 30, 2014 the Group had already set up around 400 such kiosks in partnership with the Maison de la Presse and Mag Presse network.

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 €898 million, consolidated gross profit was €46 million higher than in first-half 2013, representing a year-on-year increase of 5%.

As a percentage of revenues, however, it contracted by two percentage points to 44.5%, due to (i) the higher weighting within consolidated revenues of the Mobile business (which has a lower gross margin than the Landline business), and (ii) the adverse effect of the higher VAT rates that have been applicable in France since the beginning of 2014.

EBITDA

Consolidated EBITDA rose by nearly 7% year on year to €624 million. However, at 30.9%, EBITDA margin was more than one percentage point lower than in first-half 2013, due to the higher weighting within consolidated revenues of the Mobile business which has a lower EBITDA margin than the Landline business.

The main factors affecting EBITDA during the period were as follows:

- **Better mobile network coverage, partly offset by the effect of no longer being able to apply asymmetrical call termination charges.** Thanks to the Group's extension of its mobile network coverage in the first half of 2014 it was able to increase the volume of traffic carried directly on its own network. This positive effect was, however, partially offset by the end of asymmetrical call termination charges and the above-described enrichment of the Group's offers.
- **A firm level of EBITDA generated by the Landline business,** which enabled the Group to offset the impacts of both the rise in French VAT and the increase in certain taxes on revenues generated by Internet service providers.
- **Ongoing measures to optimize the Group's landline networks (unbundling, migration to VDSL2 technology and rollout of the FTTH network).** During first-half 2014, the Group pursued its measures to (i) extend its ADSL network and increase its unbundling rate to 95.60%, (ii) accelerate the migration of its network equipment to VDSL2 technology, and (iii) roll out its FTTH network. These measures were undertaken against a backdrop of rises in certain regulated prices during the period, particularly an increase in unbundling costs (rental of the copper pair) from €8.90 to €9.02 as from February 1, 2014.
- **Fixed cost advantages achieved due to the Group's status as an integrated operator (landline/mobile).** The increase in the total number of subscribers during the period enabled the Group to achieve further economies of scale in terms of its fixed cost base (advertising costs, administrative costs, etc.).

Profit from ordinary activities

Profit from ordinary activities amounted to €281 million, up slightly on the first-half 2013 figure as a result of the above-described rise in EBITDA.

Depreciation/amortization expense increased to €340 million, reflecting the beginning of depreciation/amortization for (i) network components that were brought into service during the period and (ii) the 4G license, following the December 2013 launch of the Group's 4G offers.

Profit for the period

Profit for the period edged down 1% year on year, coming in at €140 million versus €142 million in the first six months of 2013. It should, however, be noted that the first-half 2014 figure includes the exceptional tax contribution that was introduced in France in October 2013 and which amounted to over €4 million for the Group.

Cash flows and capital expenditure

<i>In € millions</i>	Six months to June 30, 2014	Six months to June 30, 2013	% change
Consolidated cash flow	614.9	599.3	+2.6%
Change in working capital requirement	9.6	8.8	+9.1%
Operating Free Cash Flow	624.5	608.1	+2.7%
Net cash used in investing activities	(402.0)	(448.3)	-10.3%
Income tax paid	(105.6)	(70.7)	+49.4%
Other	(17.7)	(41.9)	-57.8%
Consolidated Free Cash Flow (excluding financing activities and dividends)	99.2	47.2	+110.2%
Free Cash Flow from ADSL operations	371.9	291.4	+27.6%
Dividends	(21.6)	(21.4)	+0.9%
Cash and cash equivalents at period-end	224.2	306.9	-26.9%

Consolidated Free Cash Flow

Consolidated Free Cash Flow totaled €99 million versus €47 million in first-half 2013. This year-on-year change mainly reflects the following:

- nearly €625 million in operating Free Cash Flow;
- the €10 million change in working capital requirement, stemming from a non-recurring item and improved payment times for certain suppliers, which helped offset the adverse effect on this item resulting from the Group's new offers for mobile phones (rental and payment installment options);
- the Group's ongoing capital expenditure drive, with total capital outlay exceeding €400 million, reflecting an increase in capital expenditure programs for the Mobile business and a slowdown in outlay related to growth in the Landline business's subscriber base (subscriber boxes, access fees, etc.);
- a further increase in Free Cash Flow from ADSL operations, to €372 million;
- €106 million in income tax paid.

BALANCE SHEET

At June 30, 2014, the Group had gross debt of €1,165 million and net debt of €934 million. The Group further strengthened its financial structure during the period and its leverage ratio at June 30, 2014 was once again well below the 1x mark at 0.75x. 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 2014 with €224 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:

- repayment of the €150 million drawn down on the syndicated credit facility;
- payment of the 2013 dividend amounting to €22 million.

EVENTS AFTER THE REPORTING PERIOD

In late July 2014, Iliad put forward to T-Mobile US's Board of Directors an indicative USD 15 billion cash offer for a 56.6% stake in T-Mobile US, corresponding to USD 33.0 per share. This offer – which has the full support of Xavier Niel (Iliad's founder and majority shareholder) and was unanimously approved by Iliad's Board of Directors – is subject to a number of conditions, notably the results of a due diligence review that would be performed on T-Mobile US.

The offer was determined based on an overall valuation of USD 36.2 for each of the shares making up T-Mobile US's capital.

The acquisition would be financed through a combination of debt and equity and Iliad has the support of leading international banks for the debt component. The equity financing would amount to around €2 billion and Xavier Niel would invest in the corresponding share issue.

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.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): 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 broadband offering 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. As at June 30, 2014, Free had over 14.8 million subscribers (more than 5.7 million broadband subscribers and over 9 million mobile subscribers). Iliad was ranked 29th worldwide in the Forbes list of most innovative companies in 2013.

Exchange: **Euronext Paris**

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

Ticker symbol: **ILD**

ISIN Code: **FR0004035913**

FTSE classification: **974 Internet**

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