2015

mobile débit 4G
fibre Free THD
4K *innovation* fixe
opérateur RÉVOLUTION
technologie Freebox
hébergement **connexion** wifi

Registration Document **iliad** Annual Financial Report

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2015 REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

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

AMF

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 12, 2016.

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'Evêque – 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 2015 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 274 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 11, 2016

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 17, 2016:	First-quarter 2016 revenues
May 19, 2016:	Annual General Meeting
By September 30, 2016:	First-half 2016 revenues and earnings
By November 15, 2016:	Revenues for the first nine months of 2016

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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.

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

Year ended December 31, 2015

TABLE OF FEES PAID TO THE STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Amount		%		Amount		%	
In € thousands – excluding tax	2015	2014	2015	2014	2015	2014	2015	2014
Audit								
Statutory and contractual audits	313.1	309.4	81%	63%	253.0	-	85%	-
Issuer	107.0	107.0	28%	22%	106.0	-	36%	-
Fully-consolidated subsidiaries	206.1	202.4	53%	41%	147.0	-	49%	-
Audit-related work	74.0	179.0	19%	37%	45.0	-	15%	-
Issuer	69.3	24.3	18%	5%	45.0	-	15%	-
Fully-consolidated subsidiaries	4.7	4.7	1%	1%	-	-	0%	-
SUB-TOTAL	387.1	488.4	100%	100%	298.0	-	100%	-
Other services provided by the networks to fully-consolidated subsidiaries								
Legal and tax advisory services								
IT consulting								
SUB-TOTAL	-	-	0%	0%	-	-	0%	-
TOTAL	**387.1**	**488.4**	**100%**	**100%**	**298.0**	**N/A**	**100%**	**N/A**

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SELECTED FINANCIAL INFORMATION

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In € millions	Year ended December 31, 2015	Year ended December 31, 2014*	Year ended December 31, 2013
INCOME STATEMENT			
Revenues	4,414.4	4,167.6	3,747.9
EBITDA[(1)]	***1,489.9***	***1,283.6***	***1,204.2***
Profit from ordinary activities	666.2	569.5	540.9
Other operating income and expense, net	(4.2)	(3.6)	(3.9)
Operating profit	662.2	565.9	537.0
Finance costs, net	(58.0)	(63.8)	(59.4)
Other financial income and expense, net	(24.5)	(21.7)	(24.3)
Corporate income tax	(244.5)	(202.0)	(187.9)
Profit for the period	**335.0**	**278.4**	**265.4**
BALANCE SHEET			
Non-current assets	5,755.3	4,266.4	3,956.3
Current assets	1,432.7	744.6	780.5
Of which cash and cash equivalents	*720.1*	*137.4*	*318.1*
Assets held for sale	26.0	34.4	39.5
Total assets	**7,214.0**	**5,045.3**	**4,776.3**
Total equity	2,637.2	2,315.2	2,013.6
Non-current liabilities	1,899.1	1,209.1	1,400.2
Current liabilities	2,677.7	1,521.0	1,362.5
Total equity and liabilities	**7,214.0**	**5,045.3**	**4,776.3**
CASH FLOWS			
Cash flows from operations	1,472.7	1,236.5	1,226.2
Net cash used in investing activities	(1,219.9)	(968.3)	(905.5)
Net change in cash and cash equivalents (excluding financing activities and dividends)[(2)]	(76.1)	(37.2)	84.2
Dividends	(23.0)	(21.7)	(21.5)
Net debt	1,191.4	1,084.1	1,023.0

* *These figures have been restated to reflect the impact of the Group's first-time application of IFRIC 21.*
(1) *See definition on page 246 of this Registration Document.*
(2) *Including interest expense.*

KEY FIGURES FOR 2015

2015 was another year of growth for the Group, with revenues coming in at a record high of more than €4.4 billion, well ahead of its initial target. Revenues from services rose by 7.4% during the year (6% including handsets), driven by an excellent showing from the Mobile business which reported a near 20% increase in its services revenues. At the same time, EBITDA advanced 16% compared with 2014. The number of new subscribers was also very high once again, with nearly 2 million additional subscribers signing up for the Group's landline and mobile offerings.

The most significant events of 2015 were as follows:

- **Landline business: 270,000 net adds** for landline Broadband and Ultra-Fast Broadband offerings, representing a net add market share of 35%. Despite a persistently fierce competitive environment, with aggressive marketing and pricing strategies from competitors, the Group managed to keep its ARPU stable at €34.50. This helped drive a more than 1% rise in revenues for the Landline business to €2.6 billion;
- **Mobile business: almost 1.6 million net adds in 2015.** Free was once again the leading recruiter of mobile subscribers during the year – a position it has held since it launched its Mobile business in 2012. The Group continued to enrich its commercial offering during 2015, with (i) the Free Mobile Plan now including roaming communications from all European Union countries and the United States in addition to the many other roaming destinations already covered, (ii) an increase in the fair use thresholds for mobile data volumes to 20 GB for 3G and 50 GB for 4G, (iii) up to four Free Mobile plans now eligible for a price reduction for Freebox subscribers compared with one previously (€15.99 per month for the €19.99/month plan and €0 per month for the €2/month plan). By the year-end the total number of mobile subscribers had reached nearly 12 million and the Group had a market share of almost 17%[(1)], outstripping its initial long-term target for the Mobile business just four years after it was launched. Revenues generated by the Mobile business advanced by nearly 20% year on year (excluding handsets) to more than €1.8 billion;
- **a step up in the pace of ultra-fast landline and mobile network rollouts.** In 2015, the Group pursued the rapid rollout of its mobile network, particularly 4G equipment, and by the year-end it had increased its 4G coverage rate from around 40% of the French population to 63%. The number of 4G subscribers rose by a sharp 2 million, reaching 3.7 million at end-2015, and average monthly mobile data usage per 4G subscriber totaled 3.2 GB, up by nearly 80% year on year. During the year, the Group also stepped up its fiber rollout and accelerated its subscriber migrations to ultra-fast networks (VDSL2 and FTTH) in line with its pro-active strategy of investing in new generation networks;
- **a rise in the Group's profitability.** Consolidated EBITDA totaled €1,490 million in 2015 and the EBITDA margin widened by 3 percentage points to 33.8%, reflecting an increase in the volume of traffic carried directly on the Group's own network. Consolidated profit for the period came to €335 million, up by more than 20% on 2014 despite an increase in depreciation charges (notably due to the faster pace of network rollouts);
- **a rigorous financial strategy and a solid structure, enabling the Group to step up its investments in ultra-fast networks.** The Group's pro-active capital expenditure strategy for both its landline and mobile infrastructure will enable it to become more independent and to further increase its profitability for the coming years, while at the same time enhancing its subscriber service. Capital spending in 2015 totaled €1,220 million versus €968 million in 2014. The year-on-year rise was notably due to (i) the launch of the Freebox mini 4K and building up the requisite inventories, (ii) the pace of the rollout for Ultra-Fast Broadband in the Group's Landline business, and (iii) the opening of more than 1,600 3G sites and over 3,500 4G sites during the year. In the coming years the Group will have a cash outflow for the purchase price of its frequencies in the 700 MHz band, which will be paid for in four equal installments between 2016 and 2018, with two installments due in the first year. Despite this outlay, the Group's financial structure remained strong in 2015, with a leverage ratio of 0.80x at the year-end;
- **reinforcing the Group's frequency portfolio.** During 2015, the Group strengthened its frequency portfolio with an additional 15 MHz in the 1,800 MHz band and 10 MHz in the 700 MHz band.

(1) Metropolitan France excluding M2M (machine-to-machine communication).

PRINCIPAL FINANCIAL INDICATORS

In € millions	Year ended December 31, 2015	Year ended December 31, 2014	% change
Consolidated revenues	**4,414.4**	**4,167.6**	**+5.9%**
- Landline	2,597.1	2,564.2	+1.3%
- Mobile	1,828.7	1,614.3	+13.3%
o/w mobile services			*19,1%*
- Intra-group sales	(11.4)	(10.9)	-4.6%
Services revenues			**7,4%**
Consolidated EBITDA	**1,489.9**	**1,283.6**	**+16.1%**
Profit from ordinary activities	**666.2**	**569.5**	**+17.0%**
Profit for the period	**335.0**	**278.4**	**20.3%**
Free Cash Flow from ADSL operations(1)	**665.8**	**736.7**	**-9.6%**
LEVERAGE RATIO(2)	**0.80x**	**0.84x**	**-4.8%**

(1) See definition on page 247 of this Registration Document.
(2) See definition on page 247 of this Registration Document.

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Iliad carries out its business in a very competitive environment which is undergoing rapid change and 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, director, Senior Vice-President of Iliad and the Group's majority shareholder, 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 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 corporate and 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 DEVELOPMENT OF THE GROUP'S 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 the Group's revenues, earnings and overall financial position.

4.1.4 RISKS RELATING TO THE IMPACT OF 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 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.

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 are 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

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 (v) the fact that new competitors could enter the market.

The landline telephony sector in France is a mature market and therefore not likely to undergo rapid expansion. It 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 2015 for television, video and games services via landline electronic communications networks, and is likely to intensify. Although the Group considers that it has a number of competitive advantages in this market, particularly through the use of its new Freebox mini 4K modem and the Freebox Revolution, which protects the transmission of content, it cannot guarantee that it will be able to develop its audiovisual and games operations as planned in a market where exclusive rights are being granted to particular operators. This risk is exacerbated by the privileged direct access to certain premium channels granted to one of the Group's competitors, which means that the Group cannot match that competitor's TV offerings. The development of the aforementioned operations will depend on the content offered and on the Group being able to expand its networks, especially in unbundled areas.

The mobile telephony market

The Group launched its first commercial mobile telephony offerings on January 10, 2012. Since then, it has enriched its mobile offerings by including new services such as roaming in numerous countries, self-service subscription kiosks, unlimited texting in Europe, and the latest mobile technologies such as Femotocells and 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 offensive. In addition, the incumbent mobile operators and MVNOs responded to Free Mobile's attractive packages. One of the incumbent mobile operators was able to use the frequencies allocated for its 2G operations to operate 4G services, which gave it an advantage over the other market players in terms of 4G coverage. The Group's success in the 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.

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

The market for landline and mobile access services is characterized by very rapidly changing pricing structures (such as usage-based charges, unlimited use packages and free access) and technical access methods (including dial-up access, ADSL, FTTH, 2G, HSPA, 3G, H+, 4G and 4G+). The competitiveness of an electronic communications operator notably depends on its ability to rapidly propose the latest technologies at attractive prices.

Since late 2013, the Group has included 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 market, since December 2013 the Group has offered 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 phones available to a greater number of people at an attractive price is to step up the pace at which 4G technology can be brought within everyone's reach, in a market where around 40% 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 compatible handsets at attractive prices is one of the keys to the future success of the Group's 4G services. However, the success of the mobile phone rental offering will depend on how popular it proves with consumers as it represents a real break from the traditional "subsidy" model.

Throughout 2015, the Group continued to promote the use of the Free Mobile Plan abroad by extending roaming services for 35 days per year at no extra cost from the European Union countries that were not already covered by the offer as well as to Canada and the United States. The underlying aim of these moves 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 – 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 Électroniques 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. 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*" in the early 1980s aimed at cabling 52 of France's main towns and cities over a ten-year period, 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 works 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, the report on the transition to ultra-fast networks and the phasing out of the copper network – which was submitted to the French government on February 19, 2015 by Paul Champsaur, the former President of ARCEP – recommends 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

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 (*Agence Nationale des Fréquences* – ANFR), 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 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). The upcoming regulatory coverage requirement for 3G is 90% coverage of the French population by January 12, 2018. For 4G, the future coverage requirements are as follows: 60% coverage of the French population by October 11, 2019 (2,600 MHz 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).

The financial sustainability of the Group's Mobile business depends on its capacity to achieve a high direct coverage rate 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, 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. The new legislation, as well as its perception by the public, 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.

4.2.2.2 Risks relating to the operation of networks

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. Given the generally accepted forecasts for the growth of Internet traffic in France, however, and the objectives that the Group has set itself in terms of both increasing the number of users of its services (particularly for broadband Internet access) and expanding its network, the Group will require the necessary resources for development corresponding to 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 partnership agreement with the incumbent operator for the use of its mobile network. If the Group is unable to manage these risks, its objectives and earnings could be significantly affected.

For example, a fault in and/or saturation of the Group's landline or mobile electronic networks and/or information systems could render its services unavailable and therefore negatively affect the number of new subscribers as well as the Group's image, financial position and targets.

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

The need to secure communications and transactions on the Internet has been a major obstacle to 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 privileged information about the users of the Group's services or cause the service to be suspended. Some leading sites and Internet service providers 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 and 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 runs 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. Its financial position could be affected if it is unable to meet its customers' expectations.

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 Notes 28 and 32 to the consolidated financial statements for the year ended December 31, 2015.

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 29, 2016, Xavier Niel, the Company's principal shareholder, held 54.50% of the capital and 69.02% 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. 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;
- 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;
- the announcement by the Company of an external growth transaction in France or abroad;
- announcements by competitors;
- announcements concerning the telecoms or Internet industry;
- 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 Subsequent sale of shares by significant shareholders

The Company's principal shareholders are currently Xavier Niel and its 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 French and European Union regulations governing the electronic communications sector. For the last ten years or so, the electronic communications sector has experienced increasing fiscal pressure, with operators being subject to a number of specific taxes and contributions. For example, in the 2016 French Finance Act, the tax on television services was raised from 0.9% of operators' retail revenue to 1.3%. In addition, a new 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 issued in France. 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, 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. French Act 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. The French parliament is currently discussing a Bill aimed at creating a "digital republic", which also contains several provisions that could affect the Group's businesses.

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.

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

Despite the legal and regulatory framework requiring 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 the pricing and technical conditions established by the incumbent operator in its Reference Interconnect Offer (revised each year) and in its Reference Unbundling Offer (revised from time to time). 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 and 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 very short term (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 twenty years from their 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 twenty years in 59 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 thirty years (renewable twice for fifteen years). Free Infrastructure and Free have the right to use the FTTH network for an initial period of twenty 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 the joint usage and roaming on mobile networks, the French competition authorities recommended that the national 3G roaming agreement should not be extended beyond a reasonable limit, i.e., beyond the end of the agreement. This 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 likewise 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. Furthermore, 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. Following the introduction of this Act, in early 2016 ARCEP issued a set of guidelines on roaming and mobile network-sharing which were put out to public consultation and submitted to the French competition authorities for their opinion. The final version of these guidelines is expected to be adopted in the second quarter of 2016. The draft guidelines state that national roaming should not continue on an indefinite basis and that it should be gradually phased out between 2017 and 2022 (between the end of 2018 and the end of 2020 for high-speed (3G equivalent) services and between the beginning of 2020 and the end of 2022 for voice, SMS and low-speed (2G equivalent) services). At this stage these are only draft guidelines and their content is without prejudice to the content of the final version. 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). The Group could be subject to similar lawsuits, particularly in view of measures that may be taken by the public authorities in order to counter terrorism, and in such a case could be exposed to significant legal costs. Defending such lawsuits 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 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 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 the Group's 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, 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 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 required 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 such as Orange, SFR and Completel 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 over the potential health hazards of electromagnetic fields emitted by telecommunication equipment. Irrespective of whether or not these concerns are legitimate, they could lead to a reduction in the use of mobile electronic communications, prevent the installation of mobile communication masts and wireless networks, or cause an increase in claims and litigation. New legislation on this issue was introduced in France under Act no. 2015-136 dated February 9, 2015 relating to precautionary measures, transparent information and consultation procedures concerning exposure to electromagnetic waves, which is aimed at providing additional protection against exposure to such waves. These factors could have a negative impact on the Group's objectives and earnings.

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 government 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 below. If Free Mobile fails to respect its commitments, ARCEP may impose the sanctions provided for in the French Post and Electronic Communications Code, as described in Chapter 6, Section 6.6 below.

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. The most recent ARCEP inspection on IFW's compliance with its commitments took place on December 31, 2011. If ARCEP finds that IFW has not complied with the specifications, it may impose the sanctions provided for in the French Post and Electronic Communications Code.

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 247 of this Registration Document.

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 set aside to cover the related contingencies, litigation or disputes of which it is aware or 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 set aside to cover the related contingencies, litigation or disputes of which it is aware or in progress at December 31, 2015 are sufficient to ensure that there would be no material impact on the Group's consolidated financial position in the event of unfavorable outcomes (see Note 27 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 33-4 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 French 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 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. During the first half of 2015, Bouygues Telecom estimated its alleged losses in relation to this case at €411 million. Proceedings are still ongoing.

In addition, on May 6, 2014 Bouygues Telecom filed an application for the cancellation of ARCEP's implicit rejection decision concerning the terms and conditions applicable to the termination of the roaming agreement following the issuance of the Opinion dated March 11, 2013 by the French competition authorities relating to the terms and conditions of the joint usage of and roaming on mobile networks. By way of an order dated October 9, 2015 the French Supreme Court (*Conseil d'État*) cancelled ARCEP's rejection decision but dismissed Bouygues Telecom's request to terminate the roaming agreement in January 2016.

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 are contesting SFR's position in this case and have filed a counterclaim seeking €475 million in damages for Free Mobile and €88 million for Free. Proceedings are still ongoing.

On April 11, 2014, Orange filed two court applications concerning various patents. Orange is seeking the cessation of alleged acts of infringement and has filed a provisional claim for around €250 million. Free contested Orange's position, notably challenging its right to act and the validity of the patents and its claims, and it counter-claimed €50,000 in compensation from Orange for abuse of process and €50,000 in costs under Article 700 of the French Civil Code (*Code de procédure civile*). On June 18, 2015, the Paris District Court rejected Orange's claims. The court ordered Orange to pay Free €200,000 and, as requested by Free, canceled the patent concerned. Orange has appealed this decision. Proceedings are still ongoing in both of these cases.

By way of decision 2015-0971-RDPI dated July 28, 2015, ARCEP authorized Free Mobile to use the optical fiber links at no extra cost for traffic to transit from its mobile base stations, irrespective of whether the latter are connected to a copper or a fiber optic main distribution frame. On August 28, 2015, Orange appealed ARCEP's decision. Free Mobile is contesting Orange's position. 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 2015 was approximately €8.6 million, corresponding to the total amount of insurance premiums paid by Group companies. 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 cover takes into account the nature of the risks incurred by Group companies and is appropriate in view of the insurance cover currently available on the market for groups of a similar size and with similar business activities.

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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'Evêque – 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 Telecom for the acquisition of the Bouygues Telecom frequency portfolio and mobile telephone network (March).
- Free includes roaming services from numerous destinations (Israel, Germany, the United Kingdom, Spain, Belgium, etc.) in its Free Mobile Plan, for 35 days a year at no extra cost (March to December).
- Free adds a new distribution channel for its mobile offerings by launching France's first self-service subscription kiosks with integrated SIM-care dispensers (April).
- Iliad expresses an interest in T-Mobile US (July).
- Iliad terminates its acquisition project for T-Mobile US (October).

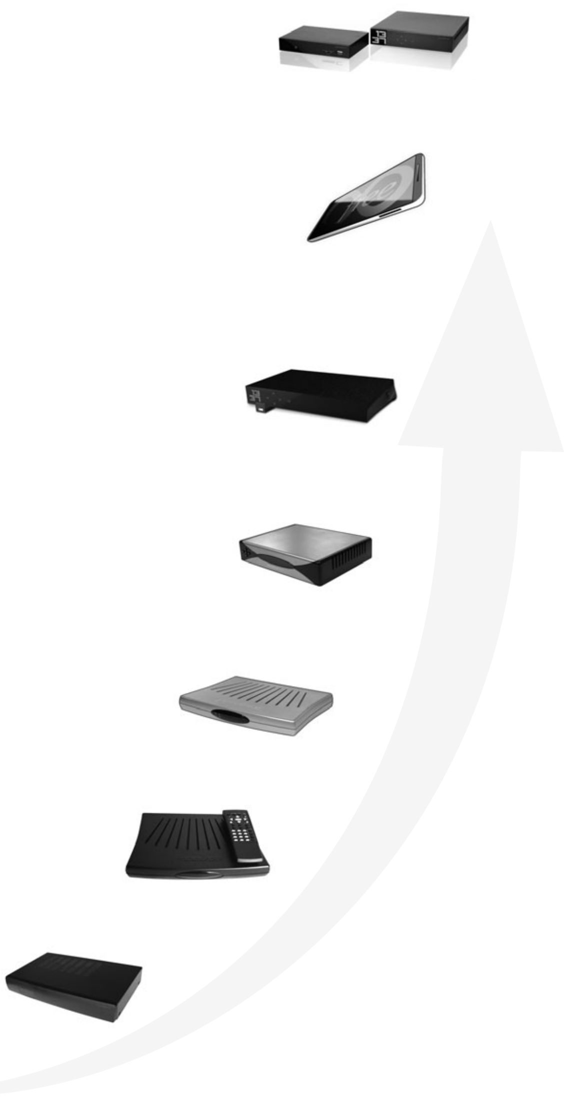
2015

- 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).

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 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 Roaming from certain European countries included in the Free mobile plan (35 days/year) Pass Destination – unlimited SMS messages from Europe	2014
4G included in mobile plans – Mobile phone rental offering FEMTO – VDSL2 – 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 mainland 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 & Wi-fi 80211N included VOD & replay VOD subscription	2008
Personal TV – 100 MB fiber optic Calls to 70 landline destinations included	2007
Freebox HD: HD TV & Digital videorecorder Calls to 28 landline destinations included	2006
Mediacenter – computer TV – VOD Calls to 15 landline destinations included	2005
Freebox Wi-fi/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 small advertising outlay compared to its competitors.

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. It was one of the few such operators to become profitable through the provision of ISP services, first posting a profit in April 2001, only 24 months after the start-up of its business.

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. This new brand image was enhanced with the launch in October 2002 of Free's ADSL broadband offering for €29.99 per month followed by the Freebox Revolution in late 2010.

Today Iliad has a number of different Internet access offerings (landline and mobile) marketed under the Free brand, all of which are characterized by their simplicity, 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 great extent from their dependence on the incumbent operator's network. Local loop unbundling (LLU) is vital for the Group's ADSL services, as this enables it to take full advantage of the density and quality of its 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

In 2006, the Group launched a project to roll out an optical fiber network. The purpose of this rollout is to provide access to an optical fiber local loop in order to improve service quality and deliver faster transmission speeds. These investments will be profitable to the extent that they are first made in areas with a high density of Free subscribers. The rollout strategy will reduce unbundling costs and strengthen the Group's strategic positioning.

Since ARCEP issued its definitions of very densely populated areas and less densely populated areas and the related regulatory framework, the Group has focused its FTTH rollout on densely populated areas. For areas that do not fall within this category Iliad has signed an FTTH co-financing agreement with Orange covering over 4.5 million homes, which will be provided with FTTH coverage by 2020.

The year 2015 saw a rise in capital expenditure for the optical fiber rollout in view of the acceleration in connections and fitting of sockets as part of the co-financing project with the incumbent operator. By the year-end the Group had some 2.5 million connectible FTTH sockets throughout France, and over 200,000 of its subscribers have an FTTH connection to date.

5.1.6.3 The Group becomes a major mobile telephony player

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 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.

In December 2013, Free commercially launched its 4G services using the frequencies it acquired in 2011 (20 MHz in the 2.6 GHz band) and the infrastructure already deployed. The rollout of 4G technology and the commercial opening of 4G sites do not require significant additional capital expenditure as the Group's mobile network was designed from the outset to use the latest technologies (an all-IP NGN), which means that both 3G and 4G services can be offered.

During 2015, the Group's frequency portfolio was significantly increased as it was allocated the following:

- 5 MHz in the 1,800 MHz band 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 in the 1,800 MHz band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz should be effectively freed up for Free's use on May 25, 2016;
- 10 MHz assigned on November 17, 2015 following the national auction for spectrum in the 700 MHz band. This spectrum will be made available over a period running from April 2016 for very densely populated areas to July 2019 for the rest of the country. It was acquired for a total of €933 million, payable in four installments between 2016 and 2018, with two installments due in the first year.

5.2 CAPITAL EXPENDITURE

5.2.1 MAIN CAPITAL EXPENDITURE IN THE LAST THREE YEARS

Since the launch of its mobile offerings, the Group has become a fully integrated operator, present in both the landline and mobile markets and drawing on a single IP telecommunications network. In view of the convergence of landline and mobile offerings and the use of one and the same asset base, the Group's capital expenditure is intended to serve all of its businesses.

In the last three years the Group has implemented a pro-active capital expenditure strategy, reinvesting an average over a quarter of its revenues over the period with a view to keeping up with the rapid expansion of its operations. 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, as well as for connections of mobile sites. Over the past three years, the Group has made major investments for its backhaul and transmission networks, the migration of its DSLAMs to VDSL2 technology, and the extension of its fiber local loop;
- expenditure directly related to growth of the subscriber base, mainly the costs of Freebox modems and SIM cards sent to subscribers;
- expenditure related to the mobile roaming agreement signed with Orange in the first half of 2011 (fixed fee portion).

Acquisitions of property, plant and equipment and intangible assets (net of asset disposals) break down as follows since 2013:

In € millions	2015	2014	2013
TOTAL CAPITAL EXPENDITURE	**1,220**	**968**	**906**

5.2.2 MAIN CAPITAL EXPENDITURE IN PROGRESS

2015 saw an acceleration in the Group's capital expenditure for ultra-fast landline and mobile networks, with total capital outlay amounting to €1,220 million, up 26% on the previous year. The main changes in 2015 related to the following:

- the Group stepped up its capital expenditure drive to support its rollout of an ultra-fast fiber network, which led to an €84 million increase in FTTH-related capital outlay. During the year the Group accelerated the pace of (i) its FTTH connections in eligible areas, and (ii) the rollouts launched as part of its co-financing arrangement with Orange outside very densely populated areas;
- mobile-related capital expenditure rose by almost €75 million, notably reflecting (i) the continued rapid rollout of the 3G network, with more than 1,600 new sites opened during the year, bringing the total number of 3G sites to 6,054 at the year-end, and (ii) the Group's drive to migrate mobile sites to 4G technology, with over 3,500 4G sites opened in 2015;
- ADSL-related capital expenditure was €83 million higher than in 2014, primarily due to the launch of the new entry-level Freebox (the Freebox mini 4K) and negative currency effects related to the US dollar;
- in addition, in November 2015, the Group significantly reinforced its frequency portfolio when it acquired an additional 10 MHz in the 700 MHz band for €933 million. The payment terms for the purchase of these frequencies are as follows: €233 million due in January 2016, €233 million in December 2016, €233 million in December 2017 and €233 million in December 2018.

5.2.3 MAIN FUTURE CAPITAL EXPENDITURE

Going forward, the Group intends to pursue its capital expenditure strategy:

- 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.);
- 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 20 million connectible FTTH sockets by 2022;
- by pursuing the unbundling of new distribution frames in order to increase the unbundling rate and extend the density of its network;
- by continuing to invest in the production and marketing of Freebox modems, especially the most recent versions (the Freebox Revolution and Freebox mini 4K);
- by pursuing its investments in its mobile network in order to:
  - reach a 3G coverage rate of 90% of the French population by 2018. The Group estimates at €1 billion the total amount of capital expenditure required to have 10,000 3G sites equipped and connected to its backhaul network,
  - deploy 4G technology at all of the Group's mobile sites,
  - continue its rollouts over and above its 10,000 initial sites, notably in order to meet the specific coverage obligations related to the 700 MHz frequencies obtained in November 2015.

Financing

The Group draws on its solid profitability, available cash 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-2015, 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

	2015	2014	2013
Revenues *(in millions of euros)*	**8,057** *(9 months ended Sept. 30, 2015, 10,753 on a 12-month rolling basis)*	**10,671**	**10,382**
Number of subscriptions *(in millions)*	**26.9**	**26.0**	**24.9**
of which broadband	22.6	23.0	22.9
of which Ultra-Fast broadband	4.3	3.0	2.0

Source: ARCEP.

The total number of broadband and ultra-fast broadband subscriptions in France rose by 0.9 million in 2015. With an aggregate of 26.9 million broadband and ultra-fast broadband subscribers at December 31, 2015, 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, accounting for 84% of broadband and ultra-fast broadband connections at December 31, 2015. The importance of this technology goes hand in hand with the development of unbundling, with over 91% of the French population having access to unbundled lines at December 31, 2015. However, ADSL networks are now gradually becoming less predominant due to the development of ultra-fast broadband networks.

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).

The French ultra-fast broadband market is in a strong growth phase, propelled by the fact that the main Internet access providers have accelerated their rollout of FTTH networks. The number of ultra-fast broadband subscriptions rose by over one million in 2015 to a total of 4.3 million at the year-end. Ultra-fast broadband is proving extremely popular with consumers and the number of users has more than doubled in the space of just two years.

Revenues generated in the overall broadband and ultra-fast broadband market came to €8.1 billion in the nine months ended September 30, 2015 (€10.8 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-Numericable and Bouygues Telecom;
- independent local access providers; and
- companies offering Internet access as a means of winning customers for other services, such as banks and supermarkets.

In 2014, Numericable, a long-standing cable network operator, acquired control of the Internet service provider, SFR. The merged outfit – SFR-Numericable – therefore has an ultra-fast broadband cable network.

Since the arrival of Bouygues Telecom and the launch of its "Idéo" packages in May 2009, the French market has seen its first quadruple-play offerings (triple-play plus a lower tariff mobile subscription). These offerings have met with growing success, making landline/mobile integration essential.

6.1.2 THE MOBILE TELEPHONY MARKET IN FRANCE

6.1.2.1 General information about the French mobile telephony market

	2015	2014	2013
Revenues *(in millions of euros, excluding revenues from incoming calls)*	**10,627** *(9 months ended Sept. 30, 2015 14,252 on a 12-month rolling basis)*	**14,621**	**15,519**
Number of SIM cards *(in millions)* **– Metropolitan France only excluding M2M**[(1)]	**69.5**	**69.0**	**67.2**
o/w locked-in plans	23.0	26.7	26.7
o/w no-commitment plans	35.2	29.1	26.2
o/w prepaid plans	11.3	13.2	14.3
Average bill *(in euros per month – on a rolling annual basis)*	**16.6** *(2015 average at Sept. 30, 2015)*	**17.1**	**18.9**

Source: ARCEP.

At December 31, 2015, the mobile telephony market in Metropolitan France was stable compared with the previous year, with around 70 million users (corresponding to SIM cards in use excluding M2M)[(2)], and the penetration rate was 108.7%.

The main changes in the mobile networks services market in 2015 were as follows:

- an ongoing trend towards mobile plans and away from prepaid cards. However, annual growth in the number of "voice" and "voice-data" plans slowed by 4.3% in 2015 (compared with 5.5% in 2014), marking a return to the growth levels recorded for these two types of plans prior to the launch of Free Mobile. At the same time, the fall-off in the number of prepaid cards which began in 2012 continued in 2015 with a contraction of 14% during the year;
- a strong increase in the number of no-commitment plans, with 35.2 million subscribers – or over 60% of total mobile subscriptions in France – covered by this type of plan at end-December 2015, up 21% on 2014;
- a further rise in usage, with the higher number of plans and the proliferation of premium limited plans leading to continued growth in:
  - the use of minutes, with an average of 4 more minutes used per subscriber and per month in the third quarter of 2015 compared with the same period of 2014,
  - average data usage for mobile phone users, which increased by 311 megabytes in the third quarter of 2015, representing a year-on-year increase of more than 75%,
  - the number of people using 4G networks to connect to the Internet, with 18.5 million users in the three months to September 30, 2015, up by 2.8 million on the previous three-month period and representing over a quarter of SIM cards in use;
- a slow-down in the fall in prices, with the average bill down by 2.9% year on year in the third quarter of 2015, compared with the near 10% decrease recorded in 2014. In the second and third quarters of 2015 the average monthly bill actually increased.

The overall downward price trend is being driven by the increased popularity of no-commitment premium limited plans encompassing voice, SMS messages and data, which are also targeted at lower-volume consumers and are being offered at much cheaper prices than previously[(3)].

The Group's launch of its Mobile business in January 2012 (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.

(1) Machine to machine communications.
(2) Source: ARCEP.
(3) Source: Insee – average annual consumer price index.

6.1.2.2 Mobile telephony players in France

	2015	2014	2013
Number of subscriptions *(in millions)* – Metropolitan France only excluding M2M	69.5	69.0	67.2
o/w mobile network operators	62.1	61.7	59.1
o/w MVNOs	7.4	7.3	8.1
Mobile network operators' market share	89.4%	89.4%	87.9%
MVNOs' market share	10.6%	10.6%	12.1%

Source: ARCEP.

The main players in the French mobile telephony market at end-2015 were:

- the four mobile network operators: SFR-Numericable, Orange, Bouygues Telecom, and Free Mobile, which together accounted for 62.1 million SIM cards and held an 89.4% market share;
- mobile virtual network operators (MVNOs), such as Virgin Mobile, NRJ Mobile, La Poste Mobile, and Prixtel, which represented a total of 7.4 million SIM cards and held a 10.6% share of the market.

The launch of Free Mobile in January 2012 heightened competition in the French mobile telephony market. Against this backdrop, SFR-Numericable, Orange and Bouygues Telecom have created sub-brands to market their no-commitment no-phone plans: Sosh for Orange, B&You for Bouygues Telecom and Red for SFR-Numericable.

Since Numericable's takeover of SFR in 2014, the mobile subscribers of Numericable (which previously operated as an MVNO) have been included in SFR's subscriber base.

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.

By December 31, 2015, just four years after it entered the mobile market, the Group had become the third-largest telecom operator in France, with around 18 million subscribers, of which almost 12 million mobile subscribers and over 6 million Broadband and Ultra-Fast Broadband subscribers. At that date, it had market shares of 24% for Broadband and Ultra-Fast Broadband and 17%[1] for mobile.

The Group has experienced very strong growth over the past decade, and in 2015 its annual consolidated revenues came in at a record level of over €4.4 billion, compared with €0.7 billion ten years before. In addition, it has developed a highly efficient business model which has enabled it to be extremely profitable (with EBITDA of €1.5 billion in 2015) and to have a solid financial structure as it is one of the European telecom operators with the least amount of debt (leverage ratio of 0.80x at end-2015).

As substantially all of its operations are in France, the Group only has one geographic segment. However, this presentation may change in the future, depending on operating criteria and the development of the Group's businesses.

(1) *Metropolitan France excluding M2M.*

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 €37.97 per month), with a box provided and no installation fees.

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 access to Ultra-Fast Broadband (1 Gbps download and 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 modem to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to 60 or 108 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 **television offering** in the market, comprising around 450 channels (of which some 90 or 200, depending on the type of subscription, are included in the basic packages), with over 110 high definition channels and a catch-up TV service covering more than 50 channels;
- 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 channels (Canal+, beIN Sports, etc.) and video games.

When a subscriber signs up to one of the Group's offerings they are provided with a box. Until early 2015, two main boxes were available:

- **the Freebox Revolution**, which allows subscribers to connect all of their terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative new 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 all mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and loud 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 2015 the Group carried out specific promotional sales of the Freebox Crystal**. The Freebox Crystal has not featured within the Group's commercial offerings since it was replaced by the Freebox mini 4K as the Group's entry-level offering. However, in order to reuse already-existing Freebox Crystals, in 2015 the Group offered a number of promotional deals on these boxes.

6.2.1.1.1.2 Hosting offers and services available under the Online, Dedibox 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**, marketed under the Online brand, 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**, marketed under the Dedibox brand, 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;
- **server collocation services**, which consist of providing physical space in fully secure and accessible data centers.

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 a DSLAM 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.

The Freebox DSLAM. The DSLAM developed by Freebox S.A.S. is technically configured to optimize the Group's existing network and guarantees each subscriber a theoretical download rate of up to 28 Mbps (with the latest version) from the local concentrator. Each DSLAM, installed in racks which can hold up to two DSLAMs, can be connected to 1,008 lines and is designed to leverage the Free network which uses only IP protocol, unlike conventional transmission networks which use ATM/SDH protocol. The DSLAM developed by Freebox S.A.S. has a Giga Ethernet output and was designed to 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 DSLAM 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 units (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 devices. 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 or 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, and access to Google Cast to 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 to French overseas departments (*départements d'outre-mer* – DOM), as well as to 100 landline destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, plus unlimited SMS/MMS messages in Metropolitan France, 3G/4G mobile Internet access with 50 MB data volume, and 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 Plan at €19.99/month (€15.99/month for Freebox subscribers)**, which includes unlimited voice calls and SMS and MMS messages as well as Internet access of up to 20 GB for 3G and 50 GB for 4G (with speeds slowed in excess of these thresholds). All subscribers to this no-commitment plan can also make unlimited calls to landlines in 100 destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, and have unlimited access to the FreeWifi network. In 2015, Free once again shook up the market by offering its subscribers the possibility of using their Free Mobile Plan, for 35 days per year and per destination, when they are in the United States, Canada, Israel, Guiana, the French West Indies or any European Union country.

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 sells its 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 payment (four interest-free installments or 24 installments, depending on the model);
- renting a phone: subscribers can rent high-end smartphones for 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €99 and €199 and then pays a monthly rental fee of between €15 and €25 (again, depending on the phone) over a period of 24 months. At the end of the 24-month period subscribers can return their phone and get a latest-generation phone under a new rental agreement, or can extend the rental period for their existing phone.

6.2.1.2.2 Mobile network rollout operations

When the Group obtained its 3G mobile license in January 2010 it launched the rollout process for its mobile operations in order to propose its first mobile offerings as from early 2012. As it received a 4G license in October 2011, in December 2013 it was able to launch 4G mobile services in addition to its existing services.

6.2.1.2.2.1 3G mobile services

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 Chapter 8, Section 8.1) and putting in place a specific organizational structure to manage and oversee the network rollout process. This management and oversight role 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 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 permit applications, 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 such equipment 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"), the Group managed to step up the rollout of its mobile network in 2015, with over 1,600 new sites deployed during the year. At December 31, 2015 the Group had over 6,000 3G sites in service, giving it a direct 3G mobile coverage rate of 83% of the French population.

In parallel with its rollout process, the Group continued to invest in extending its core network and information systems as well as in mobile site interconnection links.

The Group intends to keep up a steady pace for the rollout of its mobile network over the coming years. In 2016, it plans to open over 1,500 new sites so as to continue to maximize the volume of traffic carried directly on its own network. In view of the progress of its rollouts, the Group exceeded its commitment made to ARCEP to have a 3G coverage rate of 75% of the French population by 2015 and it is standing by its commitment to reach 90% coverage by 2018.

6.2.1.2.2.2 4G mobile services

In addition to the Group's above-described 3G license, in decision 2011-1169 issued on 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 fourth-generation (4G) ultra-fast mobile network.

As well as continuing its rollouts, in order to offer the best possible subscriber experience for users of mobile data, the Group has significantly increased the number of migrations of its sites to 4G technology. The Group's mobile network was designed from the outset to use the latest technologies (an all-IP NGN) and it was therefore able to open more than 3,500 new 4G sites in 2015 (compared with 1,275 in 2014). At the year-end, the Group had a total of over 5,600 4G sites in service (versus 2,099 one year earlier), bringing its 4G coverage rate to 63% of the French population. At December 31, 2015, over 90% of the Group's mobile sites were 4G-compatible and the majority of these sites were connected to the network via an optical fiber link.

In parallel with its large-scale rollout process, in 2015 the Group also continued to invest in extending its core network and information systems as well as in mobile site interconnection links.

In view of the progress achieved in its mobile rollout process and in order to keep up a sustained pace of deployment in the coming years, the Group is standing by its objectives, and therefore it intends to (i) focus its deployment efforts on densely populated areas, with more than 1,500 new sites planned for 2016, in order to maximize the volume of traffic carried directly on its own network, (ii) accelerate the conversion of existing sites to 4G in order to achieve a 4G coverage rate of around 75% of the French population by the year-end, and (iii) launch the gradual rollout of 700 MHz and 1,800 MHz sites.

The Group had met its 4G coverage obligation of 25% of the French population by October 2015 and is standing by the future coverage commitments made by Free Mobile to ARCEP, namely:

- 60% of the French population covered by October 2019;
- 75% of the French population covered by October 2023.

During 2015, the Group's frequency portfolio was significantly increased as it was allocated the following:

- 5 MHz in the 1,800 MHz band 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 in the 1,800 MHz band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz should be effectively freed up for Free's use on May 25, 2016;
- 10 MHz assigned on November 17, 2015 following the national auction for spectrum in the 700 MHz band. This spectrum will be made available over a period running from April 2016 for very densely populated areas to July 2019 for the rest of the country. It was acquired for a total of €933 million, payable in four installments between 2016 and 2018, with two installments due in the first year.

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 be ready to take on 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 management teams of the call centers implement a strict quality policy based on respect for subscribers. As a result, Iliad – whose call 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 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.

The latest innovative service launched by the Subscriber Relations Department is "Face to Free". Through this service – which is the first of its kind in France – subscribers have an additional source of contact by being able to talk to FreeHelpers via a video link. This meets current user demand as it means that subscribers can actually see how the FreeHelpers solve the technical issues concerned.

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 with a view to making them as straightforward and easy to use as possible for subscribers.

The Group takes its corporate social responsibility extremely seriously and places its people at the heart of its processes. Optimizing skills and expertise, providing equal opportunities to everyone, and taking care to ensure gender equality are all key priorities for Iliad. This is demonstrated in a range of ways, such as the high number of women that hold managerial positions within the Group, as well as the "*Mission Handicap*" project we have set up to encourage the recruitment of people with disabilities and to support them in their jobs.

Management takes care to ensure that the above priorities are put into practice by establishing overarching guidelines and allocating the required resources. In reflection of the Group's strong corporate culture and its "start-up", entrepreneurial mindset, future needs for equipment and resources are anticipated in advance and measures are put in place to facilitate communication, empower our employees, foster brand loyalty and provide ever-better working conditions (such as by renovating our call centers, introducing break rooms and creating an atmosphere that encourages creativity and sharing ideas).

In 2014, Free-Iliad was included as one of the best workplaces in France within the "Great Place to Work" rankings. This accolade was the starting point of a continuous improvement process which has become one of the Group's focal areas.

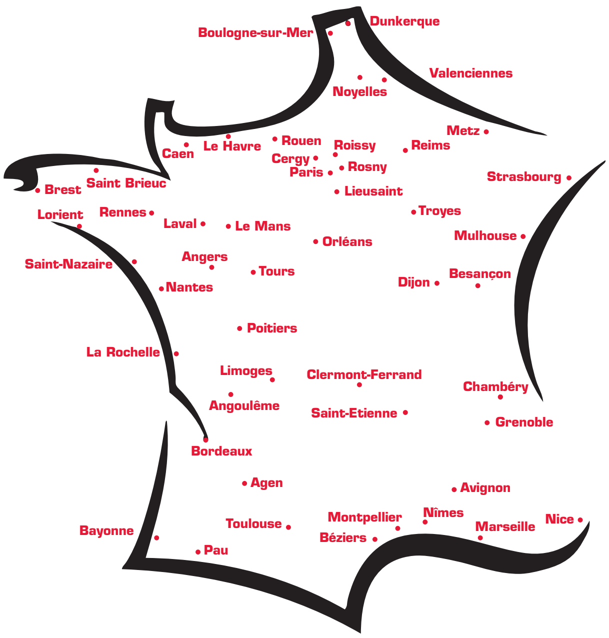
The key to the Group's success lies in the open-mindedness of its senior managers, who significantly invest in and closely partner each team member. And because happy employees make for happy customers this means that our teams make every effort to ensure that the subscriber experience is always excellent.

6.2.1.3.2 The Free Center retail network

In 2011, Iliad also began the rollout of a retail network based on physical sales outlets. At end-2015, the Group had a network of 49 Free stores (Free Centers) located throughout France, with a flagship store of over 600 sq.m based in central Paris, which opened in June 2012.

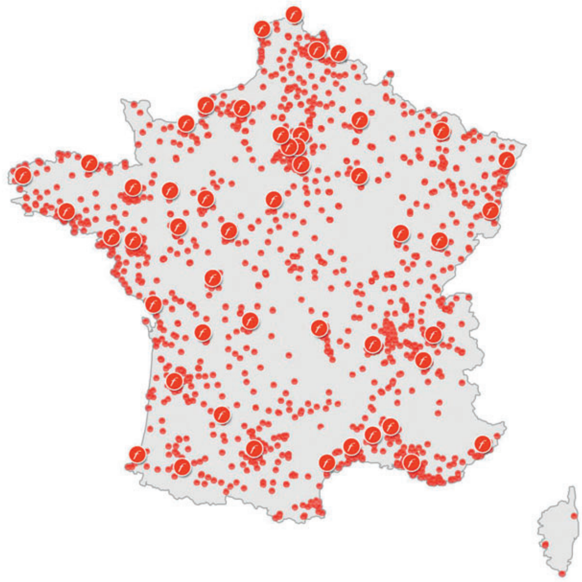
The Free Centers have a three-fold objective:

- 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

During 2015, the Group significantly strengthened its physical presence in France by continuing to install the country's first 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, 2015, the Group had already set up around 1,700 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 has a number of competitive advantages which should enable it to sustain its profitable growth, maintain its position as a leading provider of Broadband and Ultra-Fast Broadband Internet access in France and continue to grow its Mobile business.

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 successive launches of its dialup "Pay-as-you-go" and "50-hour plan" offerings and its Broadband and Ultra-Fast Broadband service have 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. Free has very strong brand recognition, as illustrated by the fact that the "free.fr" domain name is one of the top ten in France in terms of visitor numbers with more than 15 million unique visitors per month. The major commercial success of the Group's mobile offerings has also helped to build Free's brand image and the values that consumers associate with it.

Technically sophisticated and attractively priced service 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, in 1999 the Group decided to roll out its own electronic communications network, which would allow it to 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 Internet access and telephony. 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/DSLAM unit, as well as in the development of innovative software solutions (such as billing software and Cisco SS7 interconnect software). Another example of the Group's innovation capabilities is the launch throughout France in 2014 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

The Group's founders hold approximately 57% of Iliad'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 us.

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, in-depth understanding of key regulatory issues, 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.

Continuing to increase the number of subscribers on unbundled lines (Option 1)

The Group intends to increase the number of subscribers on unbundled lines in two complementary ways. First, it plans to grow its market share in areas which have already been unbundled by continuing to offer its Freebox services directly to new subscribers under Option 1. Second, it plans to encourage the migration of the maximum possible number of Option 5 subscribers (on non-unbundled lines) to Option 1 (unbundled lines) by expanding the density of its network.

Increasing the number of mobile subscribers

In accordance with the commitments made in connection with its licenses, on January 10, 2012 the Group launched two transparent, straightforward and attractively priced mobile offerings, which now include 4G services. Its strategy for the mobile market is a logical extension of the strategy that Free has applied 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. To this end, in 2013 the Group changed its subscription process in order to make it easier for people to have a mobile phone and enable subscribers to acquire a phone at the same time as their SIM card. Thanks to this development, the Group intends 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 intends 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 €20 plan. In 2015, the Group recorded more new subscribers for its €20 plan than for the €2 plan.

Rolling out an FTTH local loop

In September 2006, the Group announced that it planned to roll out an optical fiber network (FTTH) in order to provide a direct connection to the premises of its subscribers in very densely populated areas (4 million premises).

Iliad intends to optimize its capital expenditure by focusing on very densely populated areas. In mid-September 2007, Free announced the features of its FTTH Ultra-Fast Broadband offering (see Section 6.2.1.1.1.1 above) and the Group plans to continue to roll out this technology in order to increase the number of FTTH-eligible premises.

In addition, in order to continue to roll out its FTTH ultra-fast broadband network outside very densely populated areas, the Group has entered into an undertaking with the incumbent operator to co-finance the FTTH network in certain urban areas, to the extent of the lines required in order for the Group to achieve its targeted local market share in the areas concerned. At end-2015 the Group had made commitments covering some 60 urban areas and 20 municipalities, representing over 4.5 million premises that will be provided with FTTH coverage by 2020.

The year 2015 saw a rise in capital expenditure for the optical fiber rollout in view of the acceleration in connections and fitting of sockets as part of the co-financing project with the incumbent operator. By the year-end the Group had some 2.5 million connectible FTTH sockets throughout France, and over 200,000 of its subscribers have a FTTH connection to date. Consequently it plans to continue and intensify its rollout drive, both within and outside very densely populated areas, with the objective of having 20 million connectible sockets by 2022.

This large-scale capital expenditure plan will enable the Group to more rapidly become technologically independent from the incumbent operator while increasing its profitability, and its aim is to achieve a landline market share of 24%.

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 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 operator in the distribution of triple-play ADSL offers through online and telephone sales.

The Group still uses these non-physical channels as its primary distribution method and from time to time carries out promotional campaigns. However, it has also 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, as well as the launch in 2014 of France's first self-service kiosks for mobile subscriptions with integrated SIM-card dispensers, which are being introduced via the Maison de la Presse and Mag Presse network across the country. This distribution strategy will enable the Group to increase its subscriber base while providing cross-selling opportunities between its landline and mobile offerings.

Keeping on the lookout for acquisition opportunities to drive growth

Although it places internal growth at the heart of its strategy, the Group pursues a policy of external expansion if targeted opportunities arise in areas that strongly complement its existing business or would result in improved use of the Group's network.

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

The regulatory framework setting the rate of VAT on triple-play packages was modified at the end of December 2010. Consequently, as from January 1, 2011, these packages became subject to the standard 19.6% VAT rate applicable in France at that time, whereas previously a portion of the packages was eligible for the reduced rate of 5.5%. On January 1, 2014 the VAT rate on these packages was increased again, to 20%.

In addition, the VAT rate on TV options – which was 7% until the end of 2013 – has been raised to 10%.

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 both its landline and mobile networks, 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 France's National Frequencies Agency (*Agence Nationale des Fréquences* – ANFR) is required 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 subsidiary, Free, 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 the SFR group and Completel, 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 a 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;
- 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;
- contracts with other operators relating to sharing base station sites for rolling out Free Mobile's network;
- 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;
- 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 the 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.

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 both France and the European Union governing the electronic communications sector and the information society.

6.6.1 REGULATION OF ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES

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 EU directives into French law.

The main developments in French legislation since the beginning of 2015 are as follows:

- the adoption of Act 2015-990 dated August 6, 2015 (France's economic reform law). Under this Act:
  - ARCEP has been assigned new powers pursuant to 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,
  - local authorities are required to give telecom operators access to public electronic communication infrastructures in accordance with objective, transparent, non-discriminatory and proportionate financial conditions which ensure compliance with the principle of free competition. In addition, ARCEP can issue its opinion on the tariffs applied by local authorities,
  - operators now have to ensure 3G coverage of "white" areas (i.e., areas where there is no network coverage) in addition to the 2G coverage obligation introduced for these areas in the early 2000s, and an extra 250 towns have been included in France's obligatory network coverage map. As a result, some 1,000 additional sites will be installed, which will be majority-financed by the French State. Mobile Internet coverage must be available for all town centers by mid-2017;
- the adoption of Act 2015-1267 dated October 14, 2015 relating to the second digital dividend and the ongoing modernization of digital terrestrial television, which established the framework for the transfer of the 700 MHz frequency band from the audiovisual to the telecom sector. Thanks to the introduction of this Act, which sets out the terms and conditions for freeing up the band and reorganizing its spectrum, the allocation of frequencies in the 700 MHz band took place in late 2015;
- the adoption of Act 2015-912 dated July 24, 2015 related to intelligence, which 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;
- the adoption of the Act on modernizing the overall legal framework in France's overseas territories, which includes a provision to eliminate, as from May 1, 2016, roaming charges on voice and SMS messages between Metropolitan France and the overseas territories;
- the adoption of the 2016 French Finance Act, which increased the tax on television services from 0.9% of operators' retail revenue to 1.3%.

The main change in EU legislation related to electronic communications in 2015, introduced by the new EU Commission team that took up office in late 2014, was the adoption of Regulation (EU) 2015/2120 laying down measures concerning open Internet access and amending directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services and Regulation (EU) no. 531/2012 on roaming on public mobile communications networks within the Union (Text with EEA relevance). This new Regulation notably provides that retail roaming surcharges within the European Union should be abolished in 2017 and establishes common rules to safeguard equal and non-discriminatory treatment of traffic in the provision of Internet access services (the principle of "net neutrality"), which means that operators are now strictly limited in terms of creating "fast" and "slow" lanes of traffic.

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 competition 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 2014-1485 dated December 9, 2014 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 2014 and 2017. This decision sets symmetric rate caps for landline and mobile operators that are slightly lower than for the previous three-year cycle. The regulation applicable to SMS termination charges has been lifted and ARCEP has stated that it will closely monitor the market in order to identify any upward movements in these charges and take action to remedy the situation where necessary;
- concerning the regulation of wholesale markets for broadband and ultra-fast broadband: unbundling operations for these markets are regulated by decision 2014-0733 dated June 26, 2014 concerning (i) the definition of the relevant market for wholesale access offers to physical infrastructure constituting the wired local loop, (ii) the designation of an operator that exercises significant power within this market, and (iii) the obligations imposed on said operator in this market. Bitstream offerings are regulated by decision 2014-0734 dated June 26, 2014 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. The latest cycle of market analyses carried out by ARCEP is a logical extension of the previous cycle, with a continued focus on access obligations, transparency, non-discrimination and cost-oriented pricing. Changes in these market analyses were marginal compared with the analyses performed in 2011 and related to the after-sales processes applied for dealing with intermittent faults in unbundled copper pairs, as well as the methods used for connecting business sites and mobile sites;

- ARCEP has set price caps for the rental of copper pairs from the incumbent operator at €9.10 and €9.45 per month for 2016 and 2017 respectively. This increase is partly offset by a decrease in the price of related services (cancelation costs and the price of after-sales services). ARCEP has also announced that it plans to undertake an analysis in 2016 in order to set the price caps for 2018 and beyond. The President of ARCEP has stated on several occasions that the purpose of these price caps is to encourage migration to optical fiber networks;
- during 2015, ARCEP issued its decision related to a dispute between Free and Orange concerning the price of optical fiber links used to transit traffic upstream from unbundled distribution frames. By way of decision 2015-0971-RDPI dated July 28, 2015, ARCEP authorized Free Mobile to use the 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, and include:

- decision 06-0636 on supplying subscriber lists for the purpose of publishing universal directories;
- decisions 07-0213 and 2012-0856 (whose effective date was postponed until October 2015 by decision 2014-0661 of June 10, 2014) concerning routing communications used for value-added services;
- decision 2013-0004 on measuring service quality indicators for landline networks;
- decision 2013-0830 and decision 2012-0576 concerning portability and number retention for mobile and landline numbers respectively;
- decisions 2009-1106 and 2010-1312 on access to the terminal section of optical fiber networks;
- decision 2010-1314 on the eligibility of optical fiber networks for grants from the French digital development fund.

For the optical fiber networks located in France's 148 most densely populated municipalities, 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 will come into effect in three phases, between the beginning of 2016 and mid-2017.

ARCEP has also published and put out to public consultation a pricing model for optical fiber networks. This model – which is not legally binding – is aimed at encouraging players in the sector, including local authorities and owners of public networks in rural areas, to apply a consistent pricing structure across France. Following France's economic reform law that came into force during 2015, in December ARCEP adopted a set of pricing guidelines for FTTH public initiative networks (PIN). The prices recommended in these guidelines are similar to those applied in private initiative service areas. ARCEP's reforms concerning value-added services (VAS) came into force on October 1, 2015. These reforms amended the pricing structure in the retail market, increased the remuneration rates of operators of landline and mobile local loops and prohibited the use of airtime charges by mobile operators.

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 competition authorities issued Opinion 13-A-08 relating to the terms and conditions of the shared use of 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 has been opened up to consultation.

In early 2014, Bouygues Telecom and SFR announced that they had entered into a network-sharing agreement for an area covering 57% of the population of Metropolitan France. Orange referred this agreement to the French competition 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. Following the introduction of this Act, in early 2016 ARCEP issued a set of guidelines on mobile network-sharing which were put out to public consultation and submitted to the French competition authorities for their opinion. The final version of these guidelines is expected to be adopted in the second quarter of 2016. The draft guidelines state that national roaming should not continue on an indefinite basis and that it should be gradually phased out between 2017 and 2022. At this stage these are only draft guidelines and their content is without prejudice to the content of the final version.

In 2015, in a dispute between Free Mobile and SFR, ARCEP ruled that SFR was required to allow Free Mobile to install its equipment on SFR's existing pylons and set a timescale for SFR to make its pylons available between March 2016 and September 2017. Sharing pylons is an important factor in overall network-sharing because the cost of building this type of infrastructure is generally prohibitive in view of the cost of the equipment installed.

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;
- 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 Mobile for 10 MHz in the 700 MHz band (ARCEP decision 2015-1567 dated December 8, 2015), for the rollout and operation of a fourth-generation mobile communications network.

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 virtual mobile operators have subscribed to 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 areas". 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 areas 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 areas for which Free Mobile will be responsible for the rollouts.

In early January 2015, Free Mobile notified ARCEP that its 3G network covered 75% 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. After carrying out verification procedures, on April 3, 2015 ARCEP confirmed that Free Mobile had fulfilled this coverage commitment.

In accordance with the conditions applicable for the 4G license bidding process, as a shareholder of Free Fréquences – which submitted a valid but an unsuccessful bid – Free Mobile has a roaming right on the 4G network that will be rolled out in the 800 MHz band by SFR.

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 with France's three incumbent mobile operators and the main national landline operators. Discussions have been launched with a view to changing a portion of 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.

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 French 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 providers of public online communication services are required to report information on Internet interconnections to ARCEP on a twice-yearly basis.

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 has now 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 has amended its commercial processes to ensure that it complies with this new 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 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 access to their databases for the purpose of publishing directories and/or providing information services. Likewise, Free and Free Mobile have signed an agreement with the main players operating in the 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 the components of the universal service in France.

In accordance with the applicable law, the cost of the universal service is shared between operators *pro rata* to their revenues derived from telecommunications 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".

Broadcasting of audiovisual services

The "2002 Telecoms Package" provides that the transmission and broadcast of radio and television services must be overseen by the national regulatory authorities. Act no. 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 Act no. 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 broadcasting television channels via ADSL. 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 new 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

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 no. 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;
- hosting 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 Œuvres 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.

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 no. 2010-476 of May 13, 2010 on online betting and gaming and Act no. 2011-267 of March 14, 2011 on internal security).

Intellectual property rights and the Internet

The purpose of directive 2001/29/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 no. 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 no. 2009-669) and October 29, 2009 (Act no. 2009-1311).

Act no. 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 Œuvres et la Protection des Droits sur Internet* (HADOPI) – has been 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 also 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), and (ii) the obligation for ISPs to act as a vector for the recommendations issued by the HADOPI (Decree 2010-1202 of October 12, 2010).

Processing of personal data and protection of individuals

Act no. 2004-801 of August 6, 2004 on the protection of individuals with respect to the processing of personal data, amending Act no. 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 no. 2004-575 of June 21, 2004 on confidence in the digital economy and Act no. 2004-669 of July 9, 2004 on electronic communications and audiovisual communication services also transposed certain provisions of the directive of July 12, 2002 into French law. Lastly, French governmental order 2011-1012 dated August 24, 2011 transposed into French law the new EU directives adopted in November 2009. The main applicable provisions are as follows:

- no personal data may be processed without the consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned;
- the data processor has an obligation to provide information in all situations in which personal data is processed, even if this data has not been collected directly from the person concerned, such as for file transfers;
- any failure to comply with the provisions of Act no. 2004-801 is subject to severe criminal sanctions. The possible offenses and related penalties are set out in Articles 226-16 to 226-24 of the French Criminal Code (*Code pénal*). Such offenses are punishable by a fine of up to €300,000 and five years' imprisonment;
- electronic communications operators are required to keep a registry of security failures and to notify the CNIL (the French national data protection agency of any breaches of personal data rules of which they are aware concerning their subscribers.

In the course of its business, the Group records and processes statistical data, including in particular data relating to the use of the services it provides to its subscribers and the number of visits to its websites. In order to offer its services, the Group collects and processes personal data. The majority of the databases it has established for this purpose have been declared to the CNIL.

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 and Chapter IV of the National Security Code, 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.

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 a domain name can infringe trademark rights.

7 ORGANIZATIONAL STRUCTURE

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7.1 BRIEF DESCRIPTION OF THE GROUP

A presentation of the Group 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 and legal matters 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 for the Group. A number of specialized committees have been set up which report to Group 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.

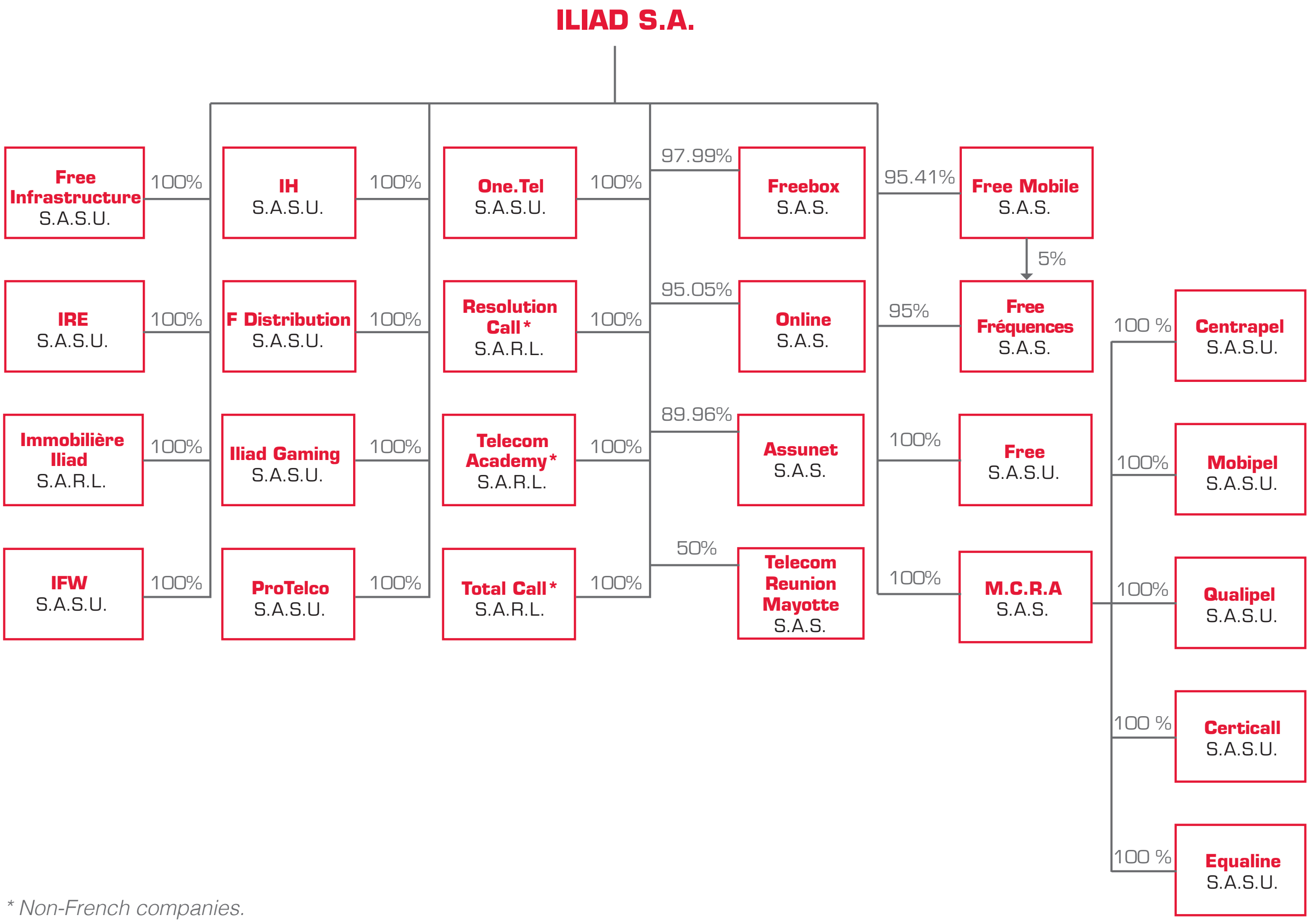
There are strong operating links between the Group's subsidiaries at several levels: (i) the Group's telecommunications network is lodged within Free and Free Mobile, which are responsible for carrying the traffic of all the Group's entities, (ii) Free and Free Mobile manage all services relating to 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.

On November 6, 2015 Iliad acquired a 50% stake in Telecom Réunion Mayotte (TRM) which holds the mobile telephony operations on Reunion Island and in Mayotte that were previously owned by Outremer Telecom.

There are no significant non-controlling interests in the Group.

7.2 GROUP ORGANIZATION CHART AT DECEMBER 31, 2015

The percentage interests shown below correspond to the Company's ownership interests in the main fully consolidated companies at December 31, 2015.



** Non-French companies.*

See Note 35 to the consolidated financial statements (Chapter 20, Section 20.1) for a list of the Group's consolidated companies at December 31, 2015, and Note 2.3.4 to the parent company financial statements (Chapter 20, Section 20.2) for a list of the Group's subsidiaries and affiliates.

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 LONG-DISTANCE TRANSMISSION INFRASTRUCTURE

8.1.1.1 Long-distance transmission network technology

The Group's long-distance 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.

MAP SHOWING THE GROUP'S NETWORK AT DECEMBER 31, 2015

The Group's network comprised more than 95,000 linear km of optical fiber at December 31, 2015.

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

8.1.2.1 Network interconnections and unbundling the local loop

As part of its landline business, an alternative operator has to interconnect its long-distance transmission infrastructure with local networks, up to the subscriber. This interconnection means linking together several telecommunications networks to allow uninterrupted routing of communications between them.

In order to offer voice telephony services to its subscribers, the Group has signed interconnection agreements with the incumbent landline operator and the three incumbent mobile operators in France based on the reference interconnect offers published by these operators.

The Group has also signed interconnection agreements with the alternative operators Colt, Completel and Verizon relating to terminating traffic entering their networks as well as traffic for value-added services collected by these operators. At the same time, these operators have entered into interconnection agreements with the Group concerning terminating traffic entering the Free network for Group subscribers (for non-geographic 087B and 095B numbers and geographic numbers).

The main landline local loop operators have also signed an interconnection agreement with Free, concerning terminating traffic entering the Free network for both geographic and non-geographic numbers (087B and 095B) as well as collected traffic for value-added services (08AB, 3BPQ and 118XYZ numbers) provided by the incumbent operator or third-party operators for which the incumbent operator performs a transit service. Under the terms of the agreement Free also bills value-added services paid by callers using the incumbent operator or third-party operators for which the incumbent operator performs a transit service. Free receives a fee for this billing service, based on the pricing scale for the services billed.

8.1.2.2 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.

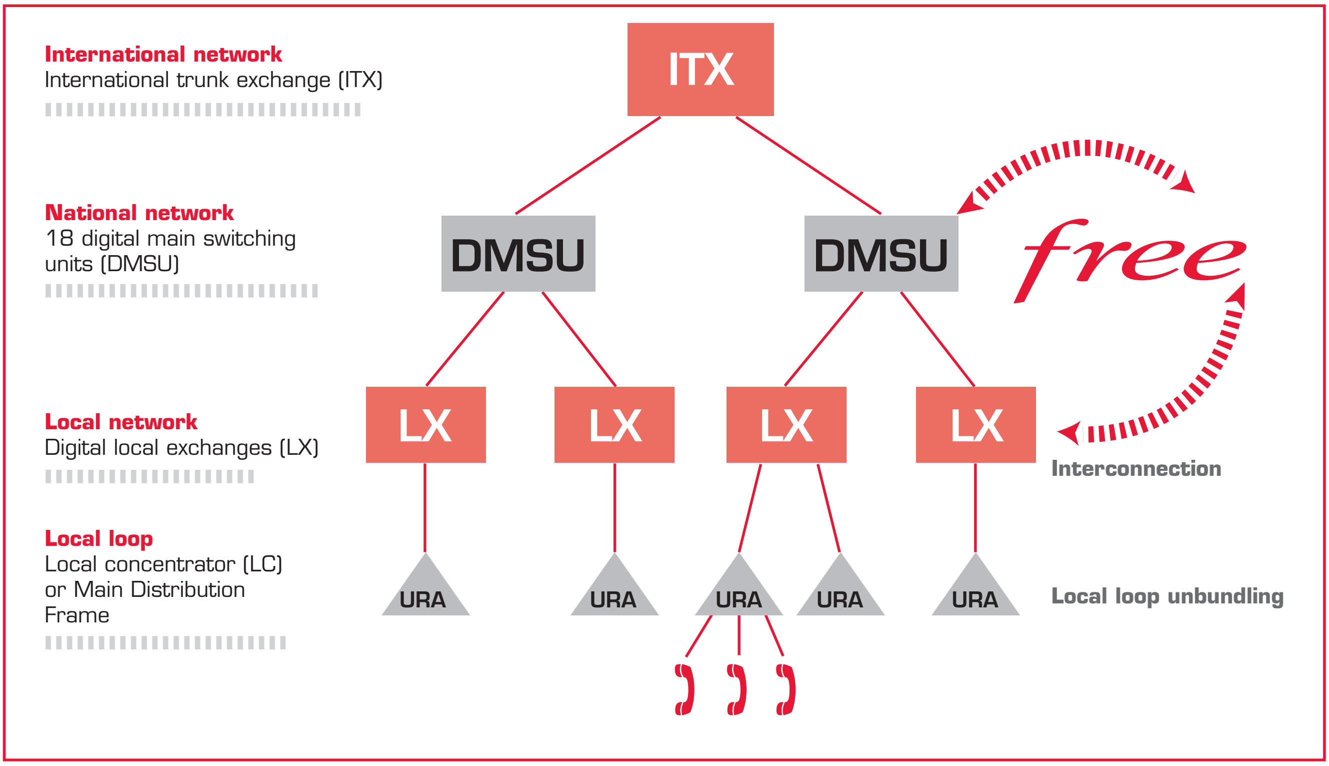
The alternative operator may also connect to the lowest hierarchical level of switches installed on the network, i.e., the digital local exchange, which is the switch closest to the user.

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 Group has been developing its interconnection infrastructure with the incumbent operator's network since August 2000. During that time it has considerably increased the portion of interconnections made at the level of the digital local exchanges and by 2010 the Group's network was directly connected to virtually all of the incumbent operator's digital local exchanges in Metropolitan France.

Type of incumbent operator sites	Number of interconnection points between Free and the incumbent operator	Total number of incumbent operator sites
Digital main switching units	18	18
Digital local exchanges	324	348

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.



Since July 2014, the incumbent operator has stipulated that traffic destined for its local IP loop must be delivered using a number of centralized interconnection points and directly in IP. As a result, the Group has put in place the relevant connections and now delivers all traffic destined for the incumbent operator's local IP loop using this new interconnection.

8.1.2.3 Local loop unbundling

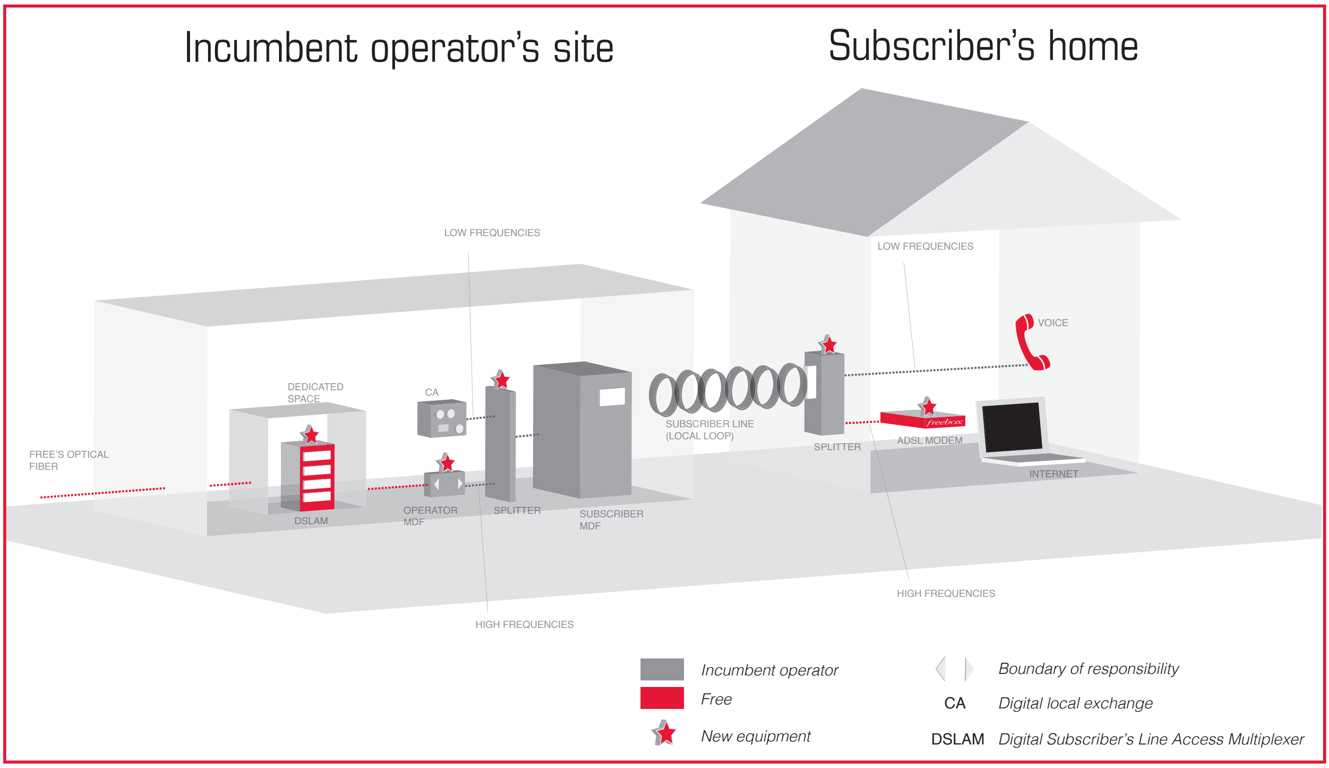
The local loop is the part of the network located between the telephone socket on the subscriber's premises and the main distribution frame (or local concentrator) to which the subscriber's line is connected.

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 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. A special modem is installed on the subscriber's premises to allow the subscriber to receive data transmissions at a speed of up to 28 Mbps.

In the case of partial unbundling, the OLO uses only the "high" frequencies of the copper pair needed for transporting data, while the "low" frequencies are still used by the incumbent operator to provide the ordinary telephone service. In this case, the user still pays the telephone line rental to the incumbent operator.

The diagram below shows the technical architecture used for this type of access.



In practice, an OLO needs to use an optical fiber network which terminates in the incumbent operator's premises and install its own DSLAM equipment in co-location facilities or in dedicated spaces.

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 and the copper tie cable linking the subscriber's modem to the operator's DSLAM.

In the case of full unbundling, the OLO uses all the frequencies of a particular copper pair. In this case the user no longer pays telephone line rental to the incumbent operator and splitters are no longer necessary.

8.1.2.4 Rollout of an ultra-fast landline network

8.1.2.4.1 Migration of the landline network to the VDSL2 protocol

VDSL2 (*Very high speed Digital Subscriber Line*) is a protocol for transmitting data on the incumbent operator's local loop which can increase speeds for eligible ADSL subscribers to up to 100 Mbps download and 40 Mbps download.

In line with its pioneering image, in the second half of 2013 the Group launched a large-scale plan for migrating its network equipment (Freebox DSLAMs) to VDSL2 technology.

During 2015, the Group stepped up its drive to complete this equipment migration plan, which is aimed at offering faster Internet speeds to a maximum number of subscribers. At December 31, 2015, the Group had over 8,000 subscriber connection nodes equipped with VDSL2 technology, enabling nearly 25% of Freebox subscribers to increase their Internet speeds.

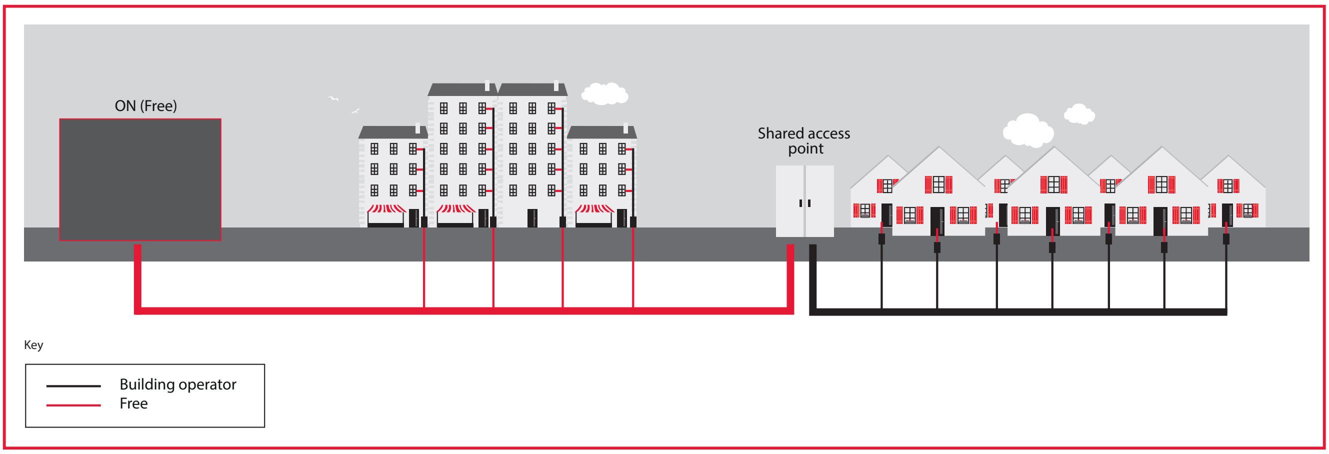
8.1.2.4.2 Rollout of an optical fiber local loop

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.

An optical fiber network with high upstream and downstream speeds enables a variety of multimedia services to be used simultaneously.

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

Very densely populated areas



ARCEP decision no. 2013-1475 dated December 10, 2013 sets out a list of 106 French municipalities which are classified as "very densely populated areas". 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 in-building 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 through its subsidiaries Free, Free Infrastructure, IRE and Immobilière Iliad.

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) primarily 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 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 raising margins and profitability.

Outside very densely populated areas

Outside very densely populated areas, in order to streamline 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.

Within this context, 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. The third-party operator access offer enables each operator to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve. This pooling of resources is aimed at creating a single network shared among the fiber optic providers and subscribers and therefore extending FTTH coverage to a wider population.

Since 2013, the Group has participated in co-financing the FTTH network outside very densely populated areas and at December 31, 2015 it had given network financing commitments covering some 60 urban areas and 20 municipalities, representing over 4.5 million premises that will be provided with FTTH coverage by 2020.

The year 2015 saw a rise in capital expenditure for the optical fiber rollout in view of the acceleration in connections and fitting of sockets under the co-financing project with the incumbent operator. By the year-end the Group had some 2.5 million connectible FTTH sockets throughout France, and over 200,000 of its subscribers have an FTTH connection to date.

The Group plans to continue and intensify its rollout drive, both within and outside very densely populated areas, with the objective of having 20 million connectible homes by 2022.

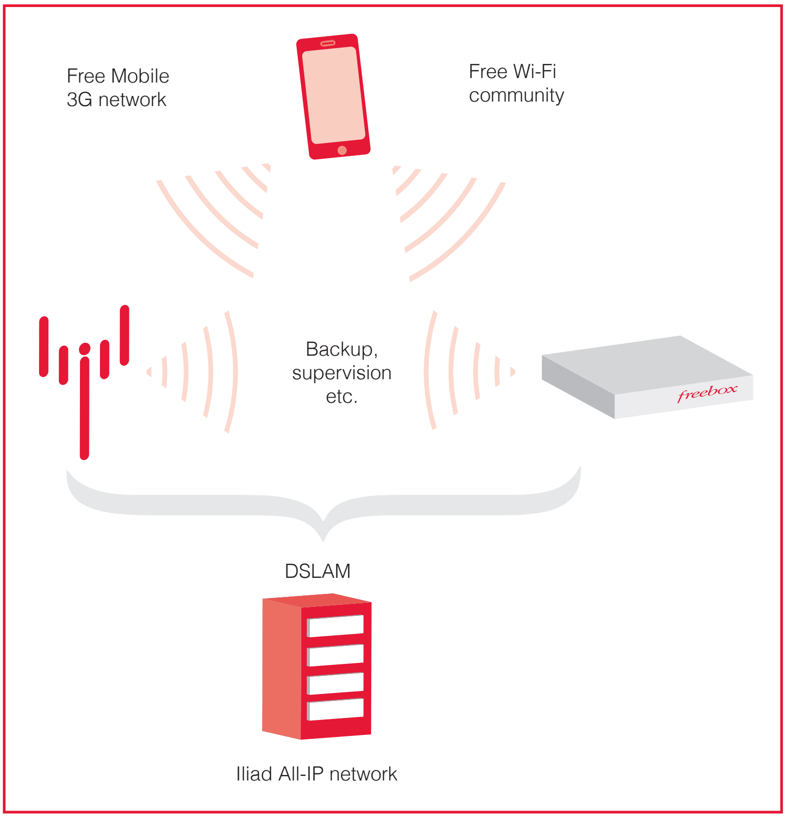
This large-scale capital expenditure plan will enable the Group to more rapidly become technologically independent from the incumbent operator while increasing its profitability, and its aim is to achieve a landline market share of 24%.

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

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 3G 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 will 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:

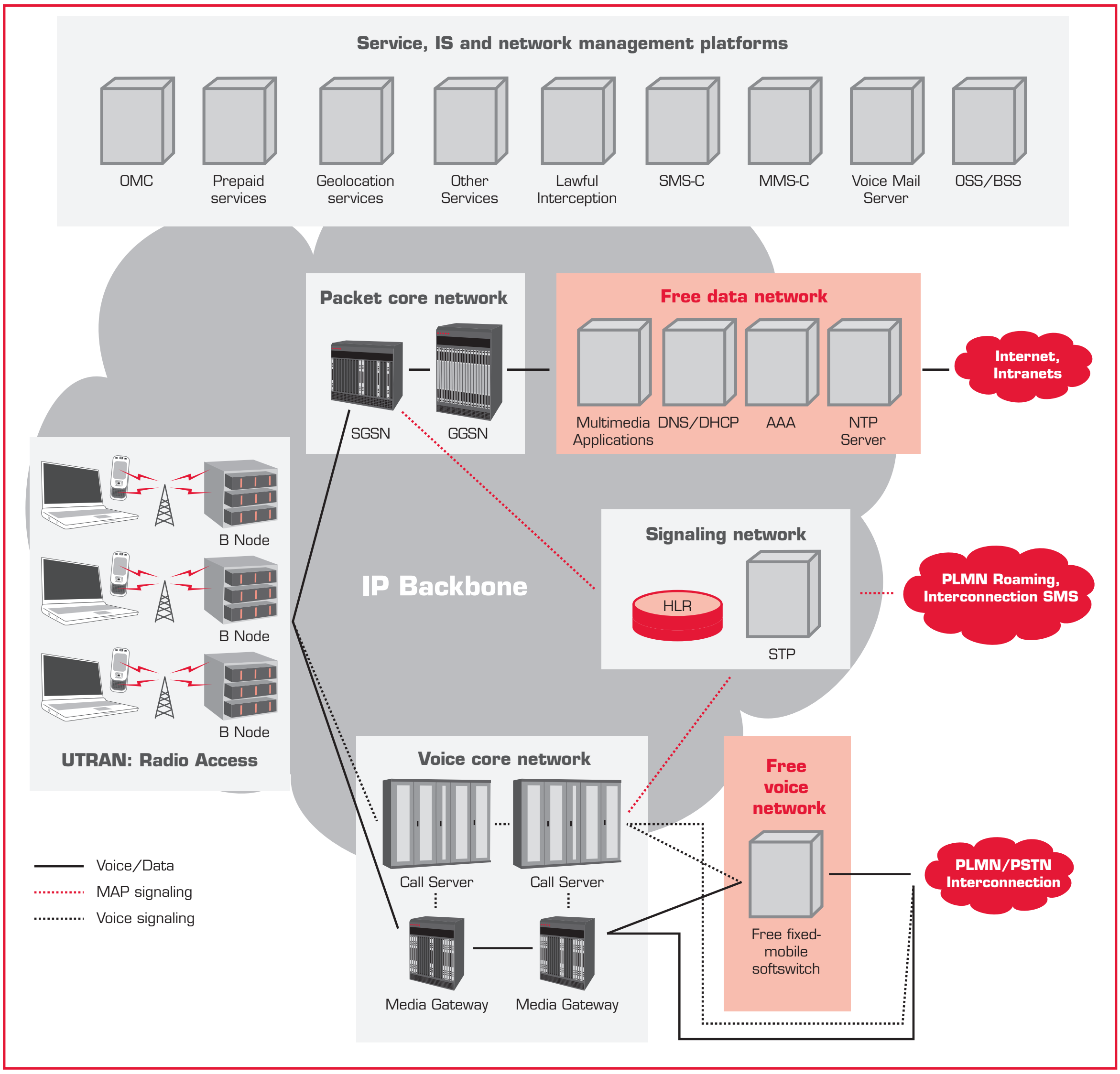
- seeking out sites, which entails site identification and reporting on each site's mobile coverage potential;
- undertaking discussions with all types of lessors, including private individuals, condominium owners, housing associations, corporate and institutional lessors, mobile operators and companies 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 directly cover over 90% of the French population by 2018. 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 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, since 2011, as part of the roaming agreement signed with Orange France, the Free Mobile network has been 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.

8.2 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 main 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 2015 consolidated financial statements in Chapter 20, Section 20.1 of this Registration Document.

9

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9.1 KEY CONSOLIDATED FINANCIAL DATA

In € millions	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014*	Year ended Dec. 31, 2013
INCOME STATEMENT			
Revenues	4,414.4	4,167.6	3,747.9
EBITDA[(1)]	***1,489.9***	***1,283.6***	***1,204.2***
Profit from ordinary activities	666.2	569.5	540.9
Other operating income and expense, net	(4.2)	(3.6)	(3.9)
Operating profit	662.0	565.9	537.0
Finance costs, net	(58.0)	(63.8)	(59.4)
Other financial income and expense, net	(24.5)	(21.7)	(24.3)
Corporate income tax	(244.5)	(202.0)	(187.9)
Profit for the period	**335.0**	**278.4**	**265.4**
BALANCE SHEET			
Non-current assets	5,755.3	4,266.4	3,956.3
Current assets	1,432.7	744.6	780.5
Of which cash and cash equivalents	*720.1*	*137.4*	*318.1*
Assets held for sale	26.0	34.4	39.5
Total assets	**7,214.0**	**5,045.3**	**4,776.3**
Total equity	2,637.2	2,315.2	2,013.6
Non-current liabilities	1,899.1	1,209.1	1,400.2
Current liabilities	2,677.7	1,521.0	1,362.5
Total equity and liabilities	**7,214.0**	**5,045.3**	**4,776.3**
CASH FLOWS			
Cash flows from operations	1,472.7	1,236.5	1,226.2
Net cash used in investing activities	(1,219.9)	(968.3)	(905.5)
Net change in cash and cash equivalents (excluding financing activities and dividends)[(2)]	(76.1)	(37.2)	84.2
Dividends	(23.0)	(21.7)	(21.5)
Net debt	1,191.4	1,084.1	1,023.0

* *These figures have been restated to reflect the impact of the Group's first-time application of IFRIC 21.*
(1) See definition on page 246 of this Registration Document.
(2) Including interest expense.

9.2 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 the 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 technological innovation.

By December 2015, just four years after it entered the mobile market, the Group had become one of the leading telecom operators in France, with around 18 million subscribers, of which almost 12 million mobile subscribers and over 6 million Broadband and Ultra-Fast Broadband subscribers. At that date it had market shares of 24% for broadband and 17%[(3)] for mobile.

(3) Metropolitan France excluding M2M.

The Group has experienced very strong growth over the past decade and consolidated revenues were up again in 2015, coming in at over €4.4 billion and representing more than double the figure reported four years ago. In parallel, it has developed a highly efficient business model which has enabled it to maintain good profit levels (with EBITDA of just under €1.5 billion in 2015) and to have a solid financial structure while remaining one of the European telecom operators with the least amount of debt (leverage ratio of 0.80x at end-2015).

As substantially all of its operations are in France, the Group only has one geographic segment. However, this presentation may change in the future, depending on operating criteria and the development of the Group's businesses.

EBITDA – which corresponds to profit from ordinary activities before share-based payment expense, depreciation, amortization and provisions for impairment of non-current assets – is a key performance indicator for the Group and is used throughout this management report.

9.2.1 BREAKDOWN OF REVENUES

9.2.1.1 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 €37.97 per month), with a box provided and no installation fees.

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 modem to landline numbers in Metropolitan France (apart from short numbers and special numbers), as well as to 60 or 108 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 television offering in the market,** comprising around 450 channels (of which some 90 or 200, depending on the type of subscription, are included in the basic packages), with over 110 high definition channels and a catch-up TV service covering more than 50 channels;
- **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 channels (Canal+, beIN Sports, etc.) and video games.

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 all of their terminals and offers optimal Internet access. The Freebox Revolution also includes many innovative new 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 all mobile numbers in Metropolitan France. It incorporates state-of-the-art technologies including PLC (Power Line Communication), a gyroscopic remote control, a gamepad and loud 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 2015 the Group carried out specific promotional sales of the Freebox Crystal.** The Freebox Crystal has not featured within the Group's commercial offerings since it was replaced by the Freebox mini 4K as the Group's entry-level offering. However, in order to reuse already-existing Freebox Crystals, in 2015 the Group offered a number of promotional deals on these boxes.

Hosting offers and services available under the Online, Dedibox 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**, marketed under the Online brand, 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**, marketed under the Dedibox brand, 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;
- **server collocation services,** which consist of providing physical space in fully secure and accessible data centers.

9.2.1.2 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 to French overseas departments (*départements d'outre-mer* – DOM), as well as to 100 landline destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, plus unlimited SMS/MMS messages in Metropolitan France, 3G/4G mobile Internet access with 50 MB data volume, and 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 Plan at €19.99/month (€15.99/month for Freebox subscribers),** which includes unlimited voice calls and SMS and MMS messages as well as Internet access of up to 20 GB for 3G and 50 GB for 4G (with speeds slowed in excess of these thresholds). All subscribers to this no-commitment plan can also make unlimited calls to landlines in 100 destinations outside Metropolitan France and to mobiles in the United States (including Alaska and Hawaii), Canada, French overseas departments and China, and have unlimited access to the FreeWifi network. In 2015, Free once again shook up the market by offering its subscribers the possibility of using their Free Mobile Plan, for 35 days per year and per destination, when they are in the United States, Canada, Israel, Guiana, the French West Indies or any European Union country.

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 sells its 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 installments (four interest-free installments or 24 installments, depending on the model);
- renting a phone: subscribers can rent high-end smartphones for 24 months. Depending on the type of phone chosen, the subscriber makes an initial payment of between €99 and €199 and then pays a monthly rental fee of between €15 and €25 (again, depending on the phone) over a period of 24 months. At the end of the 24-month period subscribers can return their phone and get a latest-generation phone under a new rental agreement, or can 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.

9.2.2 THE GROUP'S MAIN OPERATING COSTS

9.2.2.1 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, 2015:

  - **operating costs (partial unbundling):**

    - rental of the copper pair and the ADSL splitter: €1.77,
  - **operating costs (full unbundling):**

    - rental of the copper pair: €8.78[(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:

  - the respective monthly fees for the "DSL Access" and "DSL Access Only" services are €4.79 and €12.53 (since April 1, 2015),

  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 2015 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 therefore to maximize the proportion of FTTH subscribers in eligible areas where technically feasible.

(1) *Fee applicable since August 1, 2015.*

9.2.2.2 Mobile call termination charges

Since July 1, 2013, Free Mobile has no longer been able to apply asymmetric call termination charges. Consequently, these charges amounted to 0.78 euro cents in 2015 compared with 0.80 euro cents in 2014.

9.2.2.3 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 during the first half of 2011. The agreement has a six-year term commencing from the commercial launch of the Group's mobile offerings and applies to 2G and 3G technologies. It 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.

The roaming agreement allows the Group to:

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

The charges provided for in the roaming agreement include (i) a fixed portion corresponding to the purchase of a right of use for the period (which is recognized as capital expenditure in accordance with IFRS), and (ii) a variable portion based on volumes used (minutes, SMS, MMS, Internet, etc.). The volume-based variable portion represents the majority of the roaming charges paid by the Group.

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 €19.99/month Free Mobile Plan (or €15.99/month for 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 described in section 1.1.3.c below, and to increase the proportion of subscribers on the €19.99/month Free Mobile Plan (or €15.99/month for Freebox subscribers), notably by migrating subscribers on the €2/month plan (or €0 for Freebox subscribers) to the €19.99/€15.99 plan. Achieving this objective should be 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 électroniques et des postes* – ARCEP) under the "Macron Act" (France's economic reform law), during the year ARCEP began work on analyzing the mobile network sharing agreements in place in France (roaming and RAN-sharing agreements) with a view to drawing up guidelines on mobile network sharing.

On January 12, 2016 ARCEP issued a working document for public consultation which contains a set of draft guidelines. Telecom operators have been invited to give their observations on the principles used by ARCEP for analyzing the network sharing agreements in place, as well as on ARCEP's initial analysis of those agreements. The working document provides for (i) a gradual phase-out of 3G roaming by 2020 and 2G roaming for voice and SMS services between 2020 and 2022, and (ii) the termination by 2018 of the 4G roaming solution provided for SFR customers on a portion of the Bouygues Telecom network. ARCEP has stressed that the working document was drawn up taking into account the existing structure of the mobile network market in Metropolitan France – i.e., based on four operators – and that its initial analysis could be amended if this market structure changes.

9.2.3 CAPITAL EXPENDITURE AND DEPRECIATION

9.2.3.1 Broadband

(i) Transmission network and unbundling the local loop

Having laid over 95,000 km of fiber in less than 15 years, 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 2015 the Group continued to extend its coverage by opening around 1,500 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to over 8,000 at the year-end and gave Free a network coverage rate of almost 90% of the French population.

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 5 or 6 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. In 2015, the cost of a Freebox ranged from a few dozen euros (for the Freebox Crystal) to €185 for the Freebox mini 4K and €290 for the Freebox Revolution. The depreciation of the euro against the US dollar during the period had a negative impact on the cost of Freeboxes, as their components are mainly purchased in US dollars;
- fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees), which amount to €56 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, which only cost a few dozen euros.

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 also depreciated over a period of seven years as from when the related services are provided.

9.2.3.2 Rollout of ultra-fast networks

(i) Migration of the landline network to VDSL2 technology

In line with its pioneering image, in the second half of 2013 the Group launched a large-scale plan for migrating its network equipment (Freebox DSLAMs) to VDSL2 technology.

During 2015 the Group stepped up its drive to complete this equipment migration plan, which is aimed at offering a maximum number of subscribers faster Internet speeds. At December 31, 2015, the Group had over 8,000 subscriber connection nodes equipped with VDSL2 technology, enabling nearly 25% of Freebox subscribers to increase their Internet speeds.

(ii) Rollout of an FTTH 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.

An optical fiber network with high upstream and downstream speeds enables a variety of multimedia services to be used simultaneously.

The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned and whether or not they are one of the 106 municipalities classified as "very densely populated areas" in ARCEP decision no. 2013-1475 dated December 10, 2013.

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 through its subsidiaries Free, Free Infrastructure, IRE and Immobilière Iliad.

It 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) primarily 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 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.

Outside very densely populated areas, in order to streamline 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.

Within this context, 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. The third-party operator access offer enables each operator to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve. This pooling of resources is aimed at creating a single network shared among the fiber optic providers and subscribers and therefore extending FTTH coverage to a wider population.

Since 2013, the Group has participated in co-financing the FTTH network outside very densely populated areas and at December 31, 2015 it had given network financing commitments covering some 60 urban areas and 20 municipalities, representing over 4.5 million sockets that will be provided with FTTH coverage by 2020.

The year 2015 saw a rise in capital expenditure for the optical fiber rollout in view of the acceleration in connections and fitting of sockets as part of the co-financing project with the incumbent operator. By the year-end the Group had some 2.5 million connectible FTTH sockets throughout France, and over 200,000 of its subscribers have a FTTH connection to date.

Consequently it plans to continue and intensify its rollout drive, both within and outside very densely populated areas, with the objective of having 20 million connectible homes by 2022.

This large-scale capital expenditure plan will enable the Group to more rapidly become technologically independent from the incumbent operator while increasing its profitability, and its aim is to achieve a landline market share of 24%.

9.2.3.3 Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license in January 2010, the Group has implemented its mobile network rollout strategy by drawing on its extensive landline transmission network (see 9.2.3.1) 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"), the Group managed to step up the rollout of its mobile network in 2015, with over 1,600 new sites deployed during the year. At December 31, 2015 the Group had over 6,000 3G sites in service, giving it a direct 3G mobile coverage rate of 83% of the French population.

In addition to its rollouts, in order to offer the best possible subscriber experience for users of mobile data, the Group has significantly increased the number of migrations of its sites to 4G technology. The Group's mobile network was designed from the outset to use the latest technologies (an all-IP NGN) and it was therefore able to open more than 3,500 new 4G sites in 2015 (compared with 1,275 in 2014). At the year-end, the Group had a total of over 5,600 4G sites in service (versus 2,099 one year earlier), bringing its 4G coverage rate to 63% of the French population. At December 31, 2015, over 90% of the Group's mobile sites were 4G-compatible and the majority of these sites were connected to the network via an optical fiber link.

In parallel with its large-scale rollout process, in 2015 the Group also continued to invest in extending its core network and information systems as well as in mobile site interconnection links.

In view of the progress achieved in its mobile rollout process and in order to keep up a sustained pace of deployment in the coming years, the Group is standing by its objectives, and therefore it intends to (i) focus its deployment efforts on densely populated areas, with more than 1,500 new sites planned for 2016, in order to maximize the volume of traffic carried directly on its own network, (ii) accelerate the conversion of existing sites to 4G in order to achieve a 4G coverage rate of nearly 75% of the French population by the year-end, and (iii) launch the gradual rollout of 700 MHz and 1800 MHz sites.

The Group highlights that it has met its 4G coverage obligation of 25% of the French population by October 2015 and is standing by the future coverage commitments it made to ARCEP in connection with its 3G and 4G licenses:

- 3G license: 90% of the French population covered by 2018;
- 4G license: 60% of the French population covered by October 2019 and 75% by October 2023.

During 2015, the Group's frequency portfolio was significantly increased as it was allocated the following:

- 5 MHz in the 1,800 MHz frequency band 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 in the 1,800 MHz frequency band, after ARCEP authorized Orange and SFR to refarm their 1,800 MHz frequencies. This 10 MHz should be effectively freed up for Free's use on May 25, 2016;
- 10 MHz assigned on November 17, 2015 following the national auction for spectrum in the 700 MHz band. This spectrum will be made available over a period running from April 2016 for very densely populated areas to July 2019 for the rest of the country. It was acquired for a total of €933 million, payable in four installments between 2016 and 2018, with two installments due in the first year.

The depreciation/amortization periods applied for the main assets brought into service in 2015 are as follows:

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

9.2.3.4 Rollout of the distribution network: stores and dispensers

During 2015 the Group strengthened its physical presence in France by:

- opening six new stores, raising the total number of Free Centers to 49 at end-December 2015;
- continuing to roll out 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, 2015, the Group had already set up around 1,700 such kiosks across France.

9.3 SIGNIFICANT EVENTS OF THE YEAR

In € millions	2015	2014	% change
Consolidated revenues	**4,414.4**	**4,167.6**	**+5.9%**
- Landline	2,597.1	2,564.2	+1.3%
- Mobile	1,828.7	1,614.3	+13.3%
o/w mobile services			*+19.1%*
- Intra-group sales	(11.4)	(10.9)	-4.6%
Service revenues			***+7.4%***
Consolidated EBITDA	**1,489.9**	**1,283.6**	**+16.1%**
Profit from ordinary activities	**666.2**	**569.5**	**+17.0%**
Profit for the period	**335.0**	**278.4**	**+20.3%**
Free Cash Flow from ADSL operations	**665.8**	**736.7**	**-9.6%**
LEVERAGE RATIO	**0.80x**	**0.84x**	**-4.8%**

2015 was another year of growth for the Group, with revenues coming in at a record high of more than €4.4 billion, well ahead of its initial target. Revenues from services rose by 7.4% during the year (6% including handsets), driven by an excellent showing from the Mobile business which reported a near-20% increase in its service revenues. At the same time, EBITDA advanced 16% compared with 2014. The number of new subscribers was also very high once again, with nearly 2 million additional subscribers signing up for the Group's landline and mobile offerings.

The most significant events of 2015 were as follows:

- **Landline business: 270,000 net adds** for landline Broadband and Ultra-Fast Broadband offerings, representing a net add market share of 35%. Despite a persistently fierce competitive environment, with aggressive marketing and pricing strategies from competitors, the Group managed to keep its ARPU stable at €34.50. This helped drive a more than 1% rise in revenues for the Landline business to €2.6 billion;
- **Mobile business: 1.6 million net adds in 2015**. Free was once again the leading recruiter of mobile subscribers during the year – a position it has held since it launched its mobile business in 2012. The Group continued to enrich its commercial offering during 2015, with (i) the Free Mobile Plan now including roaming communications from all European Union Countries and the United States in addition to the many other roaming destinations already covered, (ii) an increase in mobile data volumes to 20 GB for 3G and 50 GB for 4G, (iii) up to four Free Mobile plans now eligible for a price reduction for Freebox subscribers compared with one previously (€15.99 per month for the €19.99/month plan and €0 per month for the €2/month plan). By the year-end the total number of mobile subscribers had reached nearly 12 million and the Group had a market share of almost 17%[(1)], outstripping its initial long-term target for the Mobile business just four years after its first offerings were launched. Revenues generated by the Mobile business advanced by nearly 20% year on year (excluding handsets) to more than €1.8 billion;
- **a step up in the pace of ultra-fast landline and mobile network rollouts.** In 2015 the Group pursued the rapid rollout of its mobile network, particularly 4G equipment, and by the year-end it had increased its 4G coverage rate from around 40% of the French population to 63%. The number of 4G subscribers rose by a sharp 2 million, reaching 3.7 million at end-2015, and average monthly data usage per 4G subscriber totaled 3.2 GB, up by nearly 80% year on year. During the year, the Group also stepped up its fiber rollout and accelerated its subscriber migrations to ultra-fast networks (VDSL2 and FTTH) in line with its pro-active strategy of investing in new generation networks;
- **a rise in the Group's profitability.** Consolidated EBITDA totaled €1,490 million in 2015 and the EBITDA margin widened by 3 percentage points to 33.8%, reflecting an increase in the volume of traffic carried directly on the Group's own network. Consolidated profit for the period came to €335 million, up by more than 20% on 2014 despite an increase in depreciation charges (notably due to the faster pace of network rollouts);
- **a rigorous financial strategy and a solid structure, enabling the Group to step up its investments in ultra-fast networks.** The Group's pro-active capital expenditure strategy for both its landline and mobile infrastructure will enable it to become more independent and to further increase its profitability for the coming years, while at the same time enhancing its subscriber service. Capital spending in 2015 totaled €1,220 million versus €968 million in 2014. The year-on-year rise was notably due to (i) the launch of the Freebox mini 4K and building up the requisite inventories, (ii) the pace of the rollout for Ultra-Fast Broadband in the Group's Landline business, and (iii) the opening of more than 1,600 3G sites and over 3,500 4G sites during the year. In the coming years the Group will have a cash outflow for the purchase price of its frequencies in the 700 MHz band, which will be paid for in four equal installments between 2016 and 2018, with two installments due in the first year. Despite this outlay, the Group's financial structure remained strong in 2015, with a leverage ratio of 0.80x at the year-end;
- **reinforcing the Group's frequency portfolio.** During 2015 the Group strengthened its frequency portfolio with an additional 15 MHz in the 1,800 MHz band and 10 MHz in the 700 MHz band.

(1) Mobile market in Metropolitan France excluding M2M.

9.4 COMPARISON OF RESULTS FOR 2015 AND 2014

In € millions	Dec. 31, 2015	Dec. 31, 2014	% change
Revenues	**4,414.4**	**4,167.6**	**+5.9%**
Purchases used in production	(2,238.8)	(2,323.1)	-3.6%
Gross profit	**2,175.6**	**1,844.6**	**+17.9%**
as a % of revenues	***49.3%***	***44.3%***	***+5.0 pts***
Payroll costs	(222.5)	(208.5)	+6.7%
External charges	(288.5)	(244.1)	+18.2%
Taxes other than on income	(57.9)	(40.8)	+41.9%
Additions to provisions	(96.9)	(63.4)	+52.8%
Other income and expenses from operations, net	(19.9)	(4.1)	-
EBITDA(1)	**1,489.9**	**1,283.6**	**+16.1%**
as a % of revenues	***33.8%***	***30.8%***	***+3.0 pts***
Share-based payment expense	(3.3)	(5.6)	-41.1%
Depreciation, amortization and provisions for impairment of non-current assets	(820.4)	(708.5)	+15.8%
Profit from ordinary activities	**666.2**	**569.5**	**+17.0%**
Other operating income and expense, net	(4.2)	(3.6)	+16.7%
OPERATING PROFIT	662.0	565.9	+17.0%
Finance costs, net	(58.0)	(63.8)	-9.1%
Other financial income and expense, net	(24.5)	(21.7)	+12.9%
Corporate income tax	(244.5)	(202.0)	+21.0%
PROFIT FOR THE PERIOD	**335.0**	**278.4**	**+20.3%**

9.4.1 ANALYSIS OF CONSOLIDATED RESULTS

9.4.1.1 Key indicators

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Total mobile subscribers	**11,685,000**	**10,105,000**	**8,040,000**
Total Broadband and Ultra-Fast Broadband subscribers	**6,138,000**	**5,868,000**	**5,640,000**
TOTAL NUMBER OF SUBSCRIBERS	**17,823,000**	**15,973,000**	**13,680,000**

(in €)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Broadband and Ultra-Fast Broadband ARPU	**34.50**	**35.10**	**36.00**
*Freebox Revolution ARPU**	*>38.00*	*>38.00*	*>38.00*

* *Excluding promotions.*
(1) *See definition on page 246 of this Registration Document.*

9.4.1.2 Revenues

In 2015 the Group once again reported year-on-year growth, with revenues up by almost €250 million to over €4.4 billion, driven by a 7.4% year-on-year rise in service revenues (6% including handsets).

During the year the Group kept up its excellent performance in a persistently tough competitive environment, with revenues for the Landline business edging up 1.3% fueled by a 2.1% increase in the second half of the year, and the Mobile business posting a near-20% jump in revenues (excluding handsets).

The table below shows the breakdown of revenues by category for 2015 and 2014 as well as the percentage change between the two years:

In € millions	Dec. 31, 2015	Dec. 31, 2014	% change
Landline	**2,597.1**	**2,564.2**	**+1.3%**
Mobile	**1,828.7**	**1,614.3**	**+13.3%**
o/w mobile services			*+19.1%*
Intra-group sales	(11.4)	(10.9)	-4.6%
TOTAL CONSOLIDATED REVENUES	**4,414.4**	**4,167.6**	**+5.9%**
TOTAL SERVICE REVENUES			**+7.4%**

Landline revenues

Against a fiercely competitive backdrop, revenues for the Landline business edged up 1.3% for the year as a whole to €2,597 million, with growth picking up pace again in the second half. The significant events of 2015 for the Landline business were as follows:

- **270,000 new Broadband and Ultra-Fast Broadband subscribers,** representing a net add market share of 35% In a highly competitive environment and despite numerous promotional offers by other operators, the Group managed to grow its market share during the year, thanks to (i) the launch of the Freebox mini 4K, (ii) the strong reputation of the Free brand, (iii) the major efforts undertaken in recent years to improve the quality of subscriber service, (iv) the Group's strong innovation capacity, and (v) one-off promotional offers. At December 31, 2015, the Group had a total of 6.1 million Broadband and Ultra-Fast Broadband subscribers;
- **Broadband and Ultra-Fast Broadband ARPU stabilized at €34.50** despite one-off promotional offers carried out during the year, which had an automatic adverse impact on ARPU. However, the Freebox Revolution offering continued to prove very popular and its ARPU once again came in at over €38.

Mobile revenues

The success of the Group's mobile offerings is clearly reflected in its financial performance and 2015 was another year of strong growth for the Mobile business, with revenues totaling over €1.8 billion. This rise stemmed primarily from an excellent showing from services, whose revenues advanced by nearly 20%. Just four years after it was first launched the Mobile business now accounts for over 40% of the Group's total revenues. The number of net adds came to 1.6 million in 2015, bringing the total number of mobile subscribers to just under 12 million. The significant events of the year for the Mobile business were as follows:

- **a commercial strategy focused on innovation and constantly-enriched offers.** During 2015 the Group continued to enrich its offers by (i) increasing the number of roaming destinations included in the Free Mobile Plan, which now covers all European Union countries as well as the United States and Canada, and (ii) becoming the only operator to offer 50 GB of 4G mobile Internet and 20 GB of 3G in a plan costing less than €20 per month. It also pursued the deployment of 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 by making the Free Mobile offering unique in the market;
- **17%[1] market share**. With some 1.6 million net adds, in 2015 the Group was once again France's leading recruiter of mobile subscribers – a position it has held since it launched its Mobile business. By the year-end the total number of mobile subscribers had reached nearly 12 million, and in the space of just four years after its mobile launch the Group had outperformed its initial target of achieving 15% market share;
- **commercial success of 4G offerings.** In 2015 the Group intensified its rollout of 4G sites which brought its 4G coverage rate to 63% of the French population by the end of the year. This 4G rollout drive translated into commercial success as the 4G mobile subscriber base doubled during the year, reaching nearly 3.7 million. In addition, the average data usage rate of 4G subscribers surged by almost 80% during 2015 to 3.2 GB per month and per subscriber;
- **an improved subscriber mix within net adds and further migration of subscribers** from the €2/month plan (or €0 for Freebox subscribers) to the €19.99/€15.99 plan. In 2015, the Group recorded more new subscribers for its €19.99/month offering (€15.99/month for Freebox subscribers) than for its €2/month offering (€0/month for Freebox subscribers);
- **a near-20% rise in mobile services revenues and a decrease in handset revenues**, notably due to the successful sales of entry-level handsets. This negative impact weighed on overall revenue growth for the Mobile business which came to 13.3%.

(1) Mobile market in 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.

9.4.1.3 Gross profit

At €2,176 million, consolidated gross profit was €331 million higher than in 2014, representing a year-on-year increase of 18%.

As a percentage of revenues it was also up, climbing 5 percentage points to 49.3%, due to higher profitability levels for the Mobile business (although gross margin is still lower for the Mobile business than for the Landline business), reflecting an improved subscriber mix and an increase in direct traffic volumes on the Group's own network.

9.4.1.4 Payroll costs

The Group created more than 450 direct jobs in France in 2015 (permanent contracts), raising its total headcount to 7,901 at December 31, 2015.

This increase mainly reflects the intensified rollout of the Group's landline and mobile networks as well as the expansion of its subscriber service teams.

In view of these developments, payroll costs (excluding employee benefits and capitalized costs) rose to €222 million during the year.

9.4.1.5 External charges

The Group's external charges increased by €44 million to €288 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 higher number of mobile sites in service in 2015.

9.4.1.6 Taxes other than on income

Taxes other than on income rose by 42% to €58 million, primarily due to the growth of the Mobile business (IFER tax and the UMTS tax).

9.4.1.7 Additions to provisions

Additions to provisions – which include provisions for bad debts, impairment of inventories and contingencies and charges – totaled €97 million in 2015, up €34 million on 2014. This increase was mainly due to provisions for bad debts recognized by the Group in connection with its mobile phone rental offerings.

9.4.1.8 Other income and expenses from operations, net

This item represented a net expense of €20 million in 2015 versus €4 million in 2014.

9.4.1.9 EBITDA

Consolidated EBITDA rose by over 16% in 2015 to €1,490 million. EBITDA margin also increased considerably, coming in 3 percentage points higher at 33.8%, mainly due to the strong performance of the Mobile business.

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

- **better mobile network coverage.** Thanks to the Group's extension of its mobile network coverage in 2015, it was able to increase the volume of traffic carried directly on its own network;
- **higher EBITDA margin for the Mobile business** despite the extension of roaming services to cover the whole of Europe and the termination of airtime revenue from premium numbers as from October 1, 2015, as well as the increase in bad debts in connection with the Group's phone rental offerings;
- **ongoing measures to optimize the Group's landline networks (unbundling, migration to VDSL2 technology and rollout of the FTTH network).** During 2015, the Group pursued its measures to (i) extend its ADSL network and increase its unbundling rate to 97.2%, by opening some 1,500 subscriber connection nodes, (ii) complete the migration of its network equipment to VDSL2 technology, and (iii) continue the rollout of its directly-owned FTTH network and the FTTH networks deployed in accordance with co-financing arrangements with the incumbent operator;
- **critical mass reached, with 17%[(1)] market share for the Mobile business,** enabling the Group to optimize fixed costs due to its status as an integrated operator (landline/mobile) and to achieve economies of scale for other costs. The increase in the total number of subscribers during the period also resulted in further economies of scale in terms of the Group's fixed cost base (advertising costs, administrative costs, etc.).

9.4.1.10 Profit from ordinary activities

Profit from ordinary activities amounted to €666 million, up 17% on the 2014 figure due to the above-described rise in EBITDA.

Depreciation/amortization expense increased to €820 million as a result of (i) the beginning of depreciation/amortization for landline and mobile network components brought into service during the year, particularly due to the migration of sites to 4G technology and (ii) the launch of the Freebox mini 4K.

9.4.1.11 Profit for the period

Profit for the period climbed more than 20% to €335 million from €278 million in 2014.

(1) Mobile market in Metropolitan France excluding M2M.

9.4.2 CASH FLOWS AND CAPITAL EXPENDITURE

In € millions	Dec. 31, 2015	Dec. 31, 2014	% change
Consolidated cash flows from operations	**1,472.7**	**1,236.5**	**+19.1%**
Change in working capital requirement	(23.4)	(72.1)	-67.5%
Operating Free Cash Flow	**1,449.3**	**1,164.4**	**+24.5%**
Net cash used in investing activities	(1,219.9)	(968.3)	+26.0%
Income tax paid	(229.7)	(203.4)	+12.9%
Other(1)	(76.0)	(29.9)	-
Consolidated Free Cash Flow (excluding financing activities and dividends)	**(76.1)**	**(37.2)**	**-**
Free Cash Flow from ADSL operations	**665.8**	**736.7**	**-9.6%**
Dividends	(23.0)	(21.7)	-6.0%
CASH AND CASH EQUIVALENTS AT YEAR-END	**718.5**	**132.3**	**-**

(1) Including interest expense.

Consolidated Free Cash Flow

The Group stepped up the pace of its rollout of landline and mobile networks during 2015, which pushed up its capital expenditure by 26% to €1.2 billion. The year-on-year change in consolidated Free Cash Flow mainly reflects the following:

- a 19% increase in consolidated cash flows from operations to €1,473 million;
- an improved change in working capital requirement compared to 2014 – although the figure was still negative at €23 million – due to the fact that the unfavorable working capital impact of the Group's new offers for mobile phones (rental and payment installments) has diminished significantly;
- an acceleration of the Group's capital expenditure drive, with net cash used in investing activities reaching €1,220 million. The year-on-year increase in this figure was attributable to both the Mobile and Landline businesses and reflected (i) the continued high pace of the mobile network rollout and the acceleration of the fiber network deployment, (ii) the launch of the Freebox mini 4K and building up the requisite inventories, and (iii) the negative impact of the euro/dollar exchange rate;
- a year-on-year decrease in Free Cash Flow from ADSL operations to €666 million, as a logical result of the above-described factors, and particularly the Freebox mini 4K launch;
- €230 million in income tax paid;
- the acquisition of a 50% stake in TRM via the purchase of OMT's assets in La Réunion and Mayotte for €24 million;
- a negative €76 million in consolidated Free Cash Flow.

Net change in cash and cash equivalents

The Group ended 2015 with €719 million in available cash and cash equivalents. Cash and cash equivalents increased considerably in the fourth quarter of the year due to a successful €650 million bond placement carried out in November 2015.

9.4.3 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, 2015, the Group had gross debt of €1,911 million and net debt of €1,191 million. The Group maintained its solid financial structure during the year and its leverage ratio at December 31, 2015 was once again well below the 1x mark at 0.80x. At the same time, it also had a very strong liquidity position.

The Group's gross debt primarily comprised the following at December 31, 2015:

Borrowings due within 1 year

- An €800 million 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 €500 million to €800 million. At December 31, 2015, €350 million of this program had been used.
- A €500 million bond issue.

  On May 26, 2011, the Group issued €500 million worth of bonds paying interest at 4.875% per year.

The bonds will be redeemed at face value at maturity on June 1, 2016.

Borrowings due beyond 1 year

- A €150 million loan 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 between 2010 and 2012. The loan is repayable in installments with a final maturity in July 2020. It had been drawn down in an amount of €135 million at December 31, 2015 and the first repayment installments were made during the second half of 2015.

- A €200 million loan granted by the European Investment Bank (EIB) in 2012.

  Following on from the loan granted in 2010, the EIB extended its partnership with Iliad in 2012 by granting it another loan (€200 million) to help finance the Group's capital expenditure between 2012 and 2014. This loan is also repayable in installments and matures in July 2022. It had been fully drawn down at December 31, 2015.
- A €650 million bond issue.

  On November 26, 2015, the Group issued €650 million worth of bonds paying interest at 2.125% per year.

  The bonds will be redeemed at face value at maturity on December 5, 2022.
- A €1,400 million syndicated credit facility.

  In view of the low market interest rates, in 2015 the Group decided to renegotiate the main terms and conditions of its €1,400 million syndicated credit facility set up with a pool of 12 international banks. Consequently, on October 2, 2015 the Group signed an amendment extending the facility's original maturity to 2020 with a further extension option to 2022.

  The applicable interest rate on the facility was also adjusted and it is now based on Euribor plus a margin of between 0.35% and 1.10% per year depending on the Group's leverage ratio.

  None of this facility had been drawn down at December 31, 2015.

The EIB loans and the €1,400 million credit facility 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, 2015.

Finance lease commitments

The Group uses finance leases to finance (i) the purchase of premises required to roll out its FTTH network and (ii) a portion of the technical equipment in its datacenters. At December 31, 2015, the Group's total obligations under finance leases amounted to €82 million.

9.4.4 OWNERSHIP STRUCTURE AT DECEMBER 31, 2015

At December 31, 2015, Iliad's share capital was made up of 58,660,640 ordinary shares, held by the following shareholders:

- Executive Management: 33,945,812 shares, representing 57.9% of the share capital;
- public: 24,714,828 shares, representing 42.1% of the share capital.

At December 31, 2015, there were seven Iliad stock option plans in place with a total of 769,909 shares under option.

9.5 ADDITIONAL INFORMATION

9.5.1 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,
  - 9 million connectible FTTH sockets by end-2018,
  - 20 million connectible FTTH sockets by end-2022;
- mobile business:
  - deploy more than 1,500 sites in 2016,
  - 4G coverage rate of nearly 75% of the French population by end-2016,
  - achieve a 25% mobile market share in the long term;
- Group:
  - slight increase in the level of capital expenditure (excluding frequency purchases) in 2016,
  - achieve consolidated EBITDA margin of over 40% by the end of the decade.

9.5.2 EVENTS AFTER THE REPORTING DATE

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. This facility takes the form of a five-year term loan and is subject to covenants based on the Group's leverage and interest cover ratios.

10
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, 2015, the Group's leverage ratio (net debt to EBITDA) was 0.80x.

Further information on capital resources is provided in Chapter 4, Section 4.3.2 of this Registration Document as well as in Notes 25 and 28 to the consolidated financial statements (Chapter 20, Section 20.1).

11

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

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11.2 INTELLECTUAL PROPERTY 78

11.2.1 Patents 78

11.2.2 Trademarks 78

11.1 RESEARCH AND DEVELOPMENT

The Iliad 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 rolling out 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 2015, the Group spent €11.6 million on R&D related to its xDSL, optical fiber and mobile activities.

11.2 INTELLECTUAL PROPERTY

11.2.1 PATENTS

At the date of this Registration Document, the Group had filed 38 patent families in the areas of optical fiber, multimedia distribution flows, PLC data transmission, Femtocell 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 the profit-making capacity of its Landline business and the growth of its mobile business.

Information concerning events after the balance sheet date of December 31, 2015 is presented in Chapter 9, Section 9.5.2 of this Registration Document and Note 34 to the consolidated financial statements (Chapter 20, Section 20.1).

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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;
  - have 9 million connectible FTTH sockets by end-2018;
  - have 20 million connectible FTTH sockets by end-2022;
- Mobile business:
  - deploy more than 1,500 sites in 2016;
  - achieve a 4G coverage rate of nearly 75% of the French population by end-2016;
  - achieve a 25% mobile market share in the long term;
- Group:
  - slightly increase the level of capital expenditure (excluding frequency purchases) in 2016 compared with 2015;
  - achieve consolidated EBITDA margin of over 40% by the end of the decade.

14

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, 2015, the Board comprised eleven members (whose profiles are presented below), including four independent directors and one director representing employees.

Iliad's directors have complementary professional skills and experience and an in-depth knowledge of the Group. They are all highly pro-active and involved, which is a great asset both for the quality of Board 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 Ilan Dahan was put forward for appointment as a director representing employees by the Works Council of the Iliad *Unité Économique 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 has been appointed for a four-year term and he does not receive any directors' fees. His compensation package under his employment contract is not disclosed. Mr. Dahan stood down from his position as an employee representative before he joined the Board of Directors.

Gender equality

Iliad considers that it is important to have a balanced Board membership structure, particularly in terms of gender equality. Consequently, the Board of Directors applied in advance the requirements of the French Act of January 27, 2011 on gender equality on corporate Boards which stated that women had to make up 20% of a Board's members by 2014. Iliad currently has three women Board members.

The Nominations and Compensation Committee is continuing its work on selecting suitable female nominees for directorships to be recommended to the Board. By 2017, at least 40% of the Board's members will be women, as required under the applicable law.

At its meeting on March 9, 2016, the Board decided that it will recommend to shareholders at the Annual General Meeting that they elect Corinne Vigreux as a director for a four-year term.

Independent directors

For the purpose of assessing the independence of its members and preventing conflicts of interests between the interests of directors and those of the Company, the Group or Executive Management, 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 Executive Management which could color his or her judgment.

Consequently, in order to be considered independent, a director must not:

- be – or have been at any time in the last five years – an employee or an executive director of the Company, or an employee or director of its parent or a company that it consolidates;
- be an executive director of an entity in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or an executive director of the Company (current or in the past five years) holds a directorship;
- be a customer, supplier, investment banker or a commercial banker which is material for the Company or the Group or for which the Company or Group represents a material proportion of the entity's activity;
- have close family ties with an executive director;
- have been an auditor of the Company in the past five years;
- have been a director of the Company for more than twelve years;
- represent a significant shareholder of the Company, taking into account that:

(i) a shareholder who owns over 10% of the Company's capital or voting rights is considered significant, and

(ii) below this threshold, the Board of Directors systematically reviews whether the director is independent, taking into account the composition of the Company's share capital and any potential conflicts of interest.

At its meeting on March 9, 2016, the Board examined on a case-by-case basis the situation of each of its eleven members based on these criteria, notably that of Olivier Rosenfeld, who will have been a director for more than twelve years if he is re-elected by shareholders at the Annual General Meeting of May 19, 2016. The Board noted the level of objectivity that Olivier Rosenfeld has always shown during the Board's discussions and in relation to its decisions, as well as his ability to express his views and opinions and formulate a balanced judgment in all circumstances vis-à-vis Executive Management. The Board considers that these factors, combined with his level of commitment, clearly demonstrate Mr. Rosenfeld's independence of judgment. However, in order to comply with the criteria in the AFEP-MEDEF Code, the Board decided not to qualify Olivier Rosenfeld as independent.

Therefore, the Board comprises four independent directors: Pierre Pringuet, Marie-Christine Levet, Orla Noonan and Virginie Calmels.

The proportion of independent directors on the Board is over one third as recommended in the AFEP-MEDEF Code, which means that the Board can carry out its duties with the required level of independence and objectivity and can ensure that its meetings are conducted effectively 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 at December 31, 2015

At the date this Registration Document was filed, the Board of Directors had eleven members, as listed below. The following information is presented on an individual basis for each director:

- the names of the members of the Board of Directors at December 31, 2015, 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.

At its meeting on March 9, 2016 the Board of Directors decided to recommend to shareholders at the May 19, 2016 Annual General Meeting that they (i) re-elect Cyril Poidatz, Antoine Levavasseur, Thomas Reynaud, Olivier Rosenfeld and Marie-Christine Levet as directors 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, 2019, and (ii) elect Corinne Vigreux as a new director, also for a four-year term.

Cyril Poidatz

Chairman of the Board of Directors

Aged 54, French nationality

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

First elected as a director on December 12, 2003

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. Mr. Poidatz 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)]
2015	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year stated. At its meeting on March 9, 2016, the Board of Directors decided that at the May 19, 2016 Annual General Meeting it will recommend to shareholders that they re-elect Cyril Poidatz as a director for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(2) In companies other than Group subsidiaries.

Maxime Lombardini

Chief Executive Officer and a director

Aged 50, French nationality

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

First elected as a director on May 29, 2007

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. Mr. Lombardini is a graduate of Sciences Po Paris and holds a post-graduate degree in business 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 to be called to approve the financial statements for the year stated. At its meeting on March 4, 2015, the Board of Directors decided that at the May 20, 2015 Annual General Meeting it would recommend to shareholders that they re-elect Maxime Lombardini as a director for a three-year term.

(2) In companies other than Group subsidiaries.

Antoine Levavasseur

Senior Vice-President and a director

Aged 38, French nationality

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

First elected as a director on May 27, 2005

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)
2015	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year stated. At its meeting on March 9, 2016, the Board of Directors decided that at the May 19, 2016 Annual General Meeting it will recommend to shareholders that they re-elect Antoine Levavasseur as a director for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(2) In companies other than Group subsidiaries.

Xavier Niel

Senior Vice-President, a director and Vice-Chairman of the Board of Directors

Aged 48, French nationality

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

First elected as a director on December 12, 2003

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. Prior to devoting himself full-time to the Group's development, in 1993 he co-founded France's first ISP, Worldnet.

Subsequently, after founding 3617 ANNU, the leading reverse look-up directory service on Minitel, in 1999 he went on to create Free – France's first free-access ISP.

Xavier Niel is the inspiration behind the Group's major strategic developments. For example, in 2002 he invented the Freebox – the first multi-services box providing households with access to a triple-play offering (Internet, telephone and television). Through the innovation of the Freebox and its €29.99/month broadband offering he revolutionized the landline Internet access market, providing consumers with lower prices and straightforward offerings.

With Free, Mr. Niel has been the architect behind numerous innovations in the Internet access market (VoIP, IPTV, flat-rate calling plans to multiple destinations, 4K, etc.).

In January 2012, Free shook up the French telecommunications market once again by launching its mobile telephony offerings, in the form of two straightforward no-commitment plans at very attractive prices.

With a deep-seated passion for innovation, and always on the lookout for new acquisitions, Mr. Niel has also invested in the telecommunications sector for many years in a personal capacity. In 2011, together with Michaël Boukobza (former CEO of Iliad), he launched Israel's fifth mobile operator: Golan Telecom. Subsequently, in the spring of 2014 he bought Monaco Telecom, followed by Orange Suisse (since renamed "Salt") at the end of that year.

Similarly, Mr. Niel has launched numerous initiatives in the digital sector, including the creation of "42" in March 2013 – a revolutionary IT school with an innovative peer-to-peer learning system. Located in Paris, it trains 1,000 developers a year, is free of charge, and selects its students based on talent and motivation rather than academic criteria.

In parallel, Mr. Niel is a major investor in web start-ups, through his own venture capital fund – Kima Ventures – which invests in 50 to 100 start-ups a year throughout the world.

In addition, with a view to supporting and partnering entrepreneurs by giving them a suitable setting for developing their companies, he has created the world's largest digital incubator – "1000 start-ups @La Halle Freyssinet" – which is based in Paris and will open its doors in 2017. The aim of this unique project is to drive the development of a new generation of companies that will be the success stories of the future.

In addition to telecoms and digital, Xavier Niel also invests in the media sector, and in 2010 he became a co-shareholder of the *Le Monde* newspaper alongside Pierre Bergé and Matthieu Pigasse. Since the summer of 2014 Xavier Niel, Pierre Bergé and Matthieu Pigasse have also been the joint owners of the weekly magazine *L'Obs* and *Rue89*.

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)
2016	Legal Manager of Élysées Capital Legal Manager of Sons Legal Manager of SE 51 S.N.C Member of the Supervisory Board of 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 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 Invest Alpha S.A.S. Chairman of NJJ Invest Gamma S.A.S. Chairman of NJJ Invest Beta S.A.S. Chairman of NJJ Europe Acquisition S.A.S. Chairman of NJJ Animation S.A.S. Chairman of NJJ Invest Tel 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 SDECN S.A.S. Chairman of SEHF S.A.S.	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 to be called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.

Thomas Reynaud

Senior Vice-President and a director

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

Aged 42, French nationality

First elected as a director on May 29, 2008

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, Mr. Reynaud 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)
2015	N/A	N/A

(1) Term of office expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year stated. At its meeting on March 9, 2016, the Board of Directors decided that at the May 19, 2016 Annual General Meeting it will recommend to shareholders that they re-elect Thomas Reynaud as a director for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(2) In companies other than Group subsidiaries.

Virginie Calmels

Independent director

Chair of the Nominations and Compensation Committee

Aged 44, French nationality

Business address: 2, place du Général Koenig – 75017 Paris, France

First elected as a director on June 23, 2009

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 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.

Since January 8, 2013, Ms. Calmels has chaired the Supervisory Boards of Euro Disney and Euro Disney Associés S.C.A., of which she has been a member since March 2011. She has also been Vice-Chairman of the CEPS research center since July 2009, a director and Chair of the Compensation Committee of Iliad (Free) since June 2009, and a director of Technicolor since May 2014. She also founded SHOWer Company which she has chaired since April 2013.

Virginie Calmels began her career in 1993 within 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 group's Deputy Chief Executive Officer and then joint Chief Operating Officer. Ms. Calmels joined Endemol France in 2003 as CEO and was appointed Chairman and CEO in October 2007. She became CEO of Endemol Monde in May 2012 while remaining Chairman of Endemol France before resigning from these positions in mid-January 2013.

Ms. Calmels is also 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)
2016	Chairman of SHOWer Company S.A.S.U. Vice-Chairman of the CEPS research center Chair of the Supervisory Boards of Euro Disney S.C.A. and Euro Disney Associés S.C.A. Director of Technicolor S.A. Chair of the Board of Directors of SAEML Régaz Director of SAEML SBEPEC Director of Bordeaux Mérignac airport Director of BGI Bordeaux Gironde Investissement Director of Aerospace Valley Director of Bordeaux Aéroparc SPL Deputy Mayor of Bordeaux Vice-President of Bordeaux Métropole Regional councilor for the Aquitaine Limousin Poitou-Charentes region	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 Chairman and a director of Endemol Nordic AB Chairman and a director of Endemol Norway AS Chairman and a director of Endemol Sweden AB Chairman of Endemol France Chairman of Endemol Fiction Chairman of Endemol Productions Chairman of Mark Burnett Productions France Chairman of NAO Chairman of DV Prod Chairman of Endemol Jeux Chairman of Tête de Prod Chairman of Orevi Vice-Chairman 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.

(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

Chair of the Audit Committee

Aged 49, French nationality

Business address: Jaïna Capital – 1, rue François 1er – 75008 Paris, France

First elected as a director on May 29, 2008

Marie-Christine Levet was born on March 28, 1967 in Rioms-ès-Montagnes and 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, Ms. Levet 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 Chairman 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 market players with respect to the public authorities. Between 2008 and 2010, Ms. Levet 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, the leading investment fund specialized in seed funding for entrepreneurs.

Marie-Christine Levet is the founding member of LER (Les Entrepreneurs Réunis), a company that partners the development of start-ups in the web-based and new technology sectors (Instant Luxe, Avanquest, AssurOne, etc.).

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)
2015	Associate Director of LER Director of Mercialys S.A. Director of Fonds Google pour l'Innovation Numérique dans la Presse (FINP) Director of AFP Director of Hi Pay	Associate Director of Jaïna Capital S.A.S.U. Director of BPI Financement (Banque Publique d'Investissement) Director of Instant Luxe

(1) Term of office expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year stated. At its meeting on March 9, 2016, the Board of Directors decided that at the May 19, 2016 Annual General Meeting it will recommend to shareholders that they re-elect Marie-Christine Levet as a director for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(2) In companies other than Group subsidiaries.

Orla Noonan

Independent director

Member of the Audit Committee

Aged 46, Irish nationality

Business address: Groupe AB – 132, avenue du Président Wilson – 93210 La Plaine Saint Denis, France

First elected as a director on June 23, 2009

A graduate of HEC business school and Trinity College Dublin, Orla Noonan is Chief Executive Officer of the AB group. She began her career with the investment bank Salomon Brothers in London, where she participated in several M&A transactions, particularly in the media and telecoms sector. She then joined the AB group in 1996, working first on IPOs in New York and Paris and then on external growth transactions such as the acquisitions of the television channels RTL9 and TMC. She was Chairman of the NT1 television channel from the launch of DTT in France in 2005 until it was sold to TF1 in 2010.

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)
2016	***French companies*** Chief Executive Officer and a director of Groupe AB S.A.S. Chairman of TEAM Co S.A.S.U. ***Non-French companies*** Director of RTL 9 Luxembourg Director of AB Entertainment	***French companies*** Chairman of Knightly Investments S.A.S. Chairman of NT1 S.A.S. Director of Groupe AB (renamed Holding Omega Participations S.A.S.) ***Non-French companies*** Director of BTV Belgium Director of WB Television Belgium Director of Télé Monte-Carlo (Monaco)

(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

Member of the Nominations and Compensation Committee

Aged 66, French nationality

Business address – Pernod Ricard 12, place des États-Unis – 75016 Paris, France

First elected as a director on July 25, 2007

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 Mr. Pringuet 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 Mr. Pringuet joined Patrick Ricard at the group's holding company, Pernod Ricard, taking on the position of Co-Chief Executive Officer alongside Richard Burrows. Appointed 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 he became 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, Mr. Pringuet 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 he stood down from his executive position on February 11, 2015 but remained Vice-Chairman of the Board of Directors.

Mr. Pringuet was also Chairman of the Sully Committee – a not-for-profit organization dedicated to promoting the French agri-food industry – between 1990 and 2015. In 2012 he was named Chairman of the French association of private sector companies (*Association Française des Entreprises Privées* – AFEP) and 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)
2016	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 to be called to approve the financial statements for the year stated.
(2) In companies other than Group subsidiaries.
** Companies listed on Euronext Paris.*

Olivier Rosenfeld

Independent director until his re-election

Member of the Audit Committee

Aged 45, Belgian nationality

Business address: 16, rue de la Ville l'Évêque – 75008 Paris, France

First elected as a director on December 12, 2003

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)
2015	***French company*** Member of the Supervisory Board of Iway Holdings S.A.S. ***Non-French 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 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 to be called to approve the financial statements for the year stated. At its meeting on March 9, 2016, the Board of Directors decided that at the May 19, 2016 Annual General Meeting it will recommend to shareholders that they re-elect Olivier Rosenfeld as a director for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(2) In companies other than Group subsidiaries.

* *Company listed on Euronext Paris.*

Alain Weill[1]

Independent director

Member of the Nominations and Compensation Committee

Aged 55, French nationality

Business address: NextRadioTV – 12, rue d'Oradour sur Glane – 75015 Paris, France

First elected as a director on December 12, 2003

Alain Weill holds a degree in economics and an MBA from the HEC business school. Between 1985 and 1989 he was Network Director for NRJ S.A., then Chief Executive Officer of Quarare (Sodexho group). In 1990, he joined the management team of *Compagnie Luxembourgeoise de Télédiffusion* (CLT), then became Chairman and Chief Executive Officer of the network, a subsidiary of CLT and the Spanish group SER. In 1992, he was appointed to the Senior Management team of the NRJ group, followed by NRJ Régies in 1995, where he has served as Vice-Chairman of the Management Board since 1997. He has held the position of Chairman of NextRadioTV since November 8, 2000, and is also Chairman of RMC, BFM Business, BFM TV, NextInteractiveMedia and RMC Découverte.

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]
2015	Chairman and Chief Executive Officer of NextRadio TV S.A. Chairman of BFM TV S.A.S. Deputy Chairman of RMC S.A.M. Chairman of RMC Sport S.A.S. Chairman of Business FM S.A.S. Chairman of News Participations S.A.S. Chairman of WMC S.A.S.U. Chairman of NextInteractiveMedia S.A.S. Chairman of Groupe Tests Holding S.A.S.U. Chairman of BFM Business TV S.A.S. Chairman of CBFM S.A.S.U. Chairman of RMC BFM Production S.A.S. Chairman of Next Development 2 S.A.S. Chairman of RMC-BFM Edition S.A.S. Chairman of RMC Découverte S.A.S. Chairman of NextRadio TV Production S.A.S. Permanent representative of NextRadioTV on the Board of Directors of Médiamétrie S.A. Chairman of NextRégie S.A.S. Chairman of Next Development 2 S.A.S. Chairman of New Co 3 S.A.S. Chairman of Banque Audiovisuelle S.A.S.U. Chairman of Groupe News Participations S.A.S. Chairman of WHM S.A.S.U. Chairman of Newco A S.A.S.U. Chairman of Newco B S.A.S.U. Chairman of Altice Content France S.A.S.U.	Legal Manager of GT LABS S.A.R.L. Chairman of Seliser Chairman and Chief Executive Officer of Cadre Online Chairman of La Tribune Holding S.A.S. Chairman of La Tribune Régie S.A.S. Chairman of La Tribune Desfossés S.A.S. Chairman of Paris Portage S.A.S. Chairman of 01 Régie S.A.S. Chairman of RMC Régie S.A.S. Legal Manager of Chaîne Techno S.A.R.L.

(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) Alain Weill stepped down as a director on July 31, 2015.

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	2017
Xavier Niel	Senior Vice-President	June 14, 2007	2017
Antoine Levavasseur	Senior Vice-President	June 14, 2007	2017
Rani Assaf(3)	Senior Vice-President	June 14, 2007	2017
Thomas Reynaud	Senior Vice-President	March 18, 2010	2017

(1) Term of office expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year stated.
(2) At its meeting on March, 4, 2015, 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 three years.
(3) Rani Assaf 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.

The biographies of the Company's senior managers are as follows:

Maxime Lombardini

See Section 14.1.1 above.

Xavier Niel

See Section 14.1.1 above.

Antoine Levavasseur

See Section 14.1.1 above.

Thomas Reynaud

See Section 14.1.1 above.

Rani Assaf

Aged 40, French nationality

Rani Assaf is in charge of the Group's IP and telecom network and the rollout of its DSL network. He joined the Group in 1999 and since then has been involved in setting up the Group's IP network infrastructure. He is also one of the founders of the Freebox project.

14.2 CONVICTIONS, BANKRUPTCY, CONFLICTS OF INTEREST AND OTHER INFORMATION

There are no family relationships between the Company's directors.

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 Director's organizational and operating structure enables it to prevent any abusive exercise of control by a shareholder, notably due to the fact that there are four 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 financial information, 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 29, 2016, Iliad' s directors and senior managers held the following interests in the Company:

Shareholder	Number of shares	% capital	% voting rights
Xavier Niel	31,988,813	54.50%	69.02%
Rani Assaf	760,000	1.29%	1.64%
Cyril Poidatz	670,614	1.14%	1.45%
Antoine Levavasseur	506,658	0.86%	1.09%
Maxime Lombardini	7,210	0.01%	0.01%
Thomas Reynaud	5,250	0.01%	0.01%
Olivier Rosenfeld	5,210	0.01%	0.01%
Pierre Pringuet	2,037	NM	NM
Marie-Christine Levet	350	NM	NM
Orla Noonan	300	NM	NM
Virginie Calmels	150	NM	NM
TOTAL	**33,946,592**	**57.83%**	**73.22%**

In addition, at December 31, 2015 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 2.71% 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;
- **One.Tel:** Cyril Poidatz holds one share in One.Tel, which does not represent a significant holding in the Company;
- **Assunet**: Xavier Niel holds one share in Assunet, representing approximately 0.02% of Assunet's capital and voting rights.

15

COMPENSATION AND BENEFITS

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15.1 DIRECTORS' AND OFFICERS' COMPENSATION

15.1.1 COMPENSATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS

The aggregate amount of directors' fees set by shareholders is allocated among the individual directors by the Board based on recommendations put forward by the Nominations and Compensation Committee.

In the seventh resolution of the Annual General Meeting held on May 20, 2015, the shareholders set the aggregate amount of directors' fees for 2015 at €180,000. The Board allocated this amount between the six non-salaried independent 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 implication in the work of the Board's 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 2014 and 2015.

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

Non-executive directors	Amount paid in 2015 *(in €)*	Amount paid in 2014 *(in €)*
Virginie Calmels		
Directors' fees	28,500	30,000
Other compensation	N/A	N/A
Marie-Christine Levet		
Directors' fees	28,500	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	28,500	30,000
Other compensation	N/A	N/A
Alain Weill(1)		
Directors' fees	16,667	30,000
Other compensation	N/A	N/A

(1) Alain Weill stepped down as a director on July 31, 2015.

At its March 9, 2016 meeting, the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 19, 2016 that they set the aggregate amount of directors' fees payable for 2016 at €180,000.

15.1.2 COMPENSATION POLICY FOR EXECUTIVE OFFICERS

The Board of Directors is responsible for the compensation policy concerning the Company's executive officers and has confirmed its intention to ensure transparency in this regard by complying with the AFEP-MEDEF Code. The Nominations and Compensation Committee is tasked with helping the Board in this respect.

The Board's objective is to provide executive officers with competitive compensation packages that increase annually at a steady rate.

The Board of Directors has always taken care to ensure that its decisions concerning the compensation of executive officers are straightforward, clear and consistent. It is for this reason that it took the decision many years ago not to pay directors' fees to its executive directors.

The overall aim of the compensation policy put in place within the Company is to regularly reward executive officers' medium- and long-term loyalty. To this end, the compensation of each executive officer is solely comprised of a fixed portion, plus a share-based compensation component intended to give them an interest in growing the Company's enterprise value over the long term. Executive officers do not receive any annual or multi-year variable compensation, or any exceptional compensation or benefits-in-kind.

15.1.2.1 Compensation paid to each executive officer in 2014 and 2015

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

In €	2015	2014
Cyril Poidatz		
Compensation due for the year	168,000	162,000
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 free shares granted	N/A	N/A
TOTAL	**168,000**	**162,000**
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 free shares granted	N/A	N/A
TOTAL	**384,000**	**384,000**
Rani Assaf		
Compensation due for the year	183,000	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 free shares granted	N/A	N/A
TOTAL	**183,000**	**180,000**
Antoine Levavasseur		
Compensation due for the year	183,000	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 free shares granted	N/A	N/A
TOTAL	**183,000**	**180,000**
Xavier Niel		
Compensation due for the year	183,000	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 free shares granted	N/A	N/A
TOTAL	**183,000**	**180,000**
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 free shares granted	N/A	N/A
TOTAL	**384,000**	**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 €)*	2015		2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	168,000	168,000	162,000	162,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation				
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**168,000**	**168,000**	**162,000**	**162,000**

Maxime Lombardini Chief Executive Officer *(in €)*	2015		2014	
	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 €)*	2015		2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	183,000	183,000	180,000	180,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation				
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**183,000**	**183,000**	**180,000**	**180,000**

Antoine Levavasseur Senior Vice-President *(in €)*	2015		2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	183,000	183,000	180,000	180,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation				
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**183,000**	**183,000**	**180,000**	**180,000**

Xavier Niel Senior Vice-President *(in €)*	2015		2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	183,000	183,000	180,000	180,000
Annual variable compensation	-	-	-	-
Multi-year variable compensation				
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits-in-kind	-	-	-	-
TOTAL	**183,000**	**183,000**	**180,000**	**180,000**

Thomas Reynaud Senior Vice-President *(in €)*	2015		2014	
	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 has regularly granted stock options under attractive conditions. The objective of this stock option policy is to fairly reward the Group's executive officers, while at the same time extending the scope of beneficiaries to include a large number of the Group's employees. In addition, a share grant policy has been put in place by Free Mobile for certain of its executive officers and employees.

Stock options granted to each executive officer by the Company and any other Group company in 2014 and 2015 (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 2014 or 2015					
Maxime Lombardini						
Rani Assaf						
Antoine Levavasseur						
Xavier Niel						
Thomas Reynaud						

Historical information on stock option grants is provided in Chapter 21, Section 21.1.4.1 of this Registration Document (Table 8).

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 2015 (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	1,780	€53.79
Rani Assaf	-	-	-
Antoine Levavasseur	-	-	-
Xavier Niel	-	-	-
Thomas Reynaud	Nov. 5, 2008	1,440	€53.79

Stock options exercised by each executive officer in 2014 (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	58,514	€53.79
Rani Assaf	-	-	-
Antoine Levavasseur	-	-	-
Xavier Niel	-	-	-
Thomas Reynaud	Nov. 5, 2008	44,980	€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

Neither the Company nor any other Group company has granted any performance shares to the Company's executive officers.

Performance shares granted to each director and officer in 2014 and 2015 by Iliad or any other Group company (based on Table 6 of the AMF template)

Director/executive officer	Plan number and date	Number of shares granted during the year	Valuation of performance 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			None			
Virginie Calmels						
Marie-Christine Levet						
Orla Noonan						
Pierre Pringuet						
Olivier Rosenfeld						
Alain Weill						

Directors' and officers' performance shares whose lock-up period expired in 2014 and 2015 (based on Table 7 of the AMF template)

Director/executive 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		None	
Virginie Calmels			
Marie-Christine Levet			
Orla Noonan			
Pierre Pringuet			
Olivier Rosenfeld			
Alain Weill			

15.1.2.3.2 Free Mobile shares granted free of consideration 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 executive officers of Free Mobile. The vesting period set for these plans was two years followed by a two-year lock-up period during which the beneficiary could not sell the vested shares. The share grant plans included an option to settle the share-based payment in Iliad shares, in which case the price would be determined by an independent valuer.

The Group's executive officers are required to hold in registered form at least 5% of the vested shares they receive under share grant plans until they cease to hold the position of executive officer.

Executive officers' Free Mobile shares granted 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, 2015 [(1)]	Vesting conditions
Cyril Poidatz	May 12, 2010	1,825,694	N/A
Maxime Lombardini	May 12, 2010	2,300,374	N/A
Rani Assaf	May 12, 2010	1,825,694	N/A
Antoine Levavasseur	May 12, 2010	1,643,126	N/A
Xavier Niel	N/A	N/A	N/A
Thomas Reynaud	May 12, 2010	2,300,374	N/A
TOTAL		**9,895,262**	

(1) Shares vested on May 12, 2012 whose lock-up period expired on May 12, 2014.
At December 31, 2015, 2.71% of the share capital of Free Mobile was held by corporate officers of Free Mobile and 1.88% by employees.

No such share grant plans were set up in 2015. 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 4, 2015 meeting, the Board of Directors proposed a cash payment to Free Mobile's shareholders. This payment was proposed for a maximum of 10% of the Free Mobile shares held by the shareholders at that date based on a valuation of €9.73 per Free Mobile share, as determined by an independent valuer. Following this settlement, at December 31, 2015 Maxime Lombardini, Antoine Levavasseur and Thomas Reynaud, who accepted this liquidity offer, respectively held 0.63%, 0.45% and 0.63% of Free Mobile's capital.

In 2015, the cash payment concerned a total amount of €10.1 million for the fifteen officers and employees concerned.

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 likely to be due for termination or change of position		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

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. As recommended in the AFEP-MEDEF Corporate Governance Code for listed companies – which the Company uses as its benchmark for corporate governance practices – Maxime Lombardini has not held an employment contract with the Company or any other Group entity since his previous re-appointment as Chief Executive Officer in 2011.

Also at its March 4, 2015 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 in the event of an involuntary departure from the Group, in accordance with the termination benefit system authorized and put in place by the Board on April 4, 2011.

However, the performance conditions applicable to the payment of this termination benefit were amended to factor in the Group's development since they were originally set.

The benefit would correspond to 1.5 times the total annual compensation paid to Mr. Lombardini in his capacity as Chief Executive Officer, and would only be paid if he leaves the Group involuntarily as a result of a change in control of the Company or its strategy, as decided by the Board of Directors.

Based on the recommendation of the Nominations and Compensation Committee, the Board decided that the payment of the termination benefit would be 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.

In the event of Mr. Lombardini's involuntary departure from the Group, the Board of Directors would determine the degree to which the performance conditions had been fulfilled, in accordance with the applicable law at that date, and may decide to pay the termination benefit on a pro rata basis in line with the number of conditions actually met.

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.

Other commitments

Within the Company there are 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, with the exception of the above-described commitment given to Maxime Lombardini;
- indemnities payable to executive officers under non-compete clauses.

15.1.3 COMPENSATION DUE OR PAID FOR 2015 TO EACH EXECUTIVE OFFICER, SUBMITTED TO SHAREHOLDERS UNDER A "SAY-ON-PAY" ADVISORY VOTE

In accordance with Article L. 225-37 of the French Commercial Code, Iliad bases its corporate governance framework on the recommendations of the AFEP-MEDEF Code and its implementation guide. In Article 24.3 of the AFEP-MEDEF Code, it is recommended that the following components of the compensation due or paid for the past fiscal year to each executive officer should be submitted to shareholders for an advisory vote:

- the fixed portion;
- any annual variable compensation and multi-year variable compensation;
- exceptional compensation;
- stock options, performance shares and any other long-term compensation;
- benefits related to taking up or terminating office;
- supplementary pension benefits;
- benefits-in-kind.

Consequently, at the Annual General Meeting to be held on May 19, 2016, shareholders will be invited to issue an advisory vote on the compensation due or paid for 2015 to each of the Company's executive officers, i.e.:

- Cyril Poidatz;
- Maxime Lombardini;
- Rani Assaf;
- Antoine Levavasseur;
- Xavier Niel;
- Thomas Reynaud.

COMPENSATION DUE OR PAID FOR 2015 TO CYRIL POIDATZ, (CHAIRMAN OF THE BOARD OF DIRECTORS), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€168,000	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	None	Cyril Poidatz did not receive any stock options or performance shares in 2015.
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 a supplementary pension plan.

COMPENSATION DUE OR PAID FOR 2015 TO MAXIME LOMBARDINI (CHIEF EXECUTIVE OFFICER), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	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.
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	None	Maxime Lombardini did not receive any stock options or performance shares in 2015.
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 2015	Maxime Lombardini is eligible for a termination benefit, which is subject to performance conditions and is 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 a supplementary pension plan.

COMPENSATION DUE OR PAID FOR 2015 TO RANI ASSAF (SENIOR VICE-PRESIDENT), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€183,000	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	None	Rani Assaf did not receive any stock options or performance shares in 2015.
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 a supplementary pension plan.

COMPENSATION DUE OR PAID FOR 2015 TO ANTOINE LEVAVASSEUR (SENIOR VICE-PRESIDENT), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€183,000	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	None	Antoine Levavasseur did not receive any stock options or performance shares in 2015.
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 a supplementary pension plan.

COMPENSATION DUE OR PAID FOR 2015 TO XAVIER NIEL (SENIOR VICE-PRESIDENT), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€183,000	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 is not eligible for 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 a supplementary pension plan.

COMPENSATION DUE OR PAID FOR 2015 TO THOMAS REYNAUD (SENIOR VICE-PRESIDENT), SUBMITTED TO SHAREHOLDERS FOR AN ADVISORY VOTE

Compensation due or paid for 2015	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
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	None	Thomas Reynaud did not receive any stock options or performance shares in 2015.
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 a 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 notably 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. 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.

Agreement 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 4, 2015 meeting, the Board of Directors proposed a cash payment to Free Mobile's shareholders for a maximum of 10% of the Free Mobile shares they held at that date and that were not subject to a lock-up obligation. The cash payment was based on a valuation of €9.73 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 by an Iliad subsidiary with BFM TV, represented by Alain Weill (authorized prior to its signature at the March 17, 2009 Board of Directors' meeting).

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, 2015 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 as its basis of reference for corporate governance practices. This Code can be viewed on the AFEP website.

The report prepared by the Chairman of the Board of Directors on the conditions governing the preparation and organization of the work of the Board of Directors and internal control and risk management procedures is presented in Appendix A to this Registration Document. This report was approved by the Board of Directors on March 9, 2016.

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 25.1 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 must be 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 segregate 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 choice of governance structure 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 4, 2015 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 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 March 4, 2015 in order to take into account the latest amendments 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 executives 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.

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 Company extensively updated this self-assessment system in 2014. The Board's internal rules now specify that the Board must devote one agenda item each year to discussing its operating procedures, 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 obtain 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. Shareholders are informed each year on the self-assessments carried out by the Board and of the follow-up measures put in place.

The self-assessment process is used by 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 results of the latest self-assessment showed that the directors were satisfied with the Board's operating procedures and particularly appreciated the presentations given by Senior Management as well as the ensuing discussions concerning numerous aspects of the Group's strategy and outlook. The Board considered that it is making ongoing progress in the areas for improvement identified in the previous self-assessment, particularly concerning the quality of presentations. These findings therefore show that the Board was regularly provided with reliable information on the Group's operations. The Board appreciated the regularity, frequency and format of the information it received and considered that receiving quality documentation prior to Board and committee meetings – while maintaining the confidentiality and deadlines imposed on the Company – improved the quality of the Board's discussions.

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 in compliance with the principles of the AFEP-MEDEF Code. Before taking up their directorship, each director is required to familiarize himself or herself with the provisions of this Code of Conduct.

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

Defending 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.

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 shares, communicating this information to any person outside the normal scope of their duties, and recommending to any person to trade in the Company's shares, until such time as the information becomes public.

It is the personal responsibility of each director to assess whether the information they possess is inside information or not 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, trading bans, and any breaches thereof.

In accordance with recommendation 2010-07 issued by the AMF on November 3, 2010, the Board has amended its internal rules to provide for "blackout periods". Accordingly, the Company's directors are prohibited from trading in Iliad shares during at least (i) the 30 calendar days preceding the release of Iliad's interim and annual results figures, (ii) the 15 calendar days preceding the release of its quarterly financial information, and (iii) any periods in which they are privy to inside information.

Rules relating to individual nominative disclosures to the AMF of transactions in the Company's shares by directors and parties related to them

Any director or party related to a director who carries out any acquisition, sale, subscription or exchange of Iliad shares or any transactions in instruments related to Iliad's shares is required to disclose the transaction to the AMF – within five days of its completion – when the cumulative amount of such transactions exceeds €5,000 for the calendar year concerned. See Chapter 18, Section 18.1.1 of this Registration Document for a summary of trades in Iliad shares carried out by the Company's directors and officers during 2015.

16.1.1.6 Work conducted by the Board of Directors in 2015

In 2015 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. It also approved the annual and interim financial statements, prepared and called the Annual General Meeting, drew up the budget, defined Iliad's financial communications policy, assessed the independence of directors, allocated directors' fees, and approved the report of the Chairman of the Board on the conditions governing the preparation and organization of the work of the Board of Directors and internal control and risk management procedures. Additionally, the Board amended its internal rules as well as those of the Nominations and Compensation Committee. 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 2015, with a 90% average attendance rate. Each meeting lasted two hours on average.

16.1.2 SENIOR MANAGEMENT

16.1.2.1 Chief Executive Officer

Appointment – Removal from office

When the Board of Directors opts to separate the duties of Chairman of the Board and Chief Executive Officer, it appoints the Chief Executive Officer and determines his term of office, compensation and any restrictions on his powers.

The Chief Executive Officer may be removed from office at any time by the Board of Directors.

The Chief Executive Officer is subject to the provisions of Article L. 225-94-1 of the French Commercial Code concerning concurrent appointments as Chief Executive Officer, member of the Management Board, sole Chief Executive Officer, director, or member of the Supervisory Board of *sociétés anonymes* domiciled in France.

Powers

In his capacity as Chief Executive Officer, Maxime Lombardini 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 Board of Directors has decided that the Chief Executive Officer must obtain the Board's prior approval before carrying out certain transactions on the Company's behalf. These transactions include (i) any acquisition or divestment representing over €100 million per transaction, 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.

The Chief Executive Officer represents the Company vis-à-vis third parties. Actions taken by the Chief Executive Officer are binding on the Company with respect to third parties, even when they fall outside the scope of the corporate purpose, unless the Company can prove that the third party was aware that such an action exceeded said scope or, in view of the circumstances, could not have been unaware thereof. Publication of the bylaws does not, in itself, constitute such proof.

16.1.2.2 Senior Vice-Presidents

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.

Details of the terms of office of the Chief Executive Officer and the Senior Vice-Presidents are provided in Chapter 14, Section 14.1.2 of this Registration Document.

16.1.2.3 Operational structure of the Company's Senior Management team

Since June 2004, the Company's Senior Management team has been structured around a Management Committee headed by the Chairman of the Board of Directors. The Management Committee is the Group's operational decision-making body. 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. Management Committee meetings are held as often as required in the interests of the Company and are attended by the Chairman of the Board of Directors, the Chief Executive Officer, the Senior Vice-Presidents and the Head of the Group's Research & Development Department. The senior managers of the Group's main subsidiaries also attend certain meetings. The issues covered also serve as a basis for 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.

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 and 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.

Their members may be allocated specific compensation by the Board in return for the work they carry out.

A description of the membership structure and roles and responsibilities of the committees is set out below, together with a summary of the work they performed in 2015.

16.3.1.1 The Audit Committee

Without prejudice to the Board of Directors' remit, the Audit Committee is responsible for monitoring the processes used for preparing financial information and for ensuring the effectiveness of Iliad's internal control and risk management systems.

Membership structure

The Audit Committee comprises a minimum of three and a maximum of five members appointed by the Board of Directors from among the Board's members. The majority of Audit Committee members must be independent directors, as defined above.

At December 31, 2015 the members of the Audit Committee were:

- Marie-Christine Levet – independent director and Chair of the Audit Committee since 2009;
- Orla Noonan – independent director; and
- Olivier Rosenfeld – director.

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. They actively participate in the committee meetings, acting in the interests of all shareholders and exercising their judgment in a completely independent manner.

Roles and responsibilities

The Audit Committee is responsible for:

- 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;
- analyzing and assessing the efficiency and effectiveness of the internal control and risk management procedures set up by the Company;
- reviewing and commenting on the draft report of the Chairman of the Board of Directors on the Company's internal control and risk management procedures;
- overseeing tender processes for selecting Statutory Auditors or renewing their terms of office;
- keeping informed of the amount of fees paid to the Statutory Auditors' networks by companies controlled by Iliad, for services that are not directly audit-related;
- ensuring the independence of the Statutory Auditors (by verifying fees paid and ensuring that the statutory audit engagement is carried out completely separately from any non-audit related assignments).

Work performed by the Audit Committee in 2015

The Audit Committee met five times in 2015, with the meeting dates coinciding with the Company's major financial reporting dates. The average attendance rate at these meetings was 90%.

The committee meeting dedicated to examining the financial statements was held close to the date 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.

During the year, the Audit Committee heard presentations given by a Senior Vice-President, the Head of Financial Control and the Head of Group Internal Control and Risk Management. The committee gave the Board a presentation on risk exposure and informed it of the Company's material off-balance sheet commitments. The Statutory Auditors attend the Audit Committee's meetings, and at one meeting each year they give a presentation, highlighting the key findings of their audit engagement and explaining the accounting options selected. During 2015, the committee did not use the services of any external experts.

The meetings held in 2015 also covered various other subjects falling within the committee's remit, notably reviewing the annual and half-yearly financial statements, the Group's financial and cash management policy and accounting standards, and its provisioning and risk management strategy. Also during the year, the committee analyzed the tender process used for selecting and re-appointing the Statutory Auditors.

Company Management representatives were able to attend all of the Audit Committee meetings held in 2015 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 2015.

16.3.1.2 The Nominations and Compensation Committee

Membership structure

The Board of Directors' meeting of January 26, 2015 decided to set up a Nominations Committee and to combine its roles and responsibilities with those of the Compensation Committee originally set up in 2010. The new committee was named the Nominations and Compensation Committee and the internal rules of the former Compensation Committee were amended accordingly.

At December 31, 2015, the Nominations and Compensation Committee comprised two members (both independent directors). This situation is temporary, pending the election of new directors following Alain Weill's resignation from his position as a director on July 31, 2015. The committee's two current members are:

- Virginie Calmels – independent director and Chair of the Nominations and Compensation Committee since 2011; and
- Pierre Pringuet – independent director.

Roles and responsibilities

The Nominations and Compensation Committee is responsible for:

- examining 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 provided for in the applicable regulations, (iv) whether existing terms of office should be renewed, and (v) the integrity, skills, experience and independence of candidates;
- proposing changes to the membership structures of the Board and/ or its committees where appropriate;
- issuing 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 Chairmen 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 is required to maintain;
- examining requests by executive officers concerning taking up new directorships or other positions outside the Company;
- putting forward succession planning proposals to the Board for executive officer positions, particularly in the event of an unforeseeable departure;
- preparing 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;
- discussing 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;
- issuing opinions and/or recommendations on the Chairman of the Board's proposals concerning 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 proposals concerning the information provided to shareholders in the Annual Report regarding (i) executive officers' compensation, particularly for the purpose of the shareholders' "say-on-pay" votes, (ii) the policy for granting stock options and/ or free shares and, (iii) 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.

Work performed by the Nominations and Compensation Committee in 2015

The Nominations and Compensation Committee met twice in 2015, with a 100% attendance rate. The main work conducted during these meetings involved preparing the Annual General Meeting, including making recommendations on the re-election of directors and the aggregate annual amount of directors' fees; preparing the say-on-pay resolutions; examining the conditions applicable for paying a termination benefit to the Chief Executive Officer in the event that he leaves the Group involuntarily as a result of a change in the Company's control or strategy; and analyzing the draft resolutions concerning grants of stock options and free shares.

The committee also studied the technical aspects of the cash settlement option proposed to shareholders of Free Mobile (including a number of Iliad's executive officers).

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 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, ongoing 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 call centers and managers from the Subscriber Relations Department. This committee meets monthly in order to coordinate the work of the call centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the call centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals aimed at defining and putting in place the Group's corporate social responsibility (CSR) commitments. This committee is responsible for the operational management and implementation of the Group's CSR policy.

16.4 INTERNAL CONTROL

16.4.1 REPORT ON THE CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS AND ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The report prepared by the Chairman of the Board of Directors on the conditions governing the preparation and organization of the work of the Board of Directors and on internal control and risk management procedures put in place by Iliad, in accordance with Article L. 225-37 of the French Commercial Code is presented in Appendix A to this Registration Document.

This report states that the Group's internal control procedures and principles form part of a corporate governance approach that complies with the AMF's reference framework on internal control systems.

16.4.2 STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The Statutory Auditors' report on the report prepared by the Chairman of the Board of Directors on the conditions governing the preparation and organization of the work of the Board of Directors and on internal control and risk management procedures is presented in Appendix B to this Registration Document.

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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 – which were largely defined in 2013 – 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 release of data concerning the Company and the Group. By setting up the Committee the Group put in place 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 four times in 2015 and worked on improving the definitions of the Group's CSR indicators by ensuring that the definitions used are harmonized across the Group, notably as regards absenteeism and work accidents in the various subsidiaries. The Committee is also responsible for Group-level indicators and ensures their accuracy and consistency through internal control measures.

In 2015, the Group continued its CSR drive, going above and beyond the obligations of the EU energy efficiency directive by performing energy audits at 11 Group companies. An analysis of the results will enable it to roll out action plans to enhance energy efficiency.

We also kept up our efforts in terms of responsible purchasing policy and, within the scope of calls for tender organized in 2015, our choice of supplier was largely influenced by environmental criteria:

- we solicited tenders for the renewal of our entire automobile fleet by May 2016, with a view to bringing it into compliance with the Euro 6 standard and reducing greenhouse gas emissions;
- we also issued a call for tenders to energy suppliers in the aim of optimizing electricity management within the Group and better monitoring consumption.

Although the CSR reporting system is not as mature as the financial reporting system, it forms part of an overriding aim to have in place, in the medium term, all of the processes and systems required for implementing a clear 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 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 under the note on Methodology at the end of this chapter.

Iliad's 2015 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 law on corporate social responsibility and its implementing decree. This report forms an integral part of Iliad's management report.

17.1 HUMAN RESOURCES DATA

Ever since the Group's formation, its human resources policy has been underpinned by two priorities – recruiting talent and developing skills. Our management team has built up a profitable Group by creating new jobs in France to partner our growth, while at the same time focusing on developing our 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 Department, working in conjunction with the Management Committee, is responsible for overseeing the Group's human resources 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

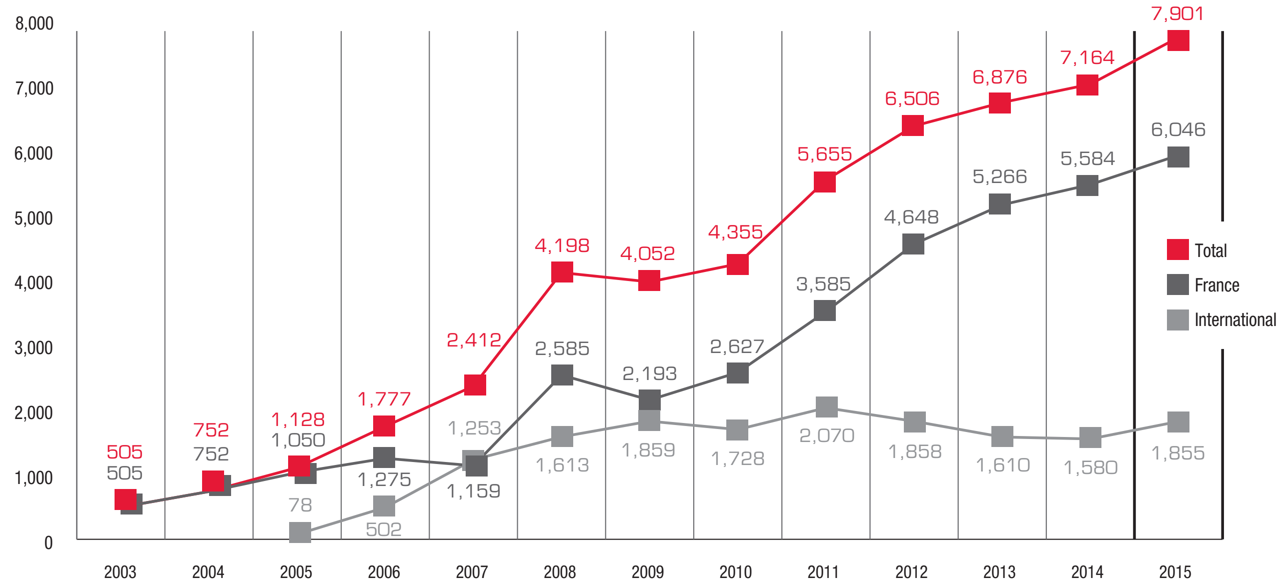
Breakdown of workforce by geographical area

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Number of employees based in France	6,046	5,584	5,266
Number of employees based outside France	1,855	1,580	1,610
Total headcount	7,901	7,164	6,876

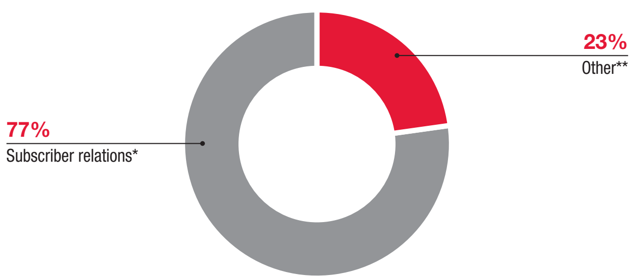
The Group's growth is backed by an assertive strategy of recruiting talent and developing skill sets. To this end, it pursued its pro-active recruitment policy in 2015 against a highly competitive backdrop, focusing mainly on its French operations. During the year it created 462 jobs in France, and at the year-end its French subsidiaries made up almost 75% of the total workforce.

The Group's buoyant business growth between 2006 and 2015 resulted in a large number of hires, with headcount increasing almost four-and-a-half fold during that period.

The rise in employee numbers was particularly high in the past five years due to the rapid development of our Mobile business, with France forming the main focus of the recruitment drive through the creation of some 3,500 jobs. The vast majority of the employees hired have been taken on under open-ended contracts.



Breakdown of workforce by business



* *Subscriber relations: teams working at the Group's call 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 in the aim of ensuring best-in-class service, that it decided from the very outset to have its own "in-house" call centers.

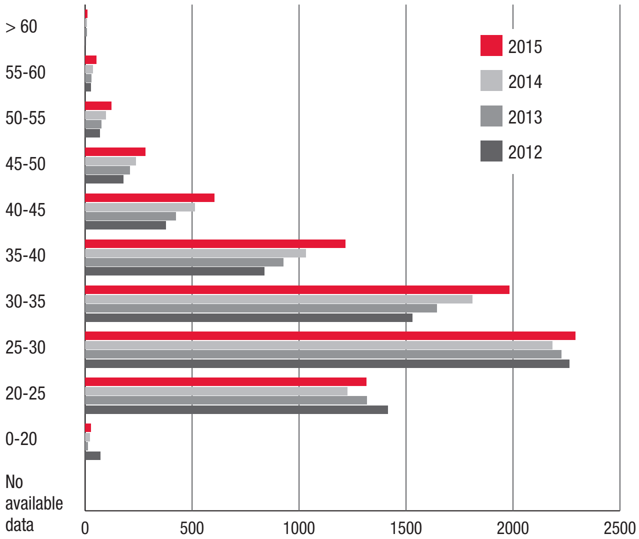
The Subscriber Relations Department comprises the employees of the Group's eight call centers (most of which are located in France) as well as the employees of the various Free Centers and teams of roaming technicians who provide after-sales support at subscribers' homes. In a bid to even further strengthen its local service for subscribers, since 2010 the Group has been rolling out a network of physical stores.

In 2015, the number of employees dedicated to subscriber relations totaled 6,100 people, representing 77% of the Group's internal resources. This percentage was slightly lower than in 2014 due to the large number of hires during the year of employees working on the mobile 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. A total of 30% 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-2015, 71% of the Group's employees were aged under 35.



Breakdown of workforce by gender

		2015	2014
Women	France	1,565	1,469
	Outside France	837	713
Men	France	4,481	4,115
	Outside France	1,018	867
TOTAL		**7,901**	**6,876**

At December 31, 2015, 30% of the Group's total workforce was made up of women and 70% men, more or less unchanged from one year earlier. After several years in which the proportion of women rose steadily within the workforce, the leveling off seen in the last two years reflects the significant recruitment of employees dedicated to network rollouts (a job that is mainly performed by men), following hefty investment in landline and mobile networks in 2014 and 2015.

The proportion of women in call centers was higher than the overall proportion of women within the workforce, representing 41% at December 31, 2015.

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, 2015, 99% of the Group's total employment contracts were open-ended.

In 2015, 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.

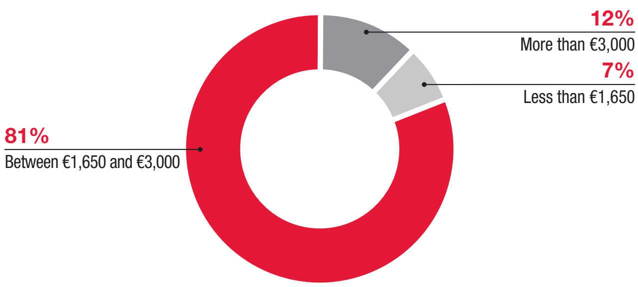
Departures by type

After falling by nearly 9% in 2014, the number of departures from the Group remained on a par in 2015. Expressed as a percentage of the Group's total workforce however, the rate contracted by over 8%.

The main reason for employee departures during the year was the termination of probationary periods, either at the initiative of the Group or the employee concerned.

There were no redundancies in 2015 and the Group has never put in place a redundancy plan. Dismissals during the year were on individual grounds (disciplinary or other) rather than due to redundancies.

17.1.1.3 Compensation policy



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 potential or as a reward for carrying out projects successfully.

In France, pay rise talks are carried out each year as part of the annual pay negotiations that are compulsory under French law. The trade unions representing the Group's employees take part in these talks. 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 legal 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 aggregate 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' length of service, in proportion to their annual salaries.

In 2014, the Group decided to extend its policy of involving employees in its financial performance by putting in place a discretionary profit-sharing agreement (*accord d'intéressement*). 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 Scheme. Amounts invested in these funds are locked up for five years, after which no income tax is payable by the employees when they withdraw their investments.

The total amount paid by the Group under the statutory and discretionary profit-sharing plans amounted to €6,843,219 in 2015, up by over 10% on the 2014 figure of €6,153,800.

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.

The main characteristics of the stock options granted by Iliad which were outstanding at December 31, 2015 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 2015.

Stock options granted to and exercised by employees in 2015 (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	68,778	63.7	-	2,000	-	6,378	13,600	44,600	2,200

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 regulatory changes to come between 2016 and 2018, since 2012 Iliad has provided a Group-wide plan for all of its employees and their families, which provides 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 accordance 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 by 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 nearest and dearest 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 scheme or a "first-time employment" or "back-to-work" scheme (*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, the Group complies with the 35 hour statutory working week in force in France.

Managers' working time is based on the overall 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 M.C.R.A. *Unité Économique et Sociale* (UES), working time is 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 works on ways of enhancing its work organization methods and systems. For example, in order for its employees to have the best possible work/life balance, the Group has made it a policy to provide many of them with a laptop and a smartphone, thereby enabling them to organize their working time more flexibly.

In addition, the Group pays particular attention to the work/life balance of working mothers and the procedures in place related to maternity. Several of these procedures include flexible time management, for example:

- 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 to 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;
- 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 three months following the employee's return to work in order to discuss her situation.

17.1.2.2 Absenteeism

The Group's overall absenteeism rate (excluding for long-term illnesses, work accidents, authorized absences and maternity leave) totaled 6.3% in 2015, down almost one percentage point on 2014. 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 higher for Subscriber Relations teams than for Iliad's *Unité Économique et Sociale* (UES), where it was still below 3%.

The very sharp decrease in absenteeism, notably for the call centers, reflects the resounding success of the communication and action plan put in place by the Group to raise employees' awareness about the issue. The positive impact of these measures had already begun to feed through in the last few months of 2014, and the fall in absenteeism rates recorded in 2015 back up the effectiveness of the new policy.

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. For the past two years this training has been delivered by an outside firm, and the aim is to train all of our 700 employees who get called out to subscribers' homes.

We also use external trainers where required, notably for training in health and safety issues, and management training.

Induction training

Induction training is a key element of the Group's human resources policy and within each entity 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 of this induction training is to train new hires specifically in the skills and expertise required for their particular jobs so that subscribers are always put into contact with real specialists 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 has the skills and knowledge they need for their jobs.

The induction courses are given by in-house trainers who not only have on-the-job knowledge but can also help ensure that the new employees are effectively integrated into the teams. 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.

Operations-based training

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 Operations Training 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 Operations Training 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. Our educational approach is highly effective due to our combination of a range of complementary training methods.

In addition, the teams from the Group's knowledge sharing department partner the call 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, more than 200 people work on training, including 30 on a full-time basis and 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 and office software. Specific e-learning and rapid learning modules have been put in place for this purpose. For French employees some of this training is covered by the individual statutory training entitlement provided for under French law.

The Training Unit takes care to ensure that subscriber relations employees are as multi-skilled as possible in order to build 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 to share their expertise. As a result, the Training Unit has developed a large number of training sessions led by occasional internal trainers, for employees looking to move from one job to another. This approach also contributes to enhancing the quality of the services provided by our teams.

Our continued 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 downturns in the economy.

Recognizing 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. 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 their commitment to our subscribers and is an excellent way of fostering loyalty: 50% of the heads of the Group's call centers and entities – who oversee more than 3,000 people – started their career with the Group as call center agents more than a decade ago. These employees are a testament to the fact that we have got our internal promotion strategy right. In addition, many of the Group's current managers started out lower down in the organization before taking up their managerial positions. At total of 468 Group employees were promoted in 2015.

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. In addition, employees can access and apply for internal job vacancies through the intranet, and the Human Resources Department sends out Group-wide emails informing employees of any available positions.

A large number of methods of moving from one job to another have been created, which each year enable a number of call center agents to move up to supervisory positions. Other call 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 call center and giving them an opportunity to further develop their careers.

17.1.3.2 Training indicators

In 2015, the Group provided over 598,400 hours of training, corresponding to the equivalent of 76 hours of training per employee.

This represents a very marked increase on the 2014 figures. The overall number of training hours jumped by almost 40% for the period, with the number of hours of training per employee up by more than 25%. This upsurge is due to an increase in the number of induction training courses on the back of the large number of hires of employees working on the mobile network rollout.

	Average monthly headcount in 2015	Average monthly headcount in 2014	Average monthly headcount in 2013	Number of training hours in 2015	Number of training hours in 2014	Number of training hours in 2013	Number of training hours/ average annual headcount in 2015	Number of training hours/ average annual headcount in 2014	Number of training hours/ average annual headcount in 2013
Total – France	6,034	5,546	5,186	351,319	280,669	326,168	58	51	63
Total – Outside France	1,808	1,629	1,829	247,143	151,811	207,160	137	93	113
TOTAL	**7,842**	**7,175**	**7,015**	**598,462**	**432,480**	**533,328**	**76**	**60**	**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.

Employees

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:

- the Group intranet, which provides the latest news on Iliad's businesses and its financial performance;
- *Free For You*, a monthly in-house magazine put together by the employees which gives an insight into the daily lives of the Group's employees 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 call centers to remain closely attuned to employees' needs and concerns;
- regular events organized jointly by Management and the Works Councils, such as the end-of-year party for employees' children;
- specific communications for particular projects and a human resources survey performed every two years within certain entities. The vast majority of the Group's call center employees take part in the survey, which illustrates their strong sense of involvement in their company;
- a handy guide to the changes in the statutory training entitlement mechanism, which was distributed to employees in early 2015 following reforms to the law on professional training in 2014;
- special events organized in addition to the traditional yearly events such as the end-of-year Christmas party for the employees' children. Events on offer during 2015 included games and contests, many of which coincided with major happenings such as the COP21 conference or the release of the new Star Wars film.

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 once-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 the labor-related dialog within the various companies. The Works Councils manage the social and cultural activities and the related budgets, and are always included in 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 each other. In 2015, employee representative elections were held in two Group companies, as previous terms of office drew to a close. Lastly, in the interests of guaranteeing ongoing social dialog and providing employee representatives with pertinent information, we are overseeing the creation of a database containing all of the Group's economic and labor-related information. Through this, information is permanently available and will replace the one-off information mechanisms that were previously used for talks with representative bodies.

Significant dialog took place between Management and employee representatives in France in 2015, with some 290 meetings held.

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 important, Group Management has always agreed to employee representatives' requests for meetings. These take the form of annual negotiations, which regularly go beyond mere issues of working time and pay to deal with topics such as the implementation of additional special leave (as was the case in 2015).

These negotiations also lead to agreements aimed at creating an active framework for essential issues such as gender equality or the *journée de solidarité* ("day of solidarity"), a day on which French workers are required to work without pay, with their wages going to a special fund devoted to the care of the elderly and the disabled. Negotiations such as these led to us launching a dynamic, long-term scheme for the recruitment of people with disabilities, with agreements signed in several companies in 2015.

We also had an eye on employee protection when, in late 2015, we anticipated the new regulations on healthcare costs by drawing up agreements with employee representatives for the implementation of a Group-wide supplementary health insurance plan for employees and their families. This plan is in compliance with – though more favorable than – the new "responsible health policy" requirements. In this way, Group Management seeks to build up close relations with trade unions, seven of which are currently represented within the Group, with each of the entities equally represented.

Significant dialog took place between Management and unions in France in 2015, with more than 80 meetings held.

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 strengthen the existing framework of labor regulations and practices. In 2015, almost 30 new agreements were signed with the unions and following consultation with the employee representative bodies. The wide range of topics covered by these agreements is testament to the cooperation that exists between the various bodies and the breadth and depth of the Group's employee relations framework.

In addition to the usual agreements on pay and working time arrangements, 2015 was notably characterized by the signature of Healthcare Costs Agreements and their application within the various Group companies, as well as the signature of agreements on measures in favor of the recruitment of disabled employees.

Lastly, many reforms took place during the year, notably in August 2015 with respect to labor-related dialog. The Group headed into 2016 with the intention of continuing to improve dialog with employee representatives and in the knowledge that employee representative elections would be taking place, in advance of which numerous discussions and negotiations would occur.

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'Évaluation 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 the risks that are identified. 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. In 2015, 65 supervisory staff from Protelco took part in a one-day training event to improve their understanding of and foresight on psycho-social risks through theory and role play.

Some 20% of the Group's employees have received at least one training session on workplace health and safety. Within Protelco, health and safety training accounts for 30% of the overall training budget and within Iliad UES nearly 25%. This marked year-on-year increase is due to an increase in induction training for technicians working on the fiber and network deployment.

Specific training is also provided to roaming technicians to reduce their risks of road traffic accidents.

Awareness-raising initiatives are carried out among office staff 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.

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 call centers in order to provide our employees with optimal working conditions. Thanks to the significant investments made by the Group, the working space at these call 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 can 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 to deal with the aftermath of any serious incidents that may arise in the course of their work (e.g., assistance with dealing with the emotions of a team when one of its members dies, etc.).

  In a bid to combat the issue of stress at work we have organized 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.

- One-off services in response to emergency situations:

  The death of a colleague during the terrorist attacks in Paris in November 2015 had a significant impact on a number of our employees. These extremely tragic circumstances required rapid action on our behalf.

  Post-trauma counseling was scheduled with a psychologist, in collaboration with our occupational physician.

  In order to meet both collective and individual needs, a help line was also put in place for several days with a company specializing in psycho-social risks.

Work accidents and occupational illnesses

A total of 137 accidents leading to lost time were identified across the Group in 2015, compared with 185 in 2014. This significant year-on-year decrease, despite a rise in the Group's overall headcount, is due to (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. No fatal accidents were reported.

No occupational illness was declared in 2015.

The Group monitors the frequency and severity rates of work accidents within all of its companies. These rates were as follows in France in 2015:

Frequency rate[1]	Frequency rate excluding Protelco[1]	Severity rate[2]
14.08	10.01	0.52

(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.

Iliad's teams of roaming technicians are grouped within Protelco, and therefore make up a large proportion of this entity's 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.

The Group's overall accident frequency rate was on a par with 2014. Excluding Protelco it was up year on year due to the higher number of employees working on network rollouts. The severity rate was more or less unchanged, however.

In order to reduce the accident frequency rate, particularly for Protelco employees, we put in place several specific measures in 2013, including:

- defensive driving lessons;
- training on gestures and postures;
- purchases of personal protection equipment for employees;
- awareness-raising measures for new employees on risk prevention in their specific jobs;
- creation of advisor/field coordinator positions with a view to supporting roaming technicians on both a technical and occupational hazard prevention level;
- 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.).

These measures really started to come together in 2015, with a sustained decrease in the frequency of work accidents within certain entities such as Protelco and Free Infrastructure.

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 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 49 nationalities making up its 7,901-strong workforce, the Group has a real corporate culture built up around people who share a joint 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 ruling 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 gender equality is drawn up every year and is submitted to the Works Council. This report must be submitted prior to the start of the annual negotiations with employee representatives 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 maximum difference between the salaries of female and male non-managerial employees in France with comparable or equivalent positions was 4% in 2015, marking an improvement on 2014.

The Group's Management has signed a contract with the private nursery company Babilou in France. This contract was entered into in order to enable the Group's employees to have access to nursery places at flexible times and is particularly helpful for women because they are the employees who have been the most affected by child care difficulties since the signature of the agreement on calculating working hours on an annual basis. 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 day care center that can take up to 88 children in a space of over 1,000 sq. ft. The Group covers two-thirds of the running costs of the center, which it also furnished and fitted out.

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 2015, the Group once again participated in France's national disability awareness week in the aim of raising its employees' awareness of disability issues in the workplace.

Also during the year we launched a pro-active communication campaign aimed at our employees, which included:

- a photo-shoot with disabled employees;
- special brochures, and articles in the *Free For You* magazine;
- the organization of dedicated events;
- placing orders with assistance-through-work organizations for items such as baby gifts and football shirts, and for destroying Freeboxes.

One-off awareness-raising initiatives are also organized, such as a disability audit carried out in one of the Group's companies in order to measure the degree of employees' knowledge and awareness about the employment of people with disabilities and integrating them into the workplace.

Promoting the recruitment of people with disabilities and supporting them in their jobs

Last year, the Group's recruitment staff 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.

We also adapt workstations and use specific working time arrangements to facilitate working life for employees with disabilities. We have put in place a whole 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. At the same time, we have opened up 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 May 2015, Protelco's company-level agreement in favor of disability was approved by DIREECCTE (*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 State, Protelco showed its evident commitment to creating a formal structure for its disabled policy. The agreement will be automatically renewed in three years 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.

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).

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 heavy 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 put in place since 2012.

The Environmental and Sustainable Development Committee created in late 2012 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 2015, we continued to roll out and improve our environmental reporting procedure. In particular we:

- implemented and finalized an energy audit in 11 Group subsidiaries ahead of upcoming regulatory changes, illustrating our determination to optimize energy management. This audit will notably bring to light areas in which improvements can be made.

Environmental criteria were also the deciding factor for us in the context of calls for tender issued to suppliers during the year. In this regard we:

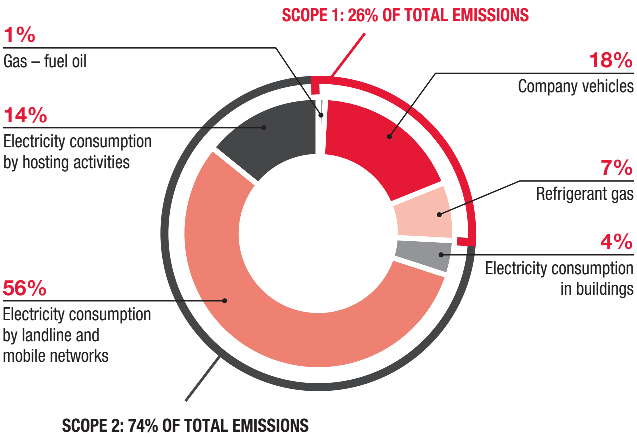
- solicited tenders for the renewal of our entire automobile fleet by May 2016, with a view to bringing it into compliance with the Euro 6 standard and reducing greenhouse gas emissions; and
- issued a call for tenders to energy suppliers in the aim of optimizing electricity management within the Group and better monitoring consumption.

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

Controlling energy consumption is 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 25,816 tonnes of CO_2 equivalent in 2015, 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 increased slightly year on year, and represented 4.5% of total Scope 1 & 2 emissions in 2015.

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.

The energy audit, which mainly concerned an energy analysis of the Group's buildings, highlighted easy-to-implement improvements that could be made, notably at head office.

17.2.1.2 Vehicle fleet

In 2015, the Group's automobile fleet comprised an average of 1,744 vehicles, i.e., 89 more than in 2014. Optimizing the automobile fleet is one of the Group's key priorities as it accounts for nearly a fifth of total CO_2 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 in anticipation of the gradual increase in vehicle requirements.

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. This changeover started mid-2015 and by December 31 the Group had already renewed 27% of its fleet.

Currently, 78% of the fleet is made up of models that consume less than 5 liters per 100 km for combined city/highway driving conditions and 70% of the vehicles used by the Group already emit less than 120 g of CO_2/km, i.e., below the EU threshold. In the coming months we intend swapping vehicles that emit more than 120 g of CO_2 for vehicles emitting less than the EU threshold of 120 g of CO_2/km.

The average CO_2 emissions of the Group's fleet was 111.9 g of CO_2/km per vehicle in 2015, down on 2014. This year-on-year decrease reflects the fact that the positive impact of incorporating vehicles emitting a low 90 g of CO_2/km was offset by the effect of including more light trucks in the fleet in 2015 to enable on-site technical teams to transport Freeboxes and other equipment and therefore provide the best possible service to subscribers. Although the addition of these light trucks had a negative impact on the volume of direct emissions, it positively affected indirect emissions as it reduced our transport firms' energy consumption because subscribers receive their Freebox straight from the Free technician.

The Group also uses electric vehicles within its fleet – an initiative introduced in 2013, which it intends to pursue in the coming years, notably with a pool of electric vehicles made available to employees at head office for work-related journeys.

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

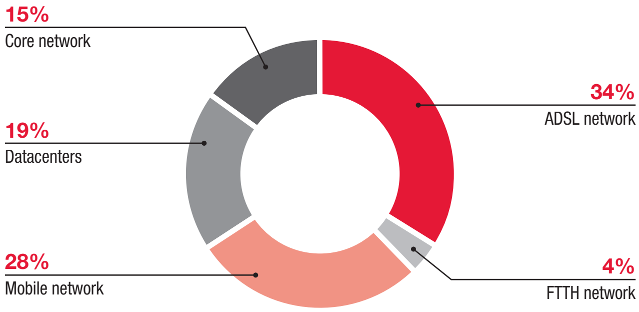
17.2.1.3 Networks

The energy consumed by its networks is a major priority for the Group as it accounts for over 75% of its total CO_2 emissions. These emissions relate to:

- electricity consumption, which represents almost 90%;
- 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 used a total of 301 GWh of electricity in 2015. This level of energy consumption is likely to continue to rise in the coming years, due to the ongoing rollout of the mobile network which is currently in process.

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, as shown in the diagram below.



Landline and mobile networks

Due to its size, the Group's landline and mobile networks account for over half of its total CO_2 emissions and almost three quarters of its electricity consumption. The majority of this consumption currently concerns the landline network, but this is changing as the mobile network rollout progresses. 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 2015, with the capital expenditure drives surrounding landline and mobile infrastructure.

In 2015 we issued a call for tenders in the aim of optimizing and simplifying electricity management. One of objectives of this was to redefine the scope of our electricity supply agreements. This initiative is fully in line with our efforts to reduce our impact on the environment.

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.

Datacenters and hosting activities

Electricity consumption by datacenters has increased significantly in recent years and in 2015 represented almost one fifth of the Group's total power use.

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 four areas:

- Power Usage Effectiveness (PUE): the Group's most recent datacenters built according to the ECS 2.0 specifications have a PUE rating of less than 1.4, which is a major advance compared with traditional datacenters;
- improving datacenter cooling systems, which represent a significant proportion of a facility's power consumption. The innovative approach in this area is based on the free-cooling technique which uses outside air to cool IT infrastructures. The Group estimates that this technique enabled its datacenters to save more than 14 GWh of electricity in 2015;
- 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 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 providing for 60 to 70 GWh of heating per year to be transferred to housing in the 15th arrondissement of Paris between 2016 and 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.

In 2013, the Group successfully launched the procedure for Online to obtain ISO 50001 certification in recognition of the quality of its energy management. The aim of this certification is to put in place a dedicated energy management system which will be 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 standalone 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 introduced the Freebox mini 4K as part of its entry-level range. This new, compact-format box consumes approximately 45% less electricity than the Freebox Revolution.

17.2.1.5 Effectively managing transport processes

Despite the optimization measures it has implemented, the amount of CO_2 emissions generated by transport between Freebox production or reconditioning plants and the logistics platform increased by around 60% in 2015. This development is linked to the steady rise in the subscriber base and the increase in production in order to build up the requisite inventories of the Freebox mini 4K.

In addition to the eco-design and eco-innovation solutions it has developed, logistics is another key area where the Group can make a difference in terms of sustainability.

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.

In 2015, Freebox continued to exploit this means of transport by sending directly by rail from Asia to Europe some of its products that would previously have been sent by plane.

Freebox also continued to use rail transport for the last leg of journeys in order to decrease the share of road transport, which now represents 66% of tonnage transported, compared with 80% in 2014.

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 the Group's 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 reduce 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 delivery and return points are located near subscribers' homes.

In parallel, the network of Free stores was extended in 2015, providing another effective option for pooling the transport of Freeboxes and accessories. At December 31, 2015 the Group had a total of 49 physical stores.

Also in 2015, 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 2015:

- 403 tonnes of plastic;
- 614 tonnes of electronic waste;
- 21 tonnes of scrap iron;
- 153 tonnes of cables and wires;
- 105 tonnes of plugs.

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.

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 new polishing process so that the plastic covers on Freeboxes no longer systematically have to be changed when they are reconditioned.

The Group chose to set up its own R&D center in order to consolidate the production chain and work to shorter deadlines, more sustainably.

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.

In illustration of its community outreach initiatives, the Group implemented tripartite agreements with the assistance-through-work organizations, which reprocesses products (cables) whilst being overseen by plants for quality controls.

Optimizing the life cycle of telephones

By proposing offers with no obligation to purchase a handset, 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 60.6% of the 58.1 million plans sold in Metropolitan France, reflecting an increase of eight percentage points in one year.

Another way in which Free Mobile is making a big contribution to optimizing the life cycle of handsets is through its smartphone rental offering which it launched in late 2013. This offering has proved very successful and accounted for some 50% of the Group's total revenue generated from handsets in 2015. The smartphones provided remain the property of Free Mobile and are returned at the end of the rental period, which means that they can be re-used and given a "second life".

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 regulations in this regard.

Each year, almost 12 tonnes of carton (mainly server packaging), 6 tonnes of hard drive metal and 12 tonnes of miscellaneous industrial waste is sent to these treatment plants by our datacenters.

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 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 new legislation introduced in France (effective 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 5,000 measurements of exposure levels were taken in 2015.

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, calling in areas with good-quality radio reception, etc. 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 SMS 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.

A new Act dated 9 February 2015 was introduced in France 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 has yet to be published.

In the meantime and in anticipation of this legislation, in rolling out our base stations we have already 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).

17.3.1.5 Research into and monitoring of the potential health effects of electromagnetic waves

In addition to 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. The person responsible for this function has a role on the GSMA Health Expert Panel, and on December 17, 2015 took part in a day-long event dedicated to EMF exposure (*Journée Interactions Ondes-Personnes*) run by the working 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

When installing its base stations, the Group has undertaken to local authorities that 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.

In tandem, Free Mobile – which has signed up to around 100 charters with local authorities for the rollout of its 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.

Several new or revised charters were negotiated with local authorities in 2015, and in many cases Free Mobile was the lead operator responsible for coordinating the other operators involved. Several charters were entered into in this context in 2015 and signed in 2015 or early 2016. The towns concerned were Villenave d'Ornon, Biarritz, Ivry-sur-Seine, Trévoux, Caen, Saint-Étienne, Albertville, Vincennes, Beauvais, and Tours. About ten other charters were in the process of being negotiated as of 31 December 2015.

Iliad holds frequent talks with local authorities when rolling out the landline network and takes part in local-authority-led information sessions. In 2015, we participated in several public information meetings on fiber and the increase in broadband speeds.

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 this dual aim 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 30% between the fourth quarter of 2011 and the third quarter of 2015, to €16.80 per month, excluding tax (based on ARCEP data). In parallel, the penetration rate of mobile communications in Metropolitan France excluding M2M rose to 108.7% at end-December 2015 from 99.6% at end-December 2011.

Free Mobile's entry-level €2 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 five times less 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 SMS messages to mobiles in the DOM. The Group was also the driver in reducing roaming costs by including numerous destinations – including all European Union countries and the United States – in the Free Mobile Plan for 35 days per year, at no additional cost (under the "Pass Destination" offering).

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 meeting our subscribers' expectations in the best possible way.

All of these efforts were recognized by the high rankings and prizes awarded to the Group in numerous surveys carried out in 2015, including:

- **a survey of France's favorite brands published by the magazine Challenges in conjunction with market research agency Toluna** in January 2015, which ranked Free no. 1;
- **a survey to find out if subscribers were satisfied with their mobile plan and would recommend their mobile operator, carried out by French polling institute IFOP** in July 2015, which also ranked Free no. 1;
- **Best Customer/Citizen Experience 2015, awarded by AFRC:** 1st prize for Face to Free, the free-of-charge customer support service via webcam;
- **Best customer experience, CXI Forrester** (November 2015): Free ranked no. 5 overall, and no. 1 in the telecom sector;
- **in the Most Influential Brands of 2015 survey by IPSOS,** Free was ranked in the top 10, and no. 1 in the telecom sector for **brands that improve the quality of daily life;**
- **in the 4th edition of the *Observatoire de l'Authenticité* (Authenticity Observatory), a publication devoted to analyzing business rhetoric published in by the Makheia Group in 2015,** Free came in the top 10, and no. 1 in the telecom sector.

Subscriber satisfaction is particularly important for Free Mobile as it only offers no-commitment plans. In the space of four years since the launch of its mobile offerings the Group has already won almost 17% market share, 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 offers 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, thus 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 Œuvres 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 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 online space 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 area or the Freebox handset, allows users to configure the line so that certain numbers are blocked. Free Mobile offers 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 area, allows users to block all calls, SMS 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 area, 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 access only – 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 Iliad Group was built on strong values – clarity, transparency, simplicity and freedom of use. It is these values that have shaped its corporate culture and laid the foundations of its strong reputation, attached to creating value and proposing innovation. The overriding objective is to ensure constructive dialog with stakeholders, whilst complying with the laws and regulations in force in each country where it operates.

Employees are regularly reminded of the need to act ethically at all times, and the Group's Code of Conduct 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 Conduct – 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 placing of base stations, which we are responsible for recycling. 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.

When selecting its suppliers the Group takes into account CSR criteria, in particular respect for human rights. It ensures these criteria through contractual commitments by its partners to comply with labor law, not to use child labor and to respect the environment.

As part of its responsible purchasing policy the Group reserves the right to carry out audits at its partners.

The Group supports local regional social and economic development. Since 2013, the Group 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 implemented a collaborative platform involving suppliers in the aim of ensuring that all subcontractor partners are transparently listed and that their work complies with the laws in force.

17.3.4.2 Fair practices

The Group has undertaken to fight corruption in all its forms within its everyday operations and to ensure that its employees do the same. This includes respecting:

- anti-corruption legislation;
- the confidentiality of information to which employees have access as part of their job;
- the security of its subscribers' data.

All employees are provided with a copy of the Group's Code of Conduct. We feel very strongly about raising employees' awareness of potentially risky situations they might one day face and informing them of the consequences and the correct actions to take. All employees must assume responsibility for the conditions in which the Group applies its principles of professional integrity and undertake to comply with them. All of the Group's stakeholders commit to fighting all forms of corruption and conflicts of interest, as well as to respecting the confidentiality of classified information. Employees are encouraged to use whistle blowing mechanisms and communicate any doubts to management, which keeps an open door policy in this regard.

Additionally, the Code includes a number of individual behavioral principles that each employee, director and executive is required to respect.

The Human Resources Department and the heads of the Group's various companies are responsible for ensuring that the Code's principles are properly applied.

17.4 A GOOD CORPORATE CITIZEN

The Group puts its commitments to the community 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 has a clear objective – to enable as much of the French population as possible to have access to new technologies. To achieve this objective – for which it has a three-year budget of €450,000 – the Foundation 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.

In 2015, the Free Foundation supported numerous charitable projects. The Foundation's work breaks down into three main areas:

17.4.1.1 Supporting charities and other non-profit organizations

In 2015, the Free Foundation supported projects led by the following organizations.

Colombbus (Education)

Between 2015 and 2016, Columbbus is aiming to introduce more than 2,000 young people to computer programming, digital production and the digital sciences in general through the training content available on its Declick platform.

Ancrages (Employment)

Ancrages provides IT-based language training to immigrants to help them gain autonomy in their search for a job or in dealings with French administrative authorities.

ESAT de l'Estuaire (Employment)

The Free Foundation provided ESAT de l'Estuaire with funding to equip and train supervisors and subsequently disabled workers with IT skills with a view to their social and professional inclusion.

Docteur Souris (Social inclusion)

This charity (whose name translates as "Dr. Mouse") equips pediatric wards with a system giving each child or teenager access to a laptop with secure Internet access and a vast array of edutainment content (films, games, school curricula, music, etc.). The Free Foundation funded the project at Paris' Krelim Bicêtre hospital.

Savoir Apprendre (Social inclusion)

For the third consecutive year, the Foundation supported the JANUS project, which gives young people from underprivileged areas near Paris the opportunity to take part in a training program run by the multimedia team. These "young ambassadors" then go on to give IT induction sessions to people affected by the digital divide such as the elderly, newcomers to IT, or job seekers.

Singa (Social inclusion)

After carrying out research on refugees and their use of information and communication technology, Singa came up with the idea of developing computer-based systems to help refugees integrate into their host country. The Free Foundation helped finance a hackathon in January 2015 that gave rise to two initiatives, namely CALM, whereby families host refugees in their homes for a certain period; and the WAYA application, which is still under development.

Apprentis d'Auteuil (Education)

Recognized as a public interest foundation by the French government, Apprentis d'Auteuil provides education and training to some 14,000 young people with serious social, family or educational difficulties in order to help them take their place in society as free and responsible men and women. It also supports and guides these young people's families in the role they play in their children's education.

17.4.1.2 Donating servers

In addition to its partnerships with charities and other non-profit organizations, the Free Foundation also 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, the Agoravox Foundation and the Framasoft Association.

17.4.1.3 Raising awareness about the use of NICT

During 2015, 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 2015, it organized the 9th European e-Accessibilty Forum at the Cité des Sciences et de l'Industrie in Paris, which the Free Foundation helped to finance.

OpenStreetMap

OpenStreetMap France is the French arm of the International OpenStreetMap project, a free, open content map of the whole world.

In 2015, OpenStreeMap France approached the Free Foundation with a request for funding for its annual conference.

Sport dans la Ville

Sport dans la Ville encourages the social inclusion of young people in underprivileged areas through various programs, chiefly sport.

17.4.2 DIGITAL NETWORK ROLLOUT VIA LANDLINE AND MOBILE NETWORKS

The digital revolution has opened up new horizons for mankind. However, in order for everyone to benefit from this revolution, digital networks need to be rolled out across the various geographical territories. In France, Free is actively involved in this process, which it views as a vital component for bridging the digital divide.

The Group supports local regional development by facilitating access to NICT and the new uses of these technologies.

Free Mobile has 3G and 4G licenses, and is rolling out its base stations to meet its coverage rate obligations. It complied with its 3G coverage rate obligations in January 2015. In December 2015, Free Mobile provided 3G mobile coverage to over 80% of the French population.

Free Mobile also met its 4G coverage obligation, providing coverage to over 60% of the French population by December 31, 2015, ahead of the deadline set by ARCEP.

In 2015, Free Mobile firmly embraced its program to roll the network out to areas without coverage (whitespots). On May 21, 2015, Free Mobile signed an agreement aimed at significantly improving mobile coverage in rural areas, along with three incumbent mobile operators.

Free Mobile will participate in 3G coverage in already-identified whitespots and will be the lead operator for the roll out to additional zones. The *Journal Officiel* (France's Official Journal) already listed 171 of these additional zones in its November 6, 2015 issue.

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 unbundled access to the largest number of people possible. The Group's unbundling offerings currently cover almost 90% of the French population and Iliad is continuing its efforts to unbundle new France Telecom subscriber connection nodes. In 2015, the Group unbundled almost 1,500 new subscriber connection nodes, raising the total number of unbundled subscriber connection nodes to more than 8,000 at December 31, 2015. The Group also completed the migration of its network equipment (Freebox DSLAMs) to VDSL2. These measures demonstrate Free's commitment to continuing to connect households in low-density population areas and to constantly increasing its subscribers' Internet speeds.

Free is also active in increasing broadband speeds and regularly installs equipment on connection nodes on which it is already present.

Optical fiber – which has long been used by telecom operators for long-distance links – has proved to be the fastest, most reliable and most powerful transmission technology available. It enables data to be transmitted at the speed of light 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 having an optical fiber network with high upstream and downstream speeds, a variety of multimedia services can be used simultaneously.

The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned and whether or not they are one of the 106 municipalities classified as "very densely populated areas" in ARCEP decision no. 2013-1475 dated December 10, 2013.

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 through its subsidiaries Free, Free Infrastructure, IRE and Immobilière Iliad.

It 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) primarily 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 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 in the aim of raising margins and profitability.

Outside very densely populated areas, in order to streamline 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 to which about 1,000 lines can be connected.

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.

Within this context, 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. The third-party operator access offer enables each operator to co-finance the rollout only to the extent of the local market share that the operator is seeking to achieve. This pooling of resources is aimed at creating a single network shared among the fiber optic providers and subscribers and therefore extending FTTH coverage to a wider population.

Since 2013, the Group has participated in co-financing the FTTH network outside very densely populated areas and at December 31, 2015 it had given network financing commitments covering some 60 urban areas and 20 municipalities, representing over 4.5 million homes that will be provided with FTTH coverage by 2020.

The year 2015 saw a rise in capital expenditure for the optical fiber rollout in view of the acceleration in connections and fitting of sockets as part of the co-financing project with the incumbent operator. By the year-end the Group had some 2.5 million connectible FTTH sockets throughout France, and almost 200,000 of its subscribers had a FTTH connection.

Consequently it plans to continue and intensify its rollout drive, both within and outside very densely populated areas, with the objective of having 20 million connectible homes by 2022.

This large-scale capital expenditure plan will enable the Group to more rapidly become technologically independent from the incumbent operator while increasing its profitability.

In a spirit of transparency and communication, a dedicated person in the Group acts as the contact for local Interior Ministries (*Préfectures*) with respect to any initiatives or meetings planned by them regarding digital network rollouts in their areas.

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 nine 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, asks 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 Numerous 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.

Waste sorting and recycling

We have also set up a large-scale waste-sorting and recycling project led by Iliad's Office Management Department and the M.C.R.A. UES. This project is not only environmentally friendly but also socially responsible, as Petit + – the company responsible for recycling the waste collected – is an assistance-through-work entity and at least 80% of its employees have a disability. The results of the pilot test set up in central Paris were extremely positive and the way our employees reacted to the project was a clear demonstration of how the vast majority of our people share the Group's values of acting responsibly and helping others. The waste-sorting measures put in place were accompanied by a major campaign to raise awareness among our teams.

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 M.C.R.A.'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 responsible and eco-friendly as it reduces the number of vehicles on the road, and it also helps to bring employees together and strengthens bonds among teams. This good practice has since been extended to all of the M.C.R.A. UES call centers and the service is going from strength-to-strength.

All of the projects we have put in place would not have been possible without the strong commitment of our employees and their desire for improvement and change. 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.

Earthquake in Nepal

Following the violent earthquake that hit Nepal on April 25, 2015, employees joined forces in response to NGOs' call for immediate aid, organizing a massive clothes drive for victims of the disaster.

2015 Téléthon

In emulation of our Sidaction initiative, in 2015 we also wished to support the annual Téléthon campaign. In our role as Communications partner, we provided both manpower and logistical support during the fundraising days on December 4 and 5, 2015.

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 law 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 2015 CSR report.

The Group's CSR indicators were defined by the committee taking into account the nature of the Group's businesses and the related human resources, environmental and community-related issues. As part of the process, the committee drew on the expertise of the CSR officers in its various businesses. 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 law. 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, 2015. Depending on the indicators concerned, the information presented corresponds to:

- an annual consolidation of data covering January 1, 2015 to December 31, 2015;
- data measured at December 31, 2015;
- a consolidation of data covering January 1, 2015 to November 30, 2015 plus an appropriate estimation of the data at December 31, 2015 (only for 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, in 2015, the Group harmonized the reporting methods between France and Morocco in terms of work accidents and absenteeism.

The committee is responsible for consolidating the compiled data, in conjunction with the Human Resources Department.

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 its full consolidated scope. The greenhouse gas emissions data covers Scopes 1 and 2. Concerning Scope 3 greenhouse gas emissions, the Group has 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, the Group has chosen to focus on operations related to the Freebox, which generate the largest volume of waste (notably WEEE) for the purposes of its quantitative reporting for 2015. 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 (Compliance Department, Purchasing Department, Human Resources Department, Subscriber Relations Department and the Free Foundation). It covers the scope of disclosures defined in the Grenelle 2 law.

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 law 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 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 THE STATUTORY AUDITOR, 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, 2015

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.

Iliad

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[1] we hereby report to you on the consolidated environmental, labor and social information for the year ended December 31, 2015, 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 the provisions of Article R. 225-105-1 of the French Commercial Code and with the CSR Reporting Protocol used by the Company, (hereinafter the "Guidelines"), summarized in the management report and available on request from the Consolidation Department.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics governing the audit profession and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- certify that the required CSR information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of CSR information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of four persons between January 2015 and February 2016 and took around eight weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of May 13, 2013 determining the conditions in which the independent third party performs its engagement and with ISAE 3000 concerning our reasoned opinion on fairness.

1. Statement of 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 reviewed 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 initiatives it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of 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 information, 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.

(1) *Whose scope is available at www.cofrac.fr*

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted around ten interviews with the persons responsible for preparing the CSR Information in the departments charged with collecting the CSR Information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and comprehensibility, and taking into account best practices where appropriate;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review 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 policy and best practices.

With regard to the CSR Information that we considered to be the most important[(1)]:

- at parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organization, policy, 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 concordance with the other information in the management report;
- at the level of a representative sample of entities (Protelco, M.C.R.A., Total Call, Free Mobile and Iliad S.A. for social information and all of the Group's entities for environmental information) selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to ensure that procedures are followed correctly 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 on average 43% of headcount and between 43% and 100% of the environmental data presented.

For the other consolidated CSR Information, we assessed 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 10, 2016

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Cauchois	Sylvain Lambert
Partner	Sustainable Development partner

(1) The most important information is listed in the appendix to this report.

Appendix – List of CSR Information that we considered to be the most important

Quantitative labor information:

- total headcount and breakdown of workforce by gender, age and geographic region;
- recruitments, redundancies and dismissals;
- absenteeism;
- work accidents, including frequency and severity rates, and occupational illnesses;
- total number of training hours.

Qualitative labor information:

- organization of working time;
- organization of labor-management discussions, including information and consultation procedures and negotiations with employees;
- training policies.

Quantitative environmental information:

- energy consumption, energy efficiency measures and use of renewable energies;
- greenhouse gas emissions (GHG).

Qualitative environmental information:

- measures to prevent, recycle and eliminate waste.

Qualitative social information:

- impact of the Company's business from a regional, economic and social perspective in terms of employment and regional development, and effects on local residents and populations;
- 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.

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18.1 IDENTIFICATION OF SHAREHOLDERS

18.1.1 OWNERSHIP STRUCTURE AND VOTING RIGHTS

Movements in the ownership of the Company's capital and voting rights were as follows over the past three fiscal years:

	December 31, 2015				December 31, 2014			December 31, 2013		
Shareholder	Number of shares	% capital	Theoretical voting rights[4]	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
Xavier Niel[1]	31,988,813	54.53%	63,977,626	69.05%	32,010,913	54.76%	69.23%	32,036,063	55.16%	53.64%
Rani Assaf[2]	760,000	1.30%	1,520,000	1.64%	760,000	1.30%	1.64%	787,590	1.36%	2.60%
Cyril Poidatz[1]	670,614	1.14%	1,341,228	1.45%	670,614	1.15%	1.45%	690,614	1.19%	2.28%
Antoine Levavasseur[1]	506,658	0.86%	1,013,316	1.09%	521,658	0.89%	1.12%	521,658	0.90%	1.72%
Maxime Lombardini[1]	7,210	0.01%	7,310	0.01%	5,430	0.01%	0.01%	4,295	0.01%	0.01%
Thomas Reynaud[1]	5,250	0.01%	6,720	0.01%	5,250	0.01%	0.01%	3,270	0.01%	0.01%
Olivier Rosenfeld[3]	4,330	0.01%	4,330	NM	3,400	0.01%	NM	2,000	NM	NM
Pierre Pringuet[3]	2,037	NM	4,074	NM	2,037	NM	NM	2,037	NM	0.01%
Marie-Christine Levet[3]	350	NM	350	NM	350	NM	NM	350	NM	NM
Orla Noonan[3]	300	NM	300	NM	300	NM	NM	300	NM	NM
Virginie Calmels[3]	150	NM	150	NM	150	NM	NM	150	NM	NM
Alain Weill[3][a]	100	NM	100	NM	100	NM	NM	100	NM	NM
SUB TOTAL DIRECTORS AND OFFICERS	**33,945,812**	**57.87%**	**67,875,504**	**73.25%**	**33,980,202**	**58.13%**	**73.46%**	**34,048,427**	**58.63%**	**60.27%**
FREE FLOAT	**24,714,828**	**42.13%**	**24,784,544**	**26.25%**	**24,473,733**	**41.87%**	**26.54%**	**24,028,370**	**41.37%**	**39.74%**
Iliad (own shares)	18,500	0.03%	18,500	0.02%	21,271	0.04%	0.02%	32,500	0.06%	0.05%
TOTAL	**58,660,640**	**100%**	**92,660,048[5]**	**100%**	**58,453,935**	**100.00%**	**100.00%**	**58,076,797**	**100.00%**	**100.00%**

(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 92,660,048 at December 31, 2015.
(a) Alain Weill stepped down as a director on July 31, 2015.
NM: not material.

To the best of the Company's knowledge and based on the documents and disclosures it has received, there are no shareholders other than those listed 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 2015 the Company disclosed to the AMF that four of its directors and officers and parties related to them had sold a total of 16,440 Iliad shares.

Summary table of transactions in Iliad shares carried out by directors and officers in 2015

(Disclosed in compliance with Article 223-26 of the AMF's General Regulations)

Name	Type of transaction	Number of shares	Average price
Antoine Levavasseur	Sale	15,000	€204.34
Maxime Lombardini	Purchase	1,780	€53.79
Thomas Reynaud	Purchase	1,440	€53.79
Thomas Reynaud	Sale	1,440	€200.10
Olivier Rosenfeld	Purchase	930	€214.16

18.2 VOTING RIGHTS OF SHAREHOLDERS

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, 2015:

Major shareholders with double voting rights	Number of shares carrying double voting rights
Xavier Niel	31,988,813
Rani Assaf	760,000
Cyril Poidatz	670,614
Antoine Levavasseur	506,658

In the event of a capital increase by the capitalization of 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 share converted into bearer form or whose ownership is transferred is 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 by 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 members of its executive management. 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 segregation 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 WHICH MAY RESULT IN A CHANGE IN CONTROL OF THE COMPANY

None.

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RELATED PARTY TRANSACTIONS

During 2015, 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 30 to the 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 2015, 2014 AND 2013

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, 2014 and the report of the Statutory Auditors thereon, as set out in Chapter 20, Section 20.1 of the Registration Document filed on April 9, 2015 under number D15-0309;
- the consolidated financial statements of the Iliad Group for the year ended December 31, 2013 and the report of the Statutory Auditors thereon, as set out in Chapter 20, Section 20.1 of the Registration Document filed on April 4, 2014 under number D14-0290.

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CONSOLIDATED INCOME STATEMENT

In € thousands	Note	2015	2014
REVENUES	**4**	**4,414,423**	**4,167,612**
Purchases used in production	5	(2,238,776)	(2,323,062)
Payroll costs	6	(222,492)	(208,519)
External charges	5	(288,500)	(244,109)
Taxes other than on income	9	(57,870)	(40,796)
Additions to provisions	8	(96,947)	(63,369)
Other income from operations	8	26,763	28,463
Other expenses from operations		(46,712)	(32,609)
EBITDA[(1)]	**1**	**1,489,889**	**1,283,611**
Share-based payment expense	26	(3,311)	(5,628)
Depreciation, amortization and provisions for impairment of non-current assets	9	(820,362)	(708,529)
PROFIT FROM ORDINARY ACTIVITIES		**666,216**	**569,454**
Other operating income and expense, net	10	(4,198)	(3,551)
OPERATING PROFIT		**662,018**	**565,903**
Income from cash and cash equivalents	11	776	1,849
Finance costs, gross	11	(58,735)	(65,675)
FINANCE COSTS, NET	**11**	**(57,959)**	**(63,826)**
Other financial income	11	2,597	2,353
Other financial expenses	11	(27,106)	(24,019)
Corporate income tax	12	(244,503)	(202,046)
PROFIT FOR THE PERIOD		**335,047**	**278,365**
Profit for the period attributable to:			
• *Owners of the Company*		*334,911*	*282,772*
• *Minority interests*		*136*	*(4,407)*
Earnings per share attributable to owners of the Company (in €):			
• *Basic earnings per share*	*13*	*5.72*	*4.85*
• *Diluted earnings per share*	*13*	*5.58*	*4.73*

(1) See definition on page 246 of this Registration Document.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	2015	2014
PROFIT FOR THE PERIOD		**335,047**	**278,365**
• Items that may be subsequently reclassified to profit:			
Fair value gains on interest rate and currency hedging instruments	31/32	2,934	21,537
Tax effect	31/32	(1,115)	(8,184)
		1,819	**13,353**
• Items that will not be reclassified to profit:			
Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions		632	(2,644)
Tax effect	6	(240)	1,005
		392	**(1,639)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**2,211**	**11,714**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**337,258**	**290,079**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
• Owners of the Company		337,206	294,403
• Minority interests		52	(4,324)

CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At December 31, 2015	At December 31, 2014*
Goodwill	16	214,818	214,818
Intangible assets	17	2,253,356	1,234,902
Property, plant and equipment	19	3,229,231	2,787,849
Investments in associates	2	24,000	0
Other long-term financial assets	20	8,371	8,163
Deferred income tax assets	12	25,496	20,660
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**5,755,272**	**4,266,392**
Inventories	21	25,628	27,142
Current income tax assets		2,542	6,553
Trade and other receivables	22	684,318	566,821
Other short-term financial assets	20	138	6,641
Cash and cash equivalents	23	720,068	137,402
TOTAL CURRENT ASSETS		**1,432,694**	**744,559**
ASSETS HELD FOR SALE	**24**	**26,035**	**34,359**
TOTAL ASSETS		**7,214,001**	**5,045,310**

* *These figures have been restated to reflect the impact of the Group's first-time application of IFRIC 21.*

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At December 31, 2015	At December 31, 2014*
Share capital	25	12,999	12,953
Additional paid-in capital	25	405,848	392,564
Retained earnings and other reserves	25	2,218,351	1,909,710
TOTAL EQUITY		**2,637,198**	**2,315,227**
Attributable to:			
• ***Owners of the Company***		***2,634,572***	***2,312,333***
• ***Minority interests***		***2,626***	***2,894***
Long-term provisions	27	0	1,384
Long-term financial liabilities	28	964,786	889,942
Deferred income tax liabilities	12	0	0
Other non-current liabilities	29	934,310	317,772
TOTAL NON-CURRENT LIABILITIES		**1,899,096**	**1,209,098**
Short-term provisions	27	99,299	94,803
Taxes payable		5,285	0
Trade and other payables	29	1,626,413	1,094,660
Short-term financial liabilities	28	946,710	331,522
TOTAL CURRENT LIABILITIES		**2,677,707**	**1,520,985**
TOTAL EQUITY AND LIABILITIES		**7,214,001**	**5,045,310**

* *These figures have been restated to reflect the impact of the Group's first-time application of IFRIC 21.*

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, 2014	12,870	370,674	(4,809)	51,175	1,579,601	2,009,511	7,084	2,016,595
Movements in 2014								
• Profit for the period					282,772	**282,772**	(4,407)	278,365
• Other comprehensive income for the period, net of tax:								
– Impact of interest rate and currency hedges				13,260		**13,260**	93	13,353
– Impact of post-employment benefit obligations				(1,629)		**(1,629)**	(10)	(1,639)
Total comprehensive income for the period				**11,631**	**282,772**	**294,403**	**(4,324)**	**290,079**
• Capital increase	83	21,890				**21,973**		21,973
• Dividends paid by Iliad S.A.					(21,591)	**(21,591)**		(21,591)
• Dividends paid by subsidiaries							(69)	(69)
• Purchases/sales of own shares			1,759	(32)		**1,727**		1,727
• Impact of stock options				5,528		**5,528**	100	5,628
• Impact of changes in minority interests in subsidiaries								
• Other movements				782		**782**	103	885
BALANCE AT DECEMBER 31, 2014	**12,953**	**392,564**	**(3,050)**	**69,084**	**1,840,782**	**2,312,333**	**2,894**	**2,315,227**
BALANCE AT JANUARY 1, 2015	12,953	392,564	(3,050)	69,084	1,840,782	2,312,333	2,894	2,315,227
Movements in 2015								
• Profit for the period					334,911	**334,911**	136	335,047
• Other comprehensive income for the period, net of tax:								
– Impact of interest rate and currency hedges				1,901		**1,901**	(82)	1,819
– Impact of post-employment benefit obligations				394		**394**	(2)	392
Total comprehensive income for the period				**2,295**	**334,911**	**337,206**	**52**	337,258
• Capital increase	46	13,284				**13,330**		13,330
• Dividends paid by Iliad S.A.					(22,822)	**(22,822)**		(22,822)
• Dividends paid by subsidiaries							(188)	(188)
• Purchases/sales of own shares			595	603		**1,198**		1,198
• Impact of stock options				3,277		**3,277**	33	3,310
• Impact of changes in minority interests in subsidiaries				(9,950)		**(9,950)**	(165)	(10,115)
BALANCE AT DECEMBER 31, 2015	**12,999**	**405,848**	**(2,455)**	**65,309**	**2,152,871**	**2,634,572**	**2,626**	**2,637,198**

* *These figures have been restated to reflect the impact of the Group's first-time application of IFRIC 21.*

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	2015	2014
PROFIT FOR THE PERIOD (INCLUDING MINORITY INTERESTS)		**335,047**	**278,365**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		823,488	681,939
-/+ Unrealized gains and losses on changes in fair value		(3,416)	(3,650)
+/- Expenses and income related to stock options and other share-based payments		3,311	5,628
-/+ Other income and expenses, net		12,882	8,947
-/+ Gains and losses on disposals of assets		(1,058)	(604)
-/+ Dilution gains and losses		0	0
+ /- Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
CASH FLOWS FROM OPERATIONS AFTER FINANCE COSTS, NET, AND INCOME TAX		**1,170,254**	**970,625**
+ Finance costs, net	11	57,959	63,826
+/- Income tax expense (including deferred taxes)	12	244,503	202,046
CASH FLOWS FROM OPERATIONS BEFORE FINANCE COSTS, NET, AND INCOME TAX (A)		**1,472,716**	**1,236,497**
- Income tax paid **(B)**		(229,656)	(203,410)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	(23,379)	(72,057)
= NET CASH GENERATED FROM OPERATING ACTIVITIES (D) = (A) + (B) + (C)		**1,219,681**	**961,030**
- Acquisitions of property, plant and equipment and intangible assets	14	(1,235,250)	(978,083)
+ Disposals of property, plant and equipment and intangible assets		11,527	7,952
- 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		(34,115)	(933)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		(315)	(482)
+ Cash inflows from assets held for sale		6,419	4,005
- Cash outflows for assets held for sale		(2,563)	(2,206)
= NET CASH USED IN INVESTING ACTIVITIES (E)		**(1,254,297)**	**(969,747)**
+ 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		12,629	28,284
-/+ Own-share transactions		1,198	1,727
- Dividends paid during the period:		0	0
• Dividends paid to owners of the Company		(22,822)	(21,591)
• Dividends paid to minority shareholders of consolidated companies		(188)	(69)
+ Proceeds from new borrowings		738,596	55,000
- Repayment of borrowings (including finance leases)	28	(53,217)	(178,579)
- Net interest paid (including on finance leases)		(55,371)	(58,929)
= NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES (F)		**620,825**	**(174,157)**
+ /- Effect of exchange-rate movements on cash and cash equivalents **(G)**		74	64
= NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)		**586,283**	**(182,810)**
Cash and cash equivalents at beginning of year	14	132,263	315,073
Cash and cash equivalents at end of year	14	718,546	132,263

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, 2015 on March 9, 2016 and their publication date was set for March 10, 2016. These financial statements will only be definitive after approval by the Company's shareholders at the Annual Shareholders' Meeting scheduled to be held on May 19, 2016.

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 which are 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 higher 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 to existing standards and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2015

- **IFRIC 21, Levies.** This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (other than income taxes). It identifies the obligating event for the recognition of the liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The European Union adopted IFRIC 21 on June 13, 2014, with an effective date of June 17, 2014. The Group has therefore applied this interpretation since January 1, 2015.

  The Group's main levies affected by IFRIC 21 are property tax, the IFER flat-rate tax on network operators, office tax, and the *contribution sociale* surtax. The impacts of the corresponding restatements are described in Note 1-3 below.

- **Annual improvements to IFRSs (2010-2012 cycle), applicable as from the fiscal year beginning January 1, 2015** and which comprise amendments to seven standards, as follows:
  - IFRS 2, Share-based Payment: Definition of "vesting conditions";
  - IFRS 3, Business Combinations: Accounting for contingent consideration in a business combination;
  - IFRS 8, Operating Segments: (i) Aggregation of operating segments, and (ii) Reconciliation of the total of the reportable segments' assets to the entity's assets;
  - IFRS 13, Fair Value Measurement: Short-term receivables and payables;
  - IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets: Revaluation method – proportionate restatement of accumulated depreciation and amortisation;
  - IAS 24, Related Party Disclosures: Key management personnel.

The Group has applied these improvements in its consolidated financial statements for the year ended December 31, 2015.

- **Annual improvements to IFRSs (2011-2013 cycle), applicable as from the fiscal year beginning January 1, 2015** and which comprise amendments to four standards, as follows:
  - IFRS 1, First-time Adoption of International Financial Reporting Standards: Meaning of "effective IFRSs";
  - IFRS 3, Business Combinations: Scope exceptions for joint ventures;
  - IFRS 13, Fair Value Measurement: Scope of paragraph 52 (a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis – the "portfolio exception");
  - IAS 40, Investment Property: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Group has applied these improvements in its consolidated financial statements for the year ended December 31, 2015.

1.2.3 Standards, amendments and interpretations that may be early adopted in 2015

- **Amendments to IAS 1, Presentation of financial statements.** These amendments – which form part of the IASB's Disclosure Initiative – are designed to provide clarifications concerning the following two points:
  - application of the materiality principle, by making clear that materiality applies to the whole of the financial statements (including the notes) and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures;
  - application of professional judgment, by making improvements to the wording of some of the requirements in the standard that were considered to be overly prescriptive and did not leave sufficient room for judgment.

- **Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions.** These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to clarify and simplify the accounting for contributions that are independent of the number of years of employee service. These types of contributions may now be recognized as a reduction in the service cost in the period in which the related service is rendered rather than attributing them to periods of service.
- **Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation**. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can, however, be rebutted in certain limited circumstances.
- **Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants.** These amendments – which change the financial reporting for bearer plants – are not relevant to the Group.
- **Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.** These amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3, Business Combinations.
- **Amendments to IAS 27 – Equity Method in Separate financial statements.** These amendments allow entities to use the equity method, as described in IAS 28, to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- **Annual improvements to IFRSs (2012-2014 cycle), applicable as from the fiscal year beginning January 1, 2016** and which comprise amendments to four standards, as follows:
  - IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal;
  - IFRS 7, Financial Instruments – Disclosures: (i) Servicing contracts, and (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements;
  - IAS 19, Employee Benefits: Discount rate – regional market issue;
  - IAS 34, Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report".

The Group is currently analyzing the impacts of applying the above amendments.

1.2.4 New standards, amendments to existing standards and interpretations that were not applicable at December 31, 2015 as not yet endorsed by the European Union

- **IFRS 15, Revenue from Contracts with Customers, applicable as from January 1, 2017.** The core principle of IFRS 15 is for companies 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.
- **Amendments to IFRS 15 – Effective Date of IFRS 15**, which defers the effective date of the standard to January 1, 2018.
- **IFRS 9, Financial Instruments (final version) and amendments to IFRS 9, IFRS 7 and IAS 39, applicable as from January 1, 2018.** 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 14, Regulatory Deferral Accounts, applicable as from January 1, 2016.** The objective of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 will:
  - permit rate-regulated entities to continue recognizing regulatory deferral accounts in accordance with their previous GAAP on their first-time adoption of IFRS;
  - require entities that adopt IFRS 14 to present regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the income statement and statement of other comprehensive income;
  - require entities to provide specific disclosures to clearly identify the nature of, and risks associated with, rate-regulated activities.
- **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. These amendments will apply prospectively for annual periods beginning on or after January 1, 2016.

1.3 Impacts of the change in accounting policy

As a result of the change in the accounting policy applied for levies (in accordance with IFRIC 21 – see Note 1-2.2 above), the figures reported by the Group at December 31, 2014 and January 1, 2015 have been restated.

The balance sheet impacts of this change in accounting policy are as follows:

	December 31, 2014		
In € thousands	Reported	Restatements	Restated
Non-current assets	4,269,341	(2,949)	4,266,392
o/w deferred tax assets	*23,609*	*(2,949)*	*20,660*
Current assets	744,559	0	744,559
Assets held for sale	34,359	0	34,359
TOTAL ASSETS	**5,048,259**	**(2,949)**	**5,045,310**
Total equity	2,310,415	4,812	2,315,227
Non-current liabilities	1,209,098	0	1,209,098
Current liabilities	1,528,746	(7,761)	1,520,985
o/w trade and other payables	*1,102,421*	*(7,761)*	*1,094,660*
TOTAL EQUITY AND LIABILITIES	**5,048,259**	**(2,949)**	**5,045,310**

The income statement impacts of this change in accounting policy are not material.

1.4 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 ensure 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 recorded 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 associates". 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.

1.5 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; and
- profit from discontinued operations and assets held for sale.

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 an additional indicator 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.

1.6 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 terminals 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 property 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 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 are being amortized on a straight-line basis over a period of 18 years.

  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, which is being amortized on a straight-line basis over a period of six years as from its effective date. The amendments to this agreement are being amortized over the residual term of the principal contract as from their respective effective dates;
- 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 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 asset covered by the lease.

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 under debt 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 postemployment 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 range 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.

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 lockup 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 31 and 32. 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 35.

Changes in scope of consolidation in 2015

On November 6, 2015, Iliad acquired a 50% stake in S.A.S. Telecom Réunion Mayotte for €24 million. This company has been accounted for using the equity method in the Group's consolidated financial statements.

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; and
- assessment of risks related to disputes and litigation in progress and calculating the corresponding provisions.

NOTE 4 REVENUES

Consolidated revenues rose from €4.2 billion in 2014 to €4.4 billion in 2015, primarily due to the success of the Group's mobile telephony offerings.

As substantially all of the Group's operations are conducted in France, it is not relevant to present revenue data by geographic region.

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);
- 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	2015	2014
• Wages and salaries	(166,967)	(153,957)
• Payroll taxes	(55,525)	(54,562)
TOTAL	**(222,492)**	**(208,519)**

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, 2015	At December 31, 2014
• Management	1,072	998
• Other	6,829	6,166
TOTAL	**7,901**	**7,164**

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).

Post-employment benefit obligations totaled €11,226 thousand at December 31, 2015, compared with €9,803 thousand at December 31, 2014.

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2015 and 2014:

	2015	2014
• Discount rate	2.25%	2%
• Long-term inflation rate	2%	2%
• Mortality table	Insee 2011-2013	Insee 2010-2012
• 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

The impact on equity of the Group's post-employment benefit obligations was a positive €632 thousand (before tax) at December 31, 2015 and the amount recognized in the income statement for the year then ended corresponded to a €2,055 thousand expense.

NOTE 7 DEVELOPMENT COSTS

Development costs include the following:

- the cost of designing new products, adapting existing products to the Internet, and researching 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 On Line;
- the technological development costs incurred in the mobile telephony business, notably concerning the network's architecture and functionalities. These costs are mainly incurred by Free Mobile.

Development costs incurred in 2015 are presented net of any related research tax credits.

In € thousands	2015	2014
• Capitalized development costs	(2,997)	(3,246)
• Development costs recognized directly in the income statement	(486)	(197)
TOTAL	**(3,483)**	**(3,443)**

NOTE 8 OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € thousands	2015	2014
• Proceeds from sales of non-current assets	11,527	8,063
• Customer contract termination fees	8,999	13,688
• Other revenues	6,237	6,712
TOTAL OTHER INCOME FROM OPERATIONS	**26,763**	**28,463**

"Other expenses from operations" can be analyzed as follows:

In € thousands	2015	2014
• Carrying amount of divested non-current assets	(6,306)	(4,069)
• Royalties and similar fees	(37,348)	(28,417)
• Bad debts	0	0
• Other	(3,058)	(123)
TOTAL OTHER EXPENSES FROM OPERATIONS	**(46,712)**	**(32,609)**

In € thousands	2015	2014
OTHER INCOME AND EXPENSES FROM OPERATIONS, NET	**(19,949)**	**(4,146)**

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	2015	2014
• Depreciation and amortization expense:		
– Intangible assets	(241,925)	(189,583)
– Property, plant and equipment	(590,725)	(527,236)
• Additions to provisions for impairment of non-current assets:		
– Property, plant and equipment	8,999	5,359
• Depreciation/amortization of investment grants		
– Intangible assets	2,115	1,720
– Property, plant and equipment	1,174	1,211
TOTAL	**(820,362)**	**(708,529)**

Additions to provisions for contingencies and charges and impairment of current assets

In € thousands	At December 31, 2015	At December 31, 2014
• Provisions for contingencies and charges	(7,182)	8,303
• Provisions for impairment of inventories and trade receivables	(89,765)	(71,672)
TOTAL	**(96,947)**	**(63,369)**

NOTE 10 OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €4,198 thousand in 2015, compared with a net expense of €3,551 thousand in 2014.

Comments on the 2014 and 2015 figures

See Note 24.

NOTE 11 FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
• Income from cash and cash equivalents	776	1,849
• Finance costs, gross		
– Interest on borrowings	(55,416)	(61,767)
– Finance lease payments	(3,319)	(3,908)
SUB-TOTAL – FINANCE COSTS, GROSS	(58,735)	(65,675)
Finance costs, net	**(57,959)**	**(63,826)**
• Other financial income	2,597	2,353
SUB-TOTAL – OTHER FINANCIAL INCOME	2,597	2,353
• Other financial expenses		
– Translation adjustments/Hedging expense	(2,204)	(4,308)
– Discounting expense	(24,243)	(19,665)
– Other	(659)	(46)
SUB-TOTAL – OTHER FINANCIAL EXPENSES	(27,106)	(24,019)
OTHER FINANCIAL EXPENSES, NET	(24,509)	(21,666)
NET FINANCIAL EXPENSE	**(82,468)**	**(85,492)**

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 28).

Income from cash and cash equivalents corresponds to income from short-term investments.

Finance costs, gross, comprises interest on borrowings and finance leases.

Discounting expense mainly concerns trade payables with maturities of more than one year.

The amounts recorded under "Other financial income" – totaling €2,597 thousand for 2015 and €2,353 thousand for 2014 – correspond to the impacts of swap contracts that ceased to qualify for hedge accounting (see Note 32).

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	2015	2014
Current taxes		
• on income	(220,279)	(164,745)
• on value added (CVAE)	(30,416)	(25,463)
CURRENT INCOME TAX CHARGE	**(250,695)**	**(190,208)**
Deferred taxes		
• on income	6,192	(14,841)
• on value added (CVAE)	0	3,003
DEFERRED INCOME TAX BENEFIT/(CHARGE)	**6,192**	**(11,838)**
TOTAL TAX CHARGE	**(244,503)**	**(202,046)**

Tax group

Iliad has set up a tax group, which at end-2015 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.

	2015	2014
PROFIT FOR THE PERIOD	**335,047**	**278,365**
• Corporate income tax	244,503	202,046
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	**579,550**	**480,411**
THEORETICAL TAX RATE	**38.00%**	**38.00%**
• Net impact of permanent differences	+0.39%	+1.11%
• Impact of unrecognized tax loss carryforwards	0	-0.38%
• Impact of different tax rates	+3.70%	+2.62%
• Other impacts	+0.10%	+0.71%
EFFECTIVE TAX RATE	**42.19%**	**42.06%**

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- tax loss carryforwards of companies outside the Iliad tax group which 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 €815 thousand at December 31, 2015 versus €938 thousand at December 31, 2014.

NOTE 13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share

Number of shares used for the calculation	At December 31, 2015	At December 31, 2014
• Number of shares at the year-end	58,660,640	58,453,935
• Weighted average number of shares	58,529,295	58,320,038

Diluted earnings per share

	At December 31, 2015	At December 31, 2014
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**334,911**	**282,772**
Interest expense on OCEANE convertible bonds	0	0
DILUTED PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**334,911**	**282,772**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (AFTER DILUTION)		
• Weighted average number of shares outstanding (see above)	58,529,295	58,320,038
• Number of share equivalents:		
– Stock options and Free Mobile free share grants	1,507,703	1,487,799
MAXIMUM WEIGHTED AVERAGE NUMBER OF SHARES AFTER DILUTION	**60,036,998**	**59,807,837**
DILUTED EARNINGS PER SHARE *(in €)*	**5.58**	**4.73**

Dilutive instruments

As Iliad's average share price in 2015 was €208.02, 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 2015 and 2014 can be analyzed as follows:

In € thousands 2015	Note	Balance at Jan. 1, 2015	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2015
• Net inventories	21	27,142	0	(1,514)	0	0	25,628
• Net trade receivables	22	386,233	61,165	0	0	0	447,398
• Net other receivables	22	180,588	55,632	0	0	700	236,920
• Supplier payables	29	(466,591)	0	(83,519)	0	0	(550,110)
• Other payables		(288,000)	0	(8,385)	0	8,393	(287,993)
TOTAL		**(160,628)**	**116,797**	**(93,418)**	**0**	**9,093**	**(128,156)**
Change in operating working capital requirement in 2015				**23,379**			

In € thousands 2014	Note	Balance at Jan. 1, 2014	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2014
• Net inventories	21	18,933	8,209	0	0	0	27,142
• Net trade receivables	22	287,825	98,408	0	0	0	386,233
• Net other receivables	22	155,667	31,230	0	0	(6,309)	180,588
• Supplier payables	29	(454,847)	0	(11,744)	0	0	(466,591)
• Other payables		(231,310)	0	(54,046)	0	(2,644)	(288,000)
TOTAL		**(223,732)**	**137,847**	**(65,790)**	**0**	**(8,953)**	**(160,628)**
Change in operating working capital requirement in 2014				**72,057**			

Other receivables

In € thousands	Note	At December 31, 2015	At December 31, 2014
Trade and other receivables:	22	684,318	566,821
• Net trade receivables	22	(447,398)	(386,233)
OTHER RECEIVABLES		**236,920**	**180,588**

Other payables

In € thousands	Note	At December 31, 2015	At December 31, 2014
Trade and other payables:	29	2,560,723	1,420,193
• Suppliers of goods and services (incl. VAT)	29	(550,110)	(466,591)
• Suppliers of non-current assets (excl. VAT)		(1,722,620)	(665,602)
OTHER PAYABLES		**287,993**	**288,000**

Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

	Note	At December 31, 2015	At December 31, 2014
• Intangible assets	17	1,255,746	240,011
• Property, plant and equipment	19	1,011,926	797,262
• Suppliers of non-current assets (excl. VAT):			
– at beginning of year		665,602	583,406
– at year-end		(1,722,620)	(665,602)
• Other		24,596	23,006
TOTAL		**1,235,250**	**978,083**

Cash and cash equivalents

	Note	Cash and cash equivalents at December 31, 2015	Cash and cash equivalents at December 31, 2014
Cash (including currency hedges)	23	35,551	63,671
Marketable securities	23	684,517	73,731
SUB-TOTAL		**720,068**	**137,402**
Bank borrowing facilities	28	(1,522)	(5,139)
TOTAL		**718,546**	**132,263**

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	At December 31, 2015	At December 31, 2014
• Acquisitions of assets under finance leases	19,826	17,056

NOTE 15 SEGMENT INFORMATION

Since the launch of its mobile offerings in early 2012, the Group has redefined its business segments, with the creation of a single new reportable segment called Retail Telecom.

In addition, as substantially all of its operations are in France, the Group only has one geographic segment.

These segments may change 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 at both December 31, 2015 and 2014.

NOTE 17 INTANGIBLE ASSETS

Intangible assets break down as follows:

In € thousands	At December 31, 2015			At December 31, 2014		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
• 3G licenses	323,020	71,342	251,678	323,020	53,396	269,624
• 4G licenses	1,604,582	37,838	1,566,744	393,088	18,569	374,519
• Wimax license	54,266	48,849	5,417	54,266	46,682	7,584
• Alice customer base	25,000	15,278	9,722	25,000	13,195	11,805
• Other intangible assets	991,603	580,054	411,549	947,863	383,762	564,101
Internally-generated intangible assets:						
• Development costs	14,747	6,501	8,246	11,967	4,698	7,269
TOTAL	**3,013,218**	**759,862**	**2,253,356**	**1,755,204**	**520,302**	**1,234,902**

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 of spectrum in the new generation 4G (2,600 MHz) frequency band for a cost of €278.1 million. The carrying amount of this asset also 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 was not used at end-2015.

Following a mobile frequency auction carried out in France, in November 2015 the Group was allocated 10 MHz in the 700 MHz (4G) band for €933 million, payable in four installments.

Previously capitalized borrowing costs for various licenses represent a gross amount of €51 million. No borrowing costs were capitalized in 2015.

Since 2012 the Group has accelerated the rollout of its mobile operations, which has resulted in the signature of agreements granting the Group certain long-term rights.

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.

Changes in net intangible assets can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Net at January 1	1,234,902	1,181,066
Additions:		
• acquisitions	1,255,746	240,011
• internally-generated intangible assets	4,290	3,830
Reclassifications	4	(335)
Other	(1,776)	(1,807)
Amortization	(239,810)	(187,863)
NET AT DECEMBER 31	**2,253,356**	**1,234,902**

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, 2015	At December 31, 2014
• Licenses	1,164,356	86,046
• Other	1,888	279
TOTAL	**1,166,244**	**86,325**

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 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 was not required to recognize any impairment losses on this CGU's goodwill or intangible assets in 2015.

Similarly, no adjustments were required for the carrying amount of the mobile telephony business's intangible assets in progress.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

	At December 31, 2015			At December 31, 2014		
In € thousands	Gross	Depreciation	Net	Gross	Depreciation	Net
• Land and buildings[1]	155,287	6,609	148,678	146,192	4,704	141,488
• Network usage rights	185,633	78,090	107,543	182,878	69,084	113,794
• Service access fees	824,034	488,926	335,108	758,059	451,871	306,188
• Network equipment[2]	4,125,457	1,852,262	2,273,195	3,438,465	1,517,545	1,920,920
• Other	424,664	59,957	364,707	348,745	43,286	305,459
TOTAL	**5,715,075**	**2,485,844**	**3,229,231**	**4,874,339**	**2,086,490**	**2,787,849**
(1) of which finance leases	*90,454*	*4,552*	*85,902*	*91,266*	*3,263*	*88,003*
(2) of which finance leases	*155,034*	*96,954*	*58,080*	*135,208*	*81,266*	*53,942*

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.

Changes in net property, plant and equipment can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Net at January 1	2,787,849	2,500,854
Acquisitions*	1,031,759	814,318
Disposals	(9,526)	(6,514)
Reclassifications	(4)	335
Other	(295)	(474)
Depreciation	(580,552)	(520,670)
NET AT DECEMBER 31	**3,229,231**	**2,787,849**
* *Acquisitions excluding assets acquired under finance leases*	*1,011,926*	*797,262*

During 2015 the Group kept up its capital spending drive for growth projects. This included the following:

- capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses);
- further investments as part of the FTTH rollout;
- mobile-related capital expenditure as a result of the ongoing rollout of the network and technological upgrades.

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 2015, no such events or circumstances were identified that had a material effect on the carrying amount of the 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, 2015	At December 31, 2014
• Land and buildings	52,691	53,374
• Network usage rights	3,841	5,290
• Network equipment	542,345	437,154
TOTAL	**598,877**	**495,818**

NOTE 20 OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

	At December 31, 2015	At December 31, 2014
In € thousands	Net	Net
Other long-term financial assets		
• Other investment securities	1,933	1,949
• Guarantee deposits	6,438	6,214
TOTAL OTHER LONG-TERM FINANCIAL ASSETS	**8,371**	**8,163**
Other short-term financial assets		
• Loans	138	47
• Cash flow hedges	0	6,594
TOTAL OTHER SHORT-TERM FINANCIAL ASSETS	**138**	**6,641**
TOTAL OTHER FINANCIAL ASSETS	**8,509**	**14,804**

Other financial assets are classified as short-term when they are due within one year and as longterm when they are due beyond one year.

Other financial assets break down as follows by function:

	At December 31, 2015	At December 31, 2014
In € thousands	Net	Net
• Financial assets at fair value through profit or loss	0	6,594
• Held-for-trading investments	0	0
• Held-to-maturity investments	0	0
• Loans and receivables issued by the Group	6,576	6,261
• Available-for-sale financial assets	1,933	1,949
TOTAL OTHER FINANCIAL ASSETS	**8,509**	**14,804**

Changes in net other financial assets can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Net at January 1	14,804	7,728
Acquisitions	1,153	1,062
Redemptions and repayments	0	0
Impact of changes in Group structure	0	0
Disposals	(839)	(580)
Additions to provisions	(15)	0
Impact of cash flow hedges		
• at January 1	(6,594)	0
• at December 31	0	6,594
NET AT DECEMBER 31	**8,509**	**14,804**

Comments on the 2014 and 2015 figures

Acquisitions and redemptions and repayments in 2014 and 2015 primarily concerned movements in guarantee deposits paid.

NOTE 21 INVENTORIES

Inventories break down as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Raw materials	1,395	2,212
Work-in-progress	0	0
Finished products	28,533	28,048
Inventories – gross	**29,928**	**30,260**
Provisions:		
• raw materials	(1,282)	(2,040)
• finished products	(3,018)	(1,078)
Total provisions	**(4,300)**	**(3,118)**
INVENTORIES – NET	**25,628**	**27,142**

The provisions for impairment recognized against inventories of mobile phones notably take into account inventories that are damaged and therefore not available for sale.

All of the provisions recognized in 2014 were utilized during 2015.

NOTE 22 TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Trade and other receivables		
Trade receivables	573,293	475,063
Advances and prepayments	3,514	2,034
Tax receivables (VAT)	110,199	81,816
Other receivables	81,434	52,446
Prepaid expenses	41,776	44,295
TOTAL – GROSS	**810,216**	**655,654**
Provisions for trade receivables	(125,895)	(88,830)
Provisions for other receivables	(3)	(3)
NET TRADE AND OTHER RECEIVABLES	**684,318**	**566,821**
Net trade receivables	447,398	386,233
Net other receivables	236,920	180,588

The year-on-year increase in trade receivables primarily concerns the mobile business.

The rise in provisions for trade receivables is also mainly attributable to the mobile business and notably concerns provisions recognized for doubtful debts relating to the Group's mobile phone rental offerings.

NOTE 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

	At December 31, 2015		At December 31, 2014	
In € thousands	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITs)				
Net value	684,517	684,517	73,731	73,731
Cash (excluding bank borrowing facilities)	35,551	35,551	63,671	63,671
TOTAL – NET	**720,068**	**720,068**	**137,402**	**137,402**

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 24 ASSETS HELD FOR SALE

Assets held for sale break down as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Buildings held for sale	26,035	34,359
TOTAL	**26,035**	**34,359**

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, 2014 or 2015.

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 25 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. Lastly, the first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014.

In 2015, 206,705 options were exercised for the same number of new shares. The Company's share capital therefore increased by €46 thousand to €12,999 thousand at December 31, 2015 from €12,953 thousand one year earlier.

At December 31, 2015 the Group held 18,375 Iliad shares.

At that date, Iliad's ownership structure was as follows:

Shareholder	Number of shares	%
Executive Management	33,945,812	57.87
Public	24,714,828	42.13
TOTAL	**58,660,640**	**100.00**

Dividends paid and dividends recommended to shareholders at the Annual General Meeting

The dividend paid in 2015 for 2014 totaled €22,822 thousand. No interim dividend was paid in 2015.

At the next Annual General Meeting, shareholders will be invited to approve a dividend payment of €0.41 per share.

Cash flow hedge reserve

Hedges have been set up to cover the Group's exposure to changes in interest rates on bank borrowings.

These hedges are described in Note 32.

At December 31, 2014 and 2015 the cash flow hedge reserve (net of the tax effect) had negative balances of €3,699 thousand and €1,988 thousand respectively.

NOTE 26 STOCK OPTION AND SHARE GRANT PLANS

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, 2015

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at January 1, 2015	Number of options granted in 2015	Number of options forfeited in 2015	Number of options exercised in 2015	Number of exercisable options outstanding at December 31, 2015	Number of non-exercisable options outstanding at December 31, 2015
Iliad								
Dec. 12, 2003	Dec. 20, 2005	48.44	4,373	0	0	4,373	0	0
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	47,377	0	0	20,670	26,707	0
May 29, 2008	Nov. 5, 2008	53.79	128,459	0	0	44,672	83,787	0
May 29, 2008	Aug. 30, 2010	67.67	99,550	0	0	99,550	0	0
May 29, 2008	Aug. 30, 2010	67.67	337,050	0	5,520	35,240	296,290	0
May 24, 2011	Nov. 7, 2011	84.03	367,400	0	2,200	2,200	0	363,000

AT DECEMBER 31, 2014

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at January 1, 2014	Number of options granted in 2014	Number of options forfeited in 2014	Number of options exercised in 2014	Number of exercisable options outstanding at December 31, 2014	Number of non-exercisable options outstanding at December 31, 2014
Iliad								
Dec. 12, 2003	Jan. 20, 2004	16.30	1,820	0	0	1,820	0	0
Dec. 12, 2003	Dec. 20, 2005	48.44	11,950	0	0	7,577	4,373	0
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	126,312	0	0	78,935	47,377	0
May 29, 2008	Nov. 5, 2008	53.79	369,665	0	0	241,206	128,459	0
May 29, 2008	Aug. 30, 2010	67.67	147,150	0	0	47,600	99,550	0
May 29, 2008	Aug. 30, 2010	67.67	343,350	0	6,300	0	0	337,050
May 24, 2011	Nov. 7, 2011	84.03	378,400	0	11,000	0	0	367,400

Exercise dates of options

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 from 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	August 30, 2010	November 7, 2011
Quantity	183,150	427,350	404,800
Per-share exercise price	€67.67	€67.67	€84.03
Life of the options	4 years	5 years	5 years
Underlying volatility	25%	25%	20%
Annual cost (in € thousands)	775	1,356	1,708
Maturity	August 29, 2014	August 29, 2015	November 6, 2016

The expense recorded in relation to these plans totaled €2,603 thousand in 2015 and €3,576 thousand in 2014.

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 key management personnel 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 expense recorded in relation to these plans totaled €2,034 thousand in 2014 and €689 thousand in 2015.

Online

Following an authorization approved 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 0.20% of Online's share capital.

The shares vested after a period of two years and this vesting period has been followed by a twoyear lock-up period during which the beneficiaries are not entitled to sell the vested shares.

The expense recognized for this plan amounted to €19 thousand in both 2014 and 2015.

The following table summarizes the main features of the various share grant plans approved in 2015 and prior years, and outstanding at the year-end.

AT DECEMBER 31, 2015

Date of Shareholders' Meeting	Date of plan launch	Number of shares in vesting period at January 1, 2015	Number of shares granted in 2015	Number of share grants canceled in 2015	Number of shares vested in 2015	Number of shares in vesting period at December 31, 2015
Online						
December 3, 2012	December 4, 2012	17	0	0	9	8

NOTE 27 PROVISIONS

The provisions recognized at December 31, 2015 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, 2015	At December 31, 2014
Long-term provisions		
Provisions for charges	0	1,384
TOTAL LONG-TERM PROVISIONS	**0**	**1,384**
Short-term provisions		
Provisions for contingencies	99,299	94,575
Provisions for charges	0	228
TOTAL SHORT-TERM PROVISIONS	**99,299**	**94,803**
TOTAL PROVISIONS	**99,299**	**96,187**

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 2015:

In € thousands	At Dec. 31, 2014	Increases in 2015	Decreases in 2015 (utilizations)	Decreases in 2015 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2015
Provisions for claims and litigation and general contingencies	94,575	10,818	(3,740)	(2,405)	0	51	99,299
Provisions for charges	1,612	0	0	(1,612)	0	0	0
TOTAL	**96,187**	**10,818**	**(3,740)**	**(4,017)**	**0**	**51**	**99,299**

Movements in provisions for contingencies and charges were as follows in 2014:

In € thousands	At Dec. 31, 2013	Increases in 2014	Decreases in 2014 (utilizations)	Decreases in 2014 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2014
Provisions for claims and litigation and general contingencies	123,935	4,963	(20,963)	(13,419)	0	59	94,575
Provisions for charges	1,459	153	0	0	0	0	1,612
TOTAL	**125,394**	**5,116**	**(20,963)**	**(13,419)**	**0**	**59**	**96,187**

NOTE 28 FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Bank borrowings	268,801	311,455
Bonds	640,777	499,291
Borrowings related to finance leases	53,083	64,670
Cash flow hedges	0	11,152
Other	2,125	3,374
TOTAL LONG-TERM FINANCIAL LIABILITIES	**964,786**	**889,942**
Bank borrowings	391,667	274,000
Bonds	499,791	0
Borrowings related to finance leases	28,675	25,359
Bank overdrafts	1,522	5,139
Cash flow hedges	3,448	4,451
Other	21,607	22,573
TOTAL SHORT-TERM FINANCIAL LIABILITIES	**946,710**	**331,522**
TOTAL	**1,911,496**	**1,221,464**

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 2015 and 2014:

In € thousands	At December 31, 2015	At December 31, 2014
Borrowings at January 1	1,221,464	1,341,022
New borrowings*	758,422	72,056
Repayments of borrowings	(53,217)	(178,579)
Change in bank overdrafts	(3,617)	2,161
Impact of cash flow hedges	(12,155)	(16,391)
Other	599	1,195
TOTAL BORROWINGS AT DECEMBER 31	**1,911,496**	**1,221,464**
* *New borrowings excluding borrowings related to finance leases*	*738,596*	*55,000*

Bonds

On May 26, 2011 the Group issued €500 million worth of bonds paying interest at 4.875% per year. They will be redeemed at face value at maturity on June 1, 2016.

On November 26, 2015 the Group issued a further €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.

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, 2015

A €1,400 million syndicated credit facility

On November 28, 2013, the Group refinanced its €1,400 million syndicated credit facility set up with a pool of 12 international banks. The refinancing conditions did not result in any substantial amendments to the original loan contract.

The new facility – whose entire amount is in the form of revolving credit – had an initial maturity of five years, expiring in 2018, with an option to extend it to seven years (expiring in 2020). On October 2, 2015, the Group signed an amendment to the loan contract extending its initial maturity from 2018 to 2020, with an option to further extend it to 2022. None of this facility had been drawn down at December 31, 2015.

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 32.

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, 2015 and the Group made its first repayment installment, amounting to €25 million, during 2015.

The financial covenants applicable to these loans are described in Note 32.

An €800 million 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.

This variable-rate facility had been used in an amount of €350 million at December 31, 2015.

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, 2015	At December 31, 2014
Fixed-rate borrowings	1,656,526	1,200,722
Variable-rate borrowings	254,970	20,742
TOTAL BORROWINGS	**1,911,496**	**1,221,464**

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, 2015.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	45,115	222,444	46,357	313,916
Bonds	499,791	0	640,777	1,140,568
Commercial paper	350,000	0	0	350,000
Borrowings related to finance leases	28,675	49,128	3,955	81,758
Bank overdrafts	1,522	0	0	1,522
Other	21,607	0	2,125	23,732
TOTAL BORROWINGS	**946,710**	**271,572**	**693,214**	**1,911,496**
Trade payables	1,358,234	670,045	252,889	2,281,168
TOTAL COMMITTED FINANCING FACILITIES	**2,304,944**	**941,617**	**946,103**	**4,192,664**

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2014:

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	29,451	232,965	89,643	352,059
Bonds	0	499,291	0	499,291
Commercial paper	249,000	0	0	249,000
Borrowings related to finance leases	25,359	58,046	6,624	90,029
Bank overdrafts	5,139	0	0	5,139
Other	22,573	0	3,373	25,946
TOTAL BORROWINGS	**331,522**	**790,302**	**99,640**	**1,221,464**
Trade payables	833,657	232,944	74,725	1,141,326
TOTAL COMMITTED FINANCING FACILITIES	**1,165,179**	**1,023,246**	**174,365**	**2,362,790**

Description of the Group's main finance leases outstanding at December 31, 2015

At December 31, 2015, the Group's total obligations under finance leases amounted to €82 million versus €90 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 leasing.

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, 2015 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	31,204	52,116	4,056	**87,376**
Present value	29,766	45,704	3,014	**78,484**

Present value is determined by applying a 4.83% discount rate.

NOTE 29 TRADE AND OTHER PAYABLES

This item breaks down as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Trade and other payables recorded under other non-current liabilities:		
Trade payables	922,934	307,669
Accrued taxes and employee-related payables	11,226	9,803
Other	150	300
SUB-TOTAL	**934,310**	**317,772**
Trade and other payables recorded under current liabilities:		
Trade payables	1,358,234	833,657
Advances and prepayments	368	328
Accrued taxes and employee-related payables	226,143	237,427
Other	1,313	1,537
Deferred income	40,355	29,472
SUB-TOTAL	**1,626,413**	**1,102,421**
TOTAL	**2,560,723**	**1,420,193**

Total trade payables can be analyzed as follows:

In € thousands	At December 31, 2015	At December 31, 2014
Suppliers of goods and services	550,110	466,591
Suppliers of non-current assets	1,731,058	674,735
TOTAL	**2,281,168**	**1,141,326**

NOTE 30 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 S.A. and members of the Management Committee.
- Compensation paid to the nine members of the Group's key management personnel in 2015 and 2014 breaks down as follows:

In € thousands	At December 31, 2015	At December 31, 2014
• Total compensation	2,099	2,092
• Share-based payments	423	1,506
TOTAL	**2,522**	**3,598**

No liabilities have been recognized in the balance sheet in relation to compensation payable to key management personnel.

Related-party transactions

Free Mobile performs technical services on behalf of SALT, a company incorporated in Switzerland that is controlled by one of the Group's related parties. Invoices for these services totaled €200 thousand in 2015.

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 key management personnel 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.

On March 4, 2015, Iliad S.A.'s Board of Directors authorized a cash settlement for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the first two share grant plans of May 12, 2010 and December 20, 2010. This cash settlement represented a maximum of 10% of the beneficiaries' Free Mobile shares and the per-share price was determined by an independent valuer.

NOTE 31 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, 2015							
Cash	35,551					35,551	35,551
Marketable securities	684,517					684,517	684,517
Trade receivables				447,398		447,398	447,398
Other receivables				236,920		236,920	236,920
Other short-term financial assets				138		138	138
Other long-term financial assets		1,933		6,438		8,371	8,371
Long-term financial liabilities			0		(964,786)	(964,786)	(964,786)
Short-term financial liabilities			(1,149)		(945,561)	(946,710)	(946,710)
Other non-current liabilities					(934,310)	(934,310)	(934,310)
Other current liabilities					(1,626,413)	(1,626,413)	(1,626,413)
TOTAL	**720,068**	**1,933**	**(1,149)**	**690,894**	**(4,471,070)**	**(3,059,324)**	**(3,059,324)**

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, 2014							
Cash	63,671					63,671	63,671
Marketable securities	73,731					73,731	73,731
Trade receivables				386,233		386,233	386,233
Other receivables				180,588		180,588	180,588
Other short-term financial assets			6,594	47		6,641	6,641
Other long-term financial assets		1,949		6,214		8,163	8,163
Long-term financial liabilities			(10,119)		(879,823)	(889,942)	(889,942)
Short-term financial liabilities			(2,470)		(329,052)	(331,522)	(331,522)
Other non-current liabilities					(317,772)	(317,772)	(317,772)
Other current liabilities					(1,102,421)	(1,102,421)	(1,102,421)
TOTAL	**137,402**	**1,949**	**(5,995)**	**573,082**	**(2,629,068)**	**(1,922,630)**	**(1,922,630)**

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 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 32 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 2015.

At December 31, 2015 all of these currency hedges qualified as cash flow hedges under IAS 39.

Currency hedges had a negative impact of €1,140 thousand on the Group's income statement in 2015 and a negative €4,106 thousand impact on equity.

Interest rate risk

The Group's interest rate risk management policy is aimed at (i) reducing its exposure to fluctuations in interest rates, (ii) adjusting the portions of its fixed-rate and variable-rate borrowings, and (iii) optimizing its average cost of borrowing.

Interest rate hedges had a €5,925 thousand positive impact on equity in 2015.

Hedges of borrowings

In order to reduce the volatility of its future cash flows relating to interest payments on its borrowings, the Group has set up swaps to convert variable-rate borrowings into fixed-rate borrowings.

One swap contract was in place at December 31, 2015, covering the period from 2012 to 2016 on a notional amount of €300 million (of which €100 million has been recognized under hedge accounting).

At December 31, 2015 this swap had a negative fair value of €3,448 thousand.

Changes in fair value of derivatives used as cash flow hedges are recognized in equity. At December 31, 2015 these derivatives had a negative fair value of €1,149 thousand.

In view of the Group's enhanced financing structure and medium-term outlook:

- in 2012 it decided to no longer classify as a hedging instrument a swap contract on a notional amount of €150 million covering the period 2012-2015 (which had been classified as a hedging derivative until end-2011);
- it set up a swap in 2012 on the fixed-rate EIB loan (see Note 28), covering a notional amount of €100 million for the period 2012-2016;
- it set up a swap in 2013 on the fixed-rate EIB loan (see Note 28), covering a notional amount of €100 million for the period 2012-2016;
- in 2014 it decided to no longer classify as a hedging instrument a swap contract on a notional amount of €50 million covering the period 2012-2015 (which had been classified as a hedging derivative until end-2013).

These accounting treatments had positive impacts of €2,353 thousand and €2,597 thousand in 2014 and 2015 respectively, which were recorded as financial income.

The Group does not have any exposure to interest rate risk on its finance leases as the related contracts are primarily at fixed rates.

Taking into account the above-described hedges and fixed rate contracts, substantially all of the Group's debt was hedged against fluctuations in interest rates at December 31, 2015.

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, 2015 and an analysis of sensitivity to interest rate fluctuations.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Financial liabilities	946,710	271,572	693,214	1,911,496
Financial assets	138	1,933	6,438	8,509
Net position before hedging	**946,572**	**269,639**	**686,776**	**1,902,987**
Off-balance sheet position	0	0	0	0
Net position after hedging	**946,572**	**269,639**	**686,776**	**1,902,987**

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 €277 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 only a minimal impact on the Group's earnings and equity (see Note 25).

Liquidity risk

The Group has historically financed its growth principally through internal resources, with limited recourse to borrowing to finance its development and external growth.

At December 31, 2015 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 the EIB loans and the syndicated credit facility.

These covenants (which take the form of financial ratios) were as follows at December 31, 2015:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2015
• €1,400 million credit facility (Borrower – Iliad)	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1		Leverage ratio: 0.75
• €150 million EIB loan (Borrower – Iliad)	Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Interest cover ratio: 27.38
• €200 million EIB loan (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, 2015 the Group was not exposed to any liquidity risk in view of the high level of cash generated by its ADSL operations, the maturity schedule of its debt (see Note 28) and its extremely low leverage.

Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly shortterm investments – as well as trade and other receivables (see Note 31 "Financial instruments").

The financial assets which could expose the Group to credit or counterparty risk chiefly correspond to the following:

- trade receivables: at December 31, 2015 trade receivables represented a gross amount of €573 million and a net amount of €447 million (see Note 22 "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, 2015 the Group's short-term investments amounted to €685 million (see Note 23 "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.

In addition, as part of its strategy for managing foreign exchange risk, the Group sets up hedges with leading financial institutions for which the counterparty risk is deemed to be negligible.

Analysis of trade receivables

At December 31, 2015 trade receivables totaled €573 million and provisions for doubtful receivables amounted to €126 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 33 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

33.1 Lease commitments

Lease expenses recognized in the income statement break down as follows:

In € millions	2015	2014
• Minimum lease payments	106	69
• Contingent lease payments	0	0
• Sub-leases	13	13
TOTAL	**119**	**82**

The table below analyzes the Group's lease commitments at December 31, 2015 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	22	65	4	**91**
Vehicles	2	3	0	**5**
Other	82	297	140	**519**
TOTAL	**106**	**365**	**144**	**615**

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.

33.2 Network-related commitments

Network investments

At December 31, 2015 the Group had €53.8 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	63	87	0	**150**
TOTAL	**63**	**87**	**0**	**150**

33.3 Other commitments

33.3.1 Commitments related to telecom licenses

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 is 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 October 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 2031.

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.

33.3.2 Other commitments

At December 31, 2015 the Group had access to:

- a €1,400 million credit facility, none of which had been drawn down;
- an €800 million commercial paper program, of which €350 million had been used;
- two loans representing an aggregate amount of €350 million, which had been fully drawn down.

At the same date:

- other commitments given by the Group amounted to €19 million;
- other commitments received by the Group totaled €419 million.

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.

Statutory training entitlement/Personal training account

In accordance with French Act no. 2004-391 of May 4, 2004 relating to professional training, the Group's French companies used to grant their employees an entitlement to at least 20 hours' training per calendar year, which could be carried forward for up to six years. If all or part of the cumulative entitlement was not used within six years, it was capped at 120 hours.

Since January 1, 2015, the statutory training entitlement in this form (DIF) has been replaced by a new system called CPF which is based on a personal training account. The hours accrued by Group employees under the former DIF system have been transferred to the CPF.

Iliad does not record a provision for this statutory training entitlement as it considers that the Group will receive a future benefit from any training given to employees because the underlying aim of the related training courses is to develop employee skills within the Group's core businesses. In addition, only a very small number of training requests are lodged by employees who have left the Group or retired early.

33.4 Claims and litigation

The main legal proceedings currently affecting the Group are as follows:

Dispute with Numericable

By way of a decision handed down on December 13, 2013, the Paris Commercial Court ordered Numericable and NC Numericable to pay, on a joint and several basis, €6,391,000 in damages to Free for an advertising campaign that led to customer confusion prior to the launch of Free's mobile offerings in 2011. The Court ordered the provisional enforcement of this decision, which has been appealed by Numericable and NC Numericable. Proceedings are still ongoing in this case.

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 are contesting SFR's position in this case and have filed a counterclaim seeking €475 million in damages for Free Mobile and €88 million for Free. Proceedings are still ongoing.

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 claims that this constitutes unfair competition and parasitic business practice and has also sued for damages for its related loss, which it is in the process of determining.

Disputes with Orange

- On April 11, 2014, Orange filed two court applications concerning various patents. Orange is seeking the cessation of alleged acts of infringement and has filed a provisional claim for around €250 million. Free contested Orange's position, notably challenging its right to act and the validity of the patents and its claims, and demanded €50 thousand in compensation from Orange for abuse of process and €50 thousand in costs under Article 700 of the French Civil Code (*Code de procédure civile*).

  On June 18, 2015, the Paris District Court rejected Orange's claims in the first of these cases. The court ordered Orange to pay Free €200,000 and, as requested by Free, canceled the patent concerned. Orange has appealed this decision. Consequently proceedings are still ongoing in both of the cases.
- By way of decision 2015-0971-RDPI dated July 28, 2015, ARCEP authorized Free Mobile to use the optical fiber links at no extra cost for traffic to transit from its mobile base stations, whether the latter are connected to a copper or a fiber optic main distribution frame. On August 28, 2015, Orange appealed ARCEP's decision. Free Mobile is contesting Orange's position. Proceedings are ongoing in this case.

Dispute 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. During the first half of 2015, Bouygues Telecom estimated its alleged losses in relation to this case at €411 million. Proceedings are still ongoing in this case.

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.

NOTE 34 EVENTS AFTER THE REPORTING DATE

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. This facility takes the form of a five-year term loan and is subject to covenants based on the Group's leverage and interest cover ratios.

NOTE 35 LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2015

The following table includes the Group's main legal holdings.

	Registration number	Head office	Percentage ownership at Dec. 31, 2015	Percentage ownership at Dec. 31, 2014	Consolidation method in 2015
Iliad 16 rue de la Ville l'Evêque 75008 Paris	342 376 332	Paris	100.00%	100.00%	Full
Assunet 16 rue de la Ville l'Evêque 75008 Paris	421 259 797	Paris	89.96%	89.96%	Full
Centrapel 8 rue de la Ville l'Evêque 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'Evêque 75008 Paris	421 938 861	Paris	100.00%	100.00%	Full
Freebox 16 rue de la Ville l'Evêque 75008 Paris	433 910 619	Paris	97.99%	97.99%	Full
F Distribution 8 rue de la Ville l'Evêque 75008 Paris	528 815 376	Paris	100.00%	100.00%	Full
Free Fréquences 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	99.77%	99.76%	Full
Free Infrastructure 16 rue de la Ville l'Evêque 75008 Paris	488 095 803	Paris	100.00%	100.00%	Full
Free Mobile 16 rue de la Ville l'Evêque 75008 Paris	499 247 138	Paris	95.41%	95.12%	Full
IFW 8 rue de la Ville l'Evêque 75008 Paris	400 089 942	Paris	100.00%	100.00%	Full
IH 8 rue de la Ville l'Evêque 75008 Paris	441 532 173	Paris	100.00%	100.00%	Full
Iliad 2 16 rue de la Ville l'Evêque 75008 Paris	537 915 050	Paris	100.00%	100.00%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2015	Percentage ownership at Dec. 31, 2014	Consolidation method in 2015
Free Carrier 16 rue de la Ville l'Evêque 75008 Paris	790 148 944	Paris	100.00%	100.00%	Full
Iliad 4 16 rue de la Ville l'Evêque 75008 Paris	799 285 820	Paris	100.00%	100.00%	Full
Iliad 5 8 rue de la Ville l'Evêque 75008 Paris	808 537 641	Paris	100.00%	100.00%	Full
Iliad Gaming 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	100.00%	Full
Immobilière Iliad 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	Full
IRE 16 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	Full
M.C.R.A. 8 rue de la Ville l'Evêque 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'Evêque 75008 Paris	433 115 904	Paris	95.12%	95.12%	Full
Online Immobilier 16 rue de la Ville l'Evêque 75008 Paris	537 915 019	Paris	95.12%	95.12%	Full
One Tel 16 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	99.99%	99.99%	Full
Protelco 8 rue de la Ville l'Evêque 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
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
Telecom Réunion Mayotte 68 rue du Faubourg Saint- Honoré 75008 Paris	812 123 214	Paris	50%	/	Equity

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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. The Statutory Auditors' report includes information specifi cally required by French law in such reports, whether modifi ed or not. This information is presented below the opinion on the consolidated fi nancial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain signifi cant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated fi nancial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated fi nancial statements.

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'Evêque

75008 Paris

France

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Iliad;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2015 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.

II - Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 3 to the consolidated financial statements describes the critical accounting estimates and judgments made by management. Our work consisted of assessing the data and assumptions on which these accounting estimates and judgments were based; reviewing, on a test basis, the calculations performed by the Company; comparing the accounting estimates made in prior periods with actual results; examining management's procedures for approving these estimates; and verifying that the notes to the consolidated financial statements contain the appropriate disclosures as regards the assumptions and options applied by the Company;
- your Company tested goodwill, property, plant and equipment and intangible assets for impairment, in accordance with the methods described in Notes 18 and 19 to the consolidated financial statements. We reviewed the methods used to carry out these impairment tests and to determine the recoverable amount of the cash-generating units. We also examined the underlying documentation and assessed the consistency of the data used and verified that Notes 18 and 19 contained the appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, March 10, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Xavier Cauchois	François Buzy — Jean-Paul Séguret

20.2 PARENT COMPANY FINANCIAL STATEMENTS FOR 2015

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BALANCE SHEET – ASSETS

In € thousands	Gross	Depr., amort. and provisions	Net at December 31, 2015	Net at December 31, 2014
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	872	698	174	84
PROPERTY, PLANT AND EQUIPMENT				
Land	66	0	66	66
Buildings	200	200	0	0
Fixtures and fittings	7,075	3,090	3,985	4,496
Technical equipment	254	135	119	156
Computer equipment	805	672	133	156
Furniture	1,371	993	378	552
Assets under construction	0	0	0	0
Advances and prepayments	0	0	0	0
LONG-TERM INVESTMENTS				
Investments in subsidiaries and affiliates	1,214,119	95,285	1,118,834	1,066,886
Loans and advances to subsidiaries and affiliates	2,543,268	21,449	2,521,819	2,131,796
Other investment securities	3,253	1,753	1,500	1,515
Other loans	0	0	0	0
Other long-term investments	3,899	0	3,899	3,845
TOTAL FIXED ASSETS	**3,775,182**	**124,275**	**3,650,907**	**3,209,552**
Inventories	0	0	0	0
Advances and prepayments on orders	0	0	0	0
Trade receivables	19,260	408	18,852	26,163
Receivables from suppliers	118	0	118	92
Employee-related receivables	718	0	718	814
Recoverable corporate income tax	2,542	0	2,542	12,590
Recoverable sales taxes	3,159	0	3,159	3,579
Other receivables	209,146	0	209,146	164,420
Other advances and prepayments made	0	0	0	0
Marketable securities	687,988	0	687,988	78,585
Cash at bank and in hand	7,897	0	7,897	51,511
Prepaid expenses	8,197	0	8,197	4,625
TOTAL CURRENT ASSETS	**939,025**	**408**	**938,617**	**342,379**
ACCRUALS				
Deferred charges	17,419	0	17,419	14,254
Conversion losses	0	0	0	0
TOTAL ASSETS	**4,731,626**	**124,683**	**4,606,943**	**3,566,185**

BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	At December 31, 2015	At December 31, 2014
Share capital	12,999	12,953
Additional paid-in capital	405,848	392,564
Legal reserve	1,302	1,298
Regulated reserves	0	0
Other reserves	111,788	111,788
Retained earnings	1,788,698	1,503,543
Interim dividends	0	0
Profit for the year	334,957	307,980
TOTAL EQUITY	**2,655,592**	**2,330,126**
QUASI-EQUITY	**0**	**0**
Provisions for contingencies	2,592	9,708
Provisions for charges	0	0
TOTAL PROVISIONS	**2,592**	**9,708**
Convertible bonds	0	0
Ordinary bonds	1,165,275	514,291
Bank borrowings	681,332	607,282
Bank overdrafts	0	1,704
Other borrowings	0	9
Current accounts with subsidiaries	32,159	17,188
Advances and prepayments received	0	11
Trade payables	28,266	38,306
Employee-related payables	398	630
Accrued payroll and other employee-related taxes	567	584
Accrued corporate income tax	0	0
Accrued sales taxes	7,487	8,826
Other accrued taxes	375	705
Amounts due on fixed assets	63	92
Other payables	32,837	36,723
Deferred income	0	0
TOTAL ACCRUALS AND OTHER LIABILITIES	**1,948,759**	**1,226,351**
TOTAL EQUITY AND LIABILITIES	**4,606,943**	**3,566,185**

INCOME STATEMENT

In € thousands	2015	2014
Rebillings	123,373	101,301
Sales of services in France	19,697	19,205
TOTAL REVENUES	**143,070**	**120,506**
Operating grants	0	2
Reversals of depreciation, amortization and provisions, expense transfers	14	1,612
Other income	19	23
TOTAL OPERATING INCOME	**143,103**	**122,143**
Rebilled purchases	123,373	101,301
Other purchases and external charges	22,070	21,387
Taxes other than on income	518	610
Wages and salaries	4,923	4,817
Payroll taxes	1,423	1,414
Depreciation and amortization of fixed assets	3,830	3,886
Additions to provisions for impairment of current assets	66	66
Additions to provisions for contingencies and charges	0	293
Other expenses	478	1,356
TOTAL OPERATING EXPENSES	**156,681**	**135,130**
NET OPERATING EXPENSE	**(13,578)**	**(12,987)**
Interest and other financial income	402,895	397,992
Reversals of provisions	9,441	7,701
Foreign exchange gains	15	6
Net gains on disposals of marketable securities	2,413	4,069
TOTAL FINANCIAL INCOME	**414,764**	**409,768**
Interest and other financial expense	56,045	62,008
Additions to provisions	14,067	40,574
Foreign exchange losses	60	49
Net losses on disposals of marketable securities	1,316	1,626
TOTAL FINANCIAL EXPENSES	**71,488**	**104,257**
NET FINANCIAL INCOME	**343,276**	**305,511**
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	**329,698**	**292,524**
Exceptional income from operating transactions	0	0
Exceptional income from capital transactions	0	0
Reversals of provisions	0	0
TOTAL EXCEPTIONAL INCOME	**0**	**0**
Exceptional expense on operating transactions	0	0
Exceptional expense on capital transactions	0	0
Exceptional depreciation, amortization and provision expense	0	0
TOTAL EXCEPTIONAL EXPENSES	**0**	**0**
NET EXCEPTIONAL INCOME	**0**	**0**
Corporate income tax	(5,259)	(15,456)
TOTAL INCOME	**557,867**	**540,832**
TOTAL EXPENSES	**222,910**	**232,852**
PROFIT FOR THE YEAR	**334,957**	**307,980**

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, 2013	**12,870**	**370,674**	**1,203,987**	**434,233**	**2,021,764**
Movements in 2014					
• Proceeds from share issues	83	21,890			21,973
• Appropriation of 2013 profit			434,233	(434,233)	0
• Dividends paid			(21,591)		(21,591)
• Profit for the year				307,980	307,980
• Other movements					
EQUITY AT DECEMBER 31, 2014	**12,953**	**392,564**	**1,616,629**	**307,980**	**2,330,126**
Movements in 2015					
• Capital increase	46	13,284			13,330
• Appropriation of 2014 profit			307,980	(307,980)	0
• Dividends paid			(22,825)		(22,825)
• Profit for the year				334,957	334,957
• Other movements			4		4
EQUITY AT DECEMBER 31, 2015	**12,999**	**405,848**	**1,901,788**	**334,957**	**2,655,592**

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, 2015***;
- accounting period: ***12 months***;
- previous accounting period: ***12 months***;
- total assets at December 31, 2015: ***€4,606,943 thousand***;
- 2015 revenues: ***€143,070 thousand***;
- number of employees at December 31, 2015: ***112.***

In application of Articles L. 123-16 and R. 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 Exceptions

No exceptions to French generally accepted accounting principles were applied in the preparation of these financial statements.

1.3 Summary of significant accounting policies

The main accounting policies applied by the Company are described below.

1.3.1 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 years
• Trademarks	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

1.3.2 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.

1.3.3 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.

1.3.4 Marketable securities

Marketable securities are stated at their transfer value or acquisition cost and are written down to their net realizable value where necessary.

1.3.5 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.

1.3.6 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 resources, without at least equivalent consideration, a provision is recorded when the amount of the obligations can be estimated reliably.

1.3.7 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 size or impact or which arise from events that occur rarely.

1.3.8 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, 2015

2.1 Intangible assets

2.1.1 Movements in 2015

Movements in intangible assets in 2015 can be analyzed as follows:

In € thousands	At January 1, 2015	Acquisitions	Disposals	At December 31, 2015
Software	628	147	0	775
Trademarks	51	0	0	51
Assets under construction	0	46	0	46
TOTAL	**679**	**193**	**0**	**872**

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 2015

Movements in property, plant and equipment in 2015 can be analyzed as follows:

In € thousands	At January 1, 2015	Acquisitions	Disposals	At December 31, 2015
Land	66	0	0	66
Buildings	200	0	0	200
Fixtures and fittings	7,015	64	4	7,075
Technical equipment	241	13	0	254
Computer equipment	723	82	0	805
Furniture	1,309	62	0	1,371
Assets under construction	0	7	7	0
TOTAL	**9,554**	**228**	**11**	**9,771**

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 2015

In € thousands	At January 1, 2015	Acquisitions	Disposals	At December 31, 2015
Investments in subsidiaries and affiliates	1,160,004	54,115	0	**1,214,119**
Loans and advances to subsidiaries and affiliates	2,143,685	400,926	1,343	**2,543,268**
Other investment securities	3,253	0	0	**3,253**
Guarantee deposits	3,845	68	14	**3,899**
TOTAL	**3,310,787**	**455,109**	**1,357**	**3,764,539**

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 IRE as part of a capital increase carried out on June 24, 2015;
- the purchase of shares issued by F Distribution as part of a capital increase carried out on June 23, 2015;
- the acquisition of a 50% stake in S.A.S. Telecom Réunion Mayotte on November 6, 2015 for €24,000 thousand.

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	Share capital	Retained earnings and reserves	% ownership	2015 profit/(loss)	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Commitments given	2015 revenues	Dividends received during the year
Assunet S.A.S.	38	39	89.96	948	34	34	0	/	1,968	787
F Distribution S.A.S.	1,000	2,935	100.00	(2,467)	11,000	11,000	26,040	/	16,883	0
Free S.A.S.	3,442	596,298	100.00	343,385	496,836	496,836	338,566	/	2,755,103	344,181
Freebox S.A.S.	50	6,708	97.99	1,858	5,190	5,190	29,216	15,172	426,716	4,899
Free Carrier S.A.S.	10	(11)	100.00	(5)	11	11	5	/	0	0
Free Fréquences S.A.S.	5,000	194	99.77	48	4,750	4,750	0	/	0	0
Free Infrastructure S.A.S.	1,000	(44,290)	100.00	(33,361)	179,124	179,124	870,577	3,000	49,171	0
Free Mobile S.A.S.	365,139	(280,127)	95.41	45,664	357,588	357,588	1,102,231	/	1,889,738	0
IFW S.A.S.	2,000	(263)	100.00	1,268	71,950	5,418	0	/	3,396	0
IH S.A.S.	39	4	100.00	115	39	39	98	/	1,121	104
Iliad 2 S.A.S.	10	(2)	100.00	(2)	12	12	0	/	0	0
Iliad 4 S.A.S.	2	(1)	100.00	(3)	2	2	3	/	0	0
Iliad 5 S.A.S.	2	0	100.00	(2)	2	2	1	/	0	0
Iliad Gaming S.A.S.	1,000	(6,051)	100.00	(171)	1,000	0	5,288	/	0	0
Immobilière Iliad EURL	1,000	(11,714)	100.00	(4,542)	27,456	0	45,863	/	8,632	0
IRE S.A.S.	1,000	(2,753)	100.00	(1,586)	26,321	26,321	34,120	/	11,426	0
M.C.R.A. S.A.S.	4,268	598	100.00	176	7,695	7,695	1,347	/	7,489	0
Online S.A.S.	214	906	95.12	(1,025)	341	341	62,381	/	40,659	0
One Tel S.A.S.	2,511	251	100.00	590	0	0	0	/	1,771	893
Protelco S.A.S.	37	1,985	100.00	2,853	37	37	0	/	85,247	0
Resolution Call(1)	MAD 100	MAD 3,704	100.00	MAD (6,407)	10	10	1,924	/	MAD 91,051	0
SNDM EURL	2	(374)	100.00	935	297	0	0	/	0	0
Telecom Academy "Privé"(1)	MAD 100	MAD 1,080	100.00	MAD 26	10	10	391	/	MAD 20,366	0
Telecom Réunion Mayotte(2)	48,010	0	50.00	(311)	24,000	24,000	0	/	96	0
Total Call(1)	MAD 4,600	MAD 14,410	100.00	MAD 7,167	414	414	1,324	/	MAD 264,295	0

(1) MAD: Moroccan dirhams.
(2) Data as at August 31, 2015.

2.3.5 Related-party transactions

	Debit balances	Credit balances
Loans and advances to subsidiaries and affiliates	2,543,268	
Trade receivables	18,539	
Deposits received for business premises	0	
Other borrowings		32,155
Trade payables		115
Other receivables/payables		32,837
Financial expenses	325	
Financial income		399,950

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, 2015	Increases (additions for the year)	Decreases (depreciation and amortization written off on divested assets)	Depreciation and amortization at December 31, 2015
Intangible assets				
SUB-TOTAL I	595	103	0	698
Buildings	200	0	0	200
Other property, plant and equipment:				
• Technical equipment	85	50	0	135
• Fixtures and fittings	2,519	571	0	3,090
• Furniture, office and computer equipment	1,324	341	0	1,665
Property, plant and equipment				
SUB-TOTAL II	4,128	962	0	5,090
TOTAL I + II	**4,723**	**1,065**	**0**	**5,788**

2.5 Other assets

2.5.1 Analysis of receivables by maturity

At December 31, 2015 *In € thousands*	Gross amount	Due within 1 year	Due beyond 1 year
Fixed assets			
• Loans and advances to subsidiaries and affiliates	2,543,268	2,543,268	0
• Other loans	0	0	0
• Other long-term investments	3,899	0	3,899
Current assets			
• Advances and prepayments on orders	0	0	0
• Trade receivables	18,934	18,934	0
• Doubtful and disputed receivables	326	326	0
• Recoverable payroll and other employee-related taxes	0	0	0
• Employee-related receivables	718	718	0
• Recoverable corporate income tax	2,542	2,542	0
• Recoverable VAT	3,159	3,159	0
• Other receivables (including inter-company current accounts)	209,264	209,264	0
• Prepaid expenses	8,197	2,599	5,598
TOTAL	**2,790,307**	**2,780,810**	**9,497**

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 2015:

In € thousands	Amount
• Accumulated debt issuance costs	18,702
• Prior-period amortization	(4,448)
• Debt issuance costs recognized during the year	5,930
• Amortization charge for the year	(2,765)
NET AT DECEMBER 31, 2015	**17,419**

2.5.3 Marketable securities

Marketable securities break down as follows:

	December 31, 2015		December 31, 2014	
In € thousands	Carrying amount	Fair value	Carrying amount	Fair value
Certificates of deposit				
Net value	**40,000**	**40,000**	**25,000**	**25,000**
Mutual funds (UCITs)				
Net value	**644,517**	**644,517**	**48,731**	**48,731**
Own shares				
Net value	**3,471**	**3,471**	**4,065**	**4,065**
Treasury instruments				
Net value	**0**	**0**	**789**	**789**
TOTAL, NET	**687,988**	**687,988**	**78,585**	**78,585**

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.

In line with this policy, 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, 2015 the Company's share capital amounted to €12,999 thousand (compared with €12,953 thousand at December 31, 2014), divided into 58,660,640 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. Lastly, the first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014.

In 2015, 206,705 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €46 thousand to €12,999 thousand at December 31, 2015 from €12,953 thousand one year earlier.

2.6.4 Ownership structure

At December 31, 2015 Iliad's ownership structure was as follows:

Shareholder	Number of shares	%
Executive Management	33,945,812	57.87
Free float	24,714,828	42.13
TOTAL	**58,660,640**	**100.00**

2.6.5 Own shares

At December 31, 2015 Iliad held 18,375 of its own shares purchased under a buyback program.

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, 2015

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2015	Number of options granted in 2015	Number of options forfeited in 2015	Number of options exercised in 2015	Number of exercisable options outstanding at Dec. 31, 2015	Number of non-exercisable options outstanding at Dec. 31, 2015
Iliad								
Dec. 12, 2003	Dec. 20, 2005	48.44	4,373	0	0	4,373	0	0
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	47,377	0	0	20,670	26,707	0
May 29, 2008	Nov. 5, 2008	53.79	128,459	0	0	44,672	83,787	0
May 29, 2008	Aug. 30, 2010	67.67	99,550	0	0	99,550	0	0
May 29, 2008	Aug. 30, 2010	67.67	337,050	0	5,520	35,240	296,290	0
May 24, 2011	Nov. 7, 2011	84.03	367,400	0	2,200	2,200	0	363,000

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 from November 6, 2016

2.7 Provisions for contingencies and charges

2.7.1 Movements in 2015

Movements in provisions for contingencies and charges in 2015 can be analyzed as follows:

In € thousands	At Jan. 1, 2015	Additions	Reversals (utilizations)	Reversals (surplus provisions)	At Dec. 31, 2015
Provisions for contingencies and charges	9,708	0	7,116	0	2,592
TOTAL	**9,708**	**0**	**7,116**	**0**	**2,592**

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, 2015 are intended to cover all the circumstances of which the Company was aware at that date that could have an adverse effect on the Company's assets or liabilities. Certain of the Group's interest rate hedges have been disqualified from hedge accounting, resulting in the recognition of a provision. This provision amounted to €2,299 thousand at December 31, 2015, corresponding to the negative fair value of the disqualified instruments at that date.

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, 2015 *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
– due beyond one year at issue date	1,165,275	515,275	0	650,000
• Bank borrowings:				
– due within one year at inception of loan	0	0	0	0
– due beyond one year at inception of loan	681,332	397,999	233,333	50,000
• Bank overdrafts	0	0	0	0
• Other borrowings	0	0	0	0
• Guarantees and deposits received	0	0	0	0
• Current accounts with subsidiaries	32,159	32,159	0	0
• Advances and prepayments received			0	0
• Trade payables	28,266	28,266	0	0
• Employee-related payables	398	398	0	0
• Accrued payroll and other employee-related taxes	567	567	0	0
• Other accrued taxes:				
– Corporate income tax	0	0	0	0
– VAT	7,487	7,487	0	0
– Other	375	375	0	0
• Amounts due on fixed assets	63	63	0	0
• Other payables	32,837	32,837	0	0
TOTAL	**1,948,759**	**1,015,426**	**233,333**	**700,000**

Ordinary bonds

On May 26, 2011 the Company issued €500 million worth of bonds paying interest at 4.875% per year. These bonds will be redeemed at face value at maturity on June 1, 2016.

On November 26, 2015 the Company issued a further €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.

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, 2015 and the first repayment installment, amounting to €25 million, was made during 2015.

A €1,400 million syndicated credit facility

On November 28, 2013, the Group refinanced its €1,400 million syndicated credit facility set up with a pool of 12 international banks. The refinancing conditions did not result in any substantial amendments to the original loan contract.

The new facility – whose entire amount is in the form of revolving credit – has an initial maturity of five years, expiring in 2018, with an option to extend it to seven years (expiring in 2020). On October 2, 2015, the Group signed an amendment to the loan contract extending its initial maturity from 2018 to 2020, with an option to further extend it to 2022. None of this facility had been drawn down at December 31, 2015.

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.

NOTE 3 2015 REVIEW OF OPERATIONS

3.1 Revenues

2015 revenues can be analyzed as follows by segment:

In € thousands	Amount
• Iliad Telecom services	1,006
• Inter-company rebillings	141,637
• Other revenues	427
TOTAL	**143,070**

All of the Company's revenues are generated in France.

3.2 Number of employees

At December 31, 2015, Iliad S.A. had 112 employees, breaking down as follows by category:

	Men	Women	Total
• Management	25	17	42
• Other	24	46	70
TOTAL	**49**	**63**	**112**

3.3 Net financial income

Net financial income came to €343,276 thousand in 2015, breaking down as follows by category:

In € thousands	Amount
• Net interest on subsidiaries' current accounts	48,761
• Interest income from loans and other receivables	282
• Income from securities	350,871
• Overdraft charges, interest on borrowings and other financial expenses	(53,107)
• Net gains on disposals of marketable securities	493
• Net additions to financial provisions	(4,627)
• Net gains on disposals of own shares	603
	343,276

3.4 Exceptional items

No exceptional income or expenses were recorded in the income statement in 2015.

3.5 Directors' and officers' remuneration

The tables below set out aggregate information concerning the remuneration and benefits paid to members of Iliad's administrative and management bodies.

Administrative bodies *In €*	At December 31, 2015	At December 31, 2014
• Salaries, commission and other remuneration (including lump-sum expense allowances), and paid leave	918,000	906,000
• Directors' fees:		
– Exempt from payroll taxes	162,167	180,000

Management bodies *In €*	At December 31, 2015	At December 31, 2014
• Salaries, commission and other remuneration (including lump-sum expense allowances), and paid leave	183,000	180,000
• Benefits-in-kind	0	0

NOTE 4 FINANCIAL ITEMS

4.1 Finance leases

Iliad S.A. had no outstanding finance leases at December 31, 2015.

4.2 Financial commitments

At December 31, 2015 Iliad S.A. had been granted financial commitments representing €416 million.

Commitments given by Iliad S.A. on behalf of Group companies

At December 31, 2015, Iliad S.A. had given the following commitments on behalf of Group companies:

Subsidiary	Amount *(in € thousands)*
Free Infrastructure	3,000
Freebox	15,172

Collateralized debt

None of the assets belonging to the Company have been used as collateral for any debt.

4.3 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;
- he 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 obligations in relation to post-employment benefits amounted to €264 thousand at December 31, 2015. These obligations were not recognized in the 2015 financial statements.

4.4 Statutory training entitlement

In accordance with French Act 2004-391 of May 4, 2004 relating to professional training, the Company used to grant its employees an entitlement to at least 20 hours' training per calendar year, which could be carried forward for up to six years. If all or part of the cumulative entitlement was not used within six years, it was capped at 120 hours.

Since January 1, 2015, the statutory training entitlement in this form (DIF) has been replaced by a new system called CPF which is based on a personal training account. The hours accrued by employees under the former DIF system have been transferred to the CPF.

Iliad does not record a provision for this statutory training entitlement as it considers that the Company will receive a future benefit from any training given to employees because the underlying aim of the related training courses is to develop employee skills within the Company's businesses. In addition, only a very small number of training requests are lodged by employees who have left the Company or retired early.

4.5 CICE tax credit

The CICE tax credit due to the Company for the year ended December 31, 2015 amounted to €113,001. This tax credit has been recognized as a deduction from payroll costs in accordance with French generally accepted accounting principles.

During 2015, the Company received a payment of €20 thousand as a refund of its 2014 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. 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 has a tax group in place, which at December 31, 2015 included all of its consolidated companies apart from companies (i) that are less than 95%-owned by Iliad, (ii) that were newly formed in 2015, 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 recorded these tax savings on the liabilities side of its balance sheet under "Other payables". They totaled €32,837 thousand at December 31, 2015;
- 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 tax losses generated by 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 *In € thousands*	**Amount**
Deferred tax liabilities	**/**
TOTAL	**/**
Total deferred tax liabilities	**/**
Deferred tax assets	
Government housing levy	7
"Contribution sociale" surtax	68
Temporary differences related to marketable securities	(20)
TOTAL	**55**
Total deferred tax assets	**55**
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 2015 amounted to €5,259 thousand, breaking down as follows:

- corporate income tax charge relating to ordinary activities: €5,259 thousand;
- corporate income tax charge relating to exceptional items: €0.

5.3 Information on the segregation of accounting periods

5.3.1 Accrued income

Accrued income included in balance sheet items can be broken down as follows:

Balance sheet item *In € thousands*	Amount
Loans and advances to subsidiaries and affiliates	0
Other long-term investments	0
Trade receivables	0
Other receivables	0
Cash at bank and in hand	0
TOTAL	**0**

5.3.2 Accrued expenses

Accrued expenses included in balance sheet items can be broken down as follows:

Balance sheet item *In € thousands*	Amount
Convertible bonds	0
Ordinary bonds	15,275
Bank borrowings	6,332
Other borrowings	0
Trade payables	14,359
Accrued taxes and employee-related payables	911
Other payables	0
TOTAL	**36,877**

5.3.3 Deferred income and prepaid expenses

Deferred income and prepaid expenses break down as follows:

In € thousands	Prepaid expenses	Deferred income
Operating expenses/income	1,375	0
Financial expenses/income	6,822	0
Exceptional expenses/income	0	0
TOTAL	**8,197**	**0**

5.4 Events after the balance sheet date

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. This facility takes the form of a five-year term loan and is subject to covenants based on the Group's leverage and interest cover ratios.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. 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'Evêque

75008 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Iliad;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Note 1.3.2 to the financial statements sets out the accounting rules and methods applied in valuing investments in subsidiaries and affiliates, and loans and advances to subsidiaries and affiliates. As part of our assessment of the accounting rules and principles applied by your Company, we verified the appropriateness of these accounting methods and of the calculation of provisions for impairment.

These assessments were made as part of our audit of the financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

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 documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 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.

In accordance with French law, we have verified that the required information concerning the purchase of investments (and controlling interests) and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine, March 10, 2016
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Xavier Cauchois	François Buzy — Jean Paul Seguret
Partner	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. 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.

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 19, 2016, the Board will recommend the payment of a €0.41 dividend per share (excluding taxes) for all the shares making up the Company's share capital at that date, and carrying rights to the 2015 dividend.

The Company expects its dividend policy to be consistent with its expansion strategy in 2016. 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 in the past five fiscal years:

Year	Per-share dividend	Total dividend payout
2010	€0.40	€21,884,296
2011	€0.37	€21,119,833
2012	€0.37	€21,404,748
2013	€0.37	€21,591,098
2014	€0.39	€22,821,951

For individuals domiciled in France for tax purposes, cash dividends are taken into account when calculating personal income tax subject to the progressive tax scale. They are eligible for the tax relief provided for under Article 158.3-2° of the French Tax Code (40% for 2010 to 2014), subject to the applicable conditions and ceilings set down by law and any other specific conditions that may apply to each individual shareholder.

Since 2013, for this category of shareholders the Company has withheld at source from the dividend payment the amount required under French law unless the shareholder concerned has 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 27 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, 2015 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 2016 are described in Chapter 9 (notably Section 9.5.2) and were disclosed by the Company during the presentation of its 2015 results on March 10, 2016.

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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 €12,999,215.04, divided into 58,660,640 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 thirteenth resolution of the May 20, 2015 Annual General Meeting the Board of Directors was granted an authorization – which could 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 20, 2016.

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 Article 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-fifth resolution of the May 20, 2015 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 2015

The Company carried out the following transactions under the share buyback program during 2015:

	Purchases	Sales
Number of shares	279,820	282,591
Average unweighted transaction price *(in €)*	207.72	208.34
Total *(in €)*	58,249,704.26	59,112,164.60

Following the above transactions, the Company held the following Iliad shares at December 31, 2015:

Percentage of capital held directly or indirectly by the Company	0.03%
For the purpose of:	
• maintaining a liquid market	0.03%
• allocation on exercise of stock options	0.00%
Number of shares canceled in the past 24 months	0
Number of shares held in the portfolio	18,500
Carrying amount of the portfolio *(in €)*	
Market value of the portfolio *(in €)**	4,070,000

* *Based on the Iliad closing share price on December 31, 2015, i.e., €220.*

Description of the new share buyback program submitted for shareholder approval at the Annual General Meeting of May 19, 2016

The share buyback authorization given at the May 20, 2015 Annual General Meeting is due to expire on November 20, 2016. At its March 9, 2016 meeting the Board of Directors decided to recommend to shareholders at the Annual General Meeting to be held on May 19, 2016 that they grant the Board a new authorization to carry out a share buyback program (see Appendix C to this Registration Document). Subject to shareholder approval, this authorization would be given for a period of 18 months and it would supersede the authorization granted for the same purpose at the May 20, 2015 Annual General Meeting.

The objectives of the share buyback program are described in the fifteenth resolution that will be submitted to shareholders for approval (see Appendix C 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 December 31, 2015, the total amount invested in the share buyback program would not exceed €1,758,819,200, corresponding to a maximum of 5,866,064 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, 2015.

Outstanding stock options at December 31, 2015 (based on Table 8 in the template recommended by the AMF)

	Jan. 20, 2004 plan	Dec. 20, 2005 plan	June 14, 2007 plan	Aug. 30, 2007 plan	Aug. 30, 2007 plan	Nov. 5, 2008 plan	Nov. 5, 2008 plan	Aug. 30, 2010 plan	Nov. 7, 2011 plan
Date of Shareholders' Meeting	12/12/2003	12/12/2003	05/29/2006	05/29/2006	05/29/2006	05/29/2008	05/29/2008	05/29/2008	05/24/2011
Date of Board meeting	01/20/2004	12/20/2005	06/14/2007	08/30/2007	08/30/2007	11/05/2008	11/05/2008	08/30/2010	11/07/2011
Total number of shares under option	485,769	541,515[1]	162,455	162,455	541,505	80,000	516,600	610,500[6]	404,800
Total number of beneficiaries	22	84	1	1	95	1	120	160	117
O/w executive officers[2]	N/A	Cyril Poidatz (40,614) Olivier Rosenfeld[3] (40,614) Michaël Boukobza[4] (40,614) Rani Assaf (40,614) Antoine Levavasseur (40,614)	Maxime Lombardini	Thomas Reynaud	N/A	Maxime Lombardini	Thomas Reynaud (80,000)	N/A	N/A
Start date of exercise period	01/20/2008	1st tranche 12/20/2009 2nd tranche 12/20/2010	06/14/2012	08/30/2012	08/30/2012	11/05/2013	11/05/2013	1st tranche 08/29/2014 2nd tranche 08/29/2015	11/06/2016
Expiration date	01/19/2014	12/19/2015	06/13/2017	08/29/2017	08/29/2017	11/04/2018	11/04/2018	08/29/2020	11/06/2021
Exercise price (in €)	16.30	48.44	74.62	68.17	68.17	53.79	53.79	67.67	84.03
Number of options exercised	409,434	391,713	162,330	162,455	471,431	73,410	386,603	182,390	8,800
Total number of options canceled or forfeited	76,335	(149,802)[5]	0	0	43,367	0	52,800	131,820	26,400
Outstanding options at year-end	0	0	125	0	26,707	6,590	77,197	296,290	363,000
Dilutive impact	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.1%	0.5%	0.6%

(1) O/w half exercisable at each exercise date.
(2) Executive officers of the Company at the grant date.
(3) Olivier Rosenfeld stepped down from his position as Senior Vice-President on January 3, 2008.
(4) Michaël Boukobza stepped down from his position as a director and Senior Vice-President on June 14, 2007.
(5) O/w 81,228 options held by former employees or Board members.
(6) 30% exercisable on the first exercise date and 70% on the second exercise date.

21.1.4.2 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 26 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.

Share grants – Situation at December 31, 2015 (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, 2015	13,018,318	2,373,401	1,372,918
Total number of shares canceled or forfeited	0	365,138	87,633
Non-vested shares at December 31, 2015	0	0	0

* *Grants awarded to beneficiaries in their capacity as executive officers of Free Mobile.*

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

Not applicable.

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 €)*
Jan. 30, 2012	Capital increase following conversion of OCEANE bonds	2,260,524	500,932.80	202,923,621.96	301,583,792.87	12,621,746.90	56,957,264	0.22
Jan. 30, 2012	Capital increase following exercise of stock options	84,828	18,797.91	3,403,278.94	304,987,070.78	12,640,544.81	57,042,092	0.22
Feb. 4, 2013	Capital increase following exercise of stock options	595,713	132,010.18	38,449,843.21	343,436,913.99	12,772,554.81	57,637,805	0.22
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

21.1.8 AUTHORIZED UNISSUED SHARE CAPITAL

At the Extraordinary General Meetings of May 20, 2014 and May 20, 2015, 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 to be submitted for shareholder approval at the May 19, 2016 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 20, 2015 (14th resolution)	26 months (July 20, 2017)	5,000,000 2,000,000,000	N/A	N/A	N/A
To increase the Company's capital by capitalizing reserves, profit or additional paid-in capital	May 20 2015 (22nd resolution)	26 months (July 20, 2017)	500,000,000	N/A	N/A	N/A
To increase the Company's capital, without pre-emptive subscription rights						
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 20, 2015 (15th resolution)	26 months (July 20, 2017)	5,000,000[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 to be submitted for shareholder approval at the May 19, 2016 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 20, 2015 (16th resolution)	26 months July 20, 2017	5,000,000[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, provided that such issues do not represent more than 10% of the Company's capital in any given year	May 20, 2015 (17th resolution)	26 months (July 20, 2017)	5,000,000[1] 2,000,000,000[2]	N/A	N/A	N/A
To increase the Company's capital in payment for shares and/or securities carrying rights to shares of another company	May 20, 2015 (19th resolution)	26 months (July 20, 2017)	1,299,922[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 20, 2015 (20th resolution)	26 months (July 20, 2017)	129,922[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 20, 2015 (21st resolution)	26 months (July 20, 2017)	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 20, 2015 (18th resolution)	26 months (July 20, 2017)	15% of the original issue[1]	N/A	N/A	N/A
To carry out employee share issues						
To carry out share issues for employees of the Group	May 20, 2015 (24th 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 20, 2014 (11th resolution)	38 months (July 20, 2017)	3% of the Company's capital at the grant date taking into account options already granted (for information purposes, 1,759,819 shares at December 31, 2015)	N/A	N/A	N/A
To grant shares free of consideration	May 20, 2015 (23rd resolution)	38 months (July 20, 2018)	0.5% of the Company's capital at the grant date (for information purposes, 293,303 shares at December 31, 2015)	N/A	38 months	0.5% of the Company's capital at the grant date (16th resolution)

(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 fourteenth resolution of the May 20, 2015 AGM.

(2) This amount is included in the overall €2,000,000,000 ceiling applicable to issues of debt securities as set in the fourteenth resolution of the May 20, 2015 AGM.

At its March 9, 2016 meeting the Board of Directors decided to recommend to shareholders at the Annual General Meeting of May 19, 2016 that they renew the authorizations that are due to expire in 2016. The wording of the draft resolutions is provided in Appendix C to this Registration Document.

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 General Meetings and by the legal owner of the shares at Extraordinary General 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, at Ordinary and Extraordinary General 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 votes remotely 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 French 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, 2015	58,660,640
Closing price at December 31, 2015	€220.00
52-week high	€237.54
52-week low	€173.05
Market capitalization at December 31, 2015	€12.91 billion
Average 6-month daily trading volume	96,363
ISIN code	FR0004035913
Stock exchange indices	CAC Next 20, SBF 120, SBF 80 and SBF 250 EURO STOXX Index, STOXX Europe 600 Index

21.3.2 CHANGES IN THE ILIAD SHARE PRICE SINCE JANUARY 1, 2015

	Price per share (*in €*)*	
	High	**Low**
2015		
January	214.00	192.30
February	235.01	205.00
March	233.20	211.65
April	225.65	208.20
May	218.00	206.35
June	228.20	198.10
July	216.05	190.90
August	221.10	196.50
September	198.70	179.85
October	195.90	175.45
November	214.00	191.85
December	220.25	208.10
2016		
January	231.35	215.95
February	230.15	206.05

* *Price per share 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, notably European Commission regulation no. 2273/2003 dated December 22, 2003 implementing directive 2003/6/EC of the European Parliament and Council concerning exemptions for buyback programs and stabilization of financial instruments, as well as Articles L. 225-209 *et seq.* of the French Commercial Code, the General Regulations of the AMF and the decision issued by the AMF on March 22, 2005. 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 2015:

	Purchases			Sales		
	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*	Number of shares	Unweighted average price *(in €)*	Amount *(in €)*
January	22,195	200.95	4,447,304	21,473	201.97	4,317,851
February	19,735	222.30	4,386,572	21,338	222.33	4,738,555
March	34,074	223.66	7,603,201	32,193	224.58	7,191,667
April	25,560	216.89	5,530,567	25,053	218.19	5,436,563
May	26,074	211.77	5,531,085	28,237	212.80	6,015,236
June	28,290	209.67	5,969,981	32,118	211.15	6,879,168
July	25,627	206.57	5,268,908	23,967	206.17	4,951,612
August	17,956	213.83	3,791,077	15,031	213.74	3,209,944
September	26,369	191.18	5,028,236	23,882	191.54	4,565,091
October	22,006	182.93	4,030,981	22,482	183.70	4,125,102
November	13,977	202.23	2,834,928	16,720	202.58	3,377,783
December	17,957	213.70	3,826,864	20,097	214.66	4,303,592
TOTAL	**279,820**	**207.72**	**58,249,704.26**	**282,591**	**208.34**	**59,112,164.60**

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MATERIAL CONTRACTS

22.1 FINANCIAL CONTRACTS 238

22.2 OPERATING CONTRACTS 238

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's services. In 2012 and 2013, the roaming agreement was adapted – notably in terms of interconnection capacity – to take into account the increasing number of Free Mobile subscribers.

Free Mobile has entered into agreements with several mobile telephone suppliers for the purpose of including handsets in its offerings.

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 by 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'Evêque, 75008 Paris, France – Tel: +33 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**).

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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.

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).

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 CHAIRMAN OF THE BOARD OF DIRECTORS ON THE MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS, THE CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK, AND RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

To the Shareholders,

In addition to the management report prepared by the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code, the Chairman of the Board hereby reports to you on the conditions governing the preparation and organization of the Board's work, and the risk management and internal control procedures put in place by Iliad S.A. (the "**Company**") during 2015 within the Iliad Group (the "**Group**"), as submitted for the Board's approval.

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 has stated that the Company uses the AFEP-MEDEF Corporate Governance Code (the "**AFEP-MEDEF Code**") – which is available on the AFEP website – as its basis of reference, in particular for the preparation of this report. The Board considers that the Company's corporate governance practices are in line with said Code and that it already applies the Code's main provisions. Any aspects of the AFEP-MEDEF Code that are not applied by the Company are disclosed in this report.

The Chairman's report prepared in accordance with Article L. 225-37 of the French Commercial Code is presented in two parts. The first covers (i) the membership structure of the Board of Directors, (ii) the application of the principle of gender equality within the Board, and (iii) the conditions governing the preparation and organization of the Board's work. The second part of the report covers internal control and risk management procedures.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE BOARD'S MEMBERSHIP STRUCTURE, THE APPLICATION OF THE PRINCIPLE OF GENDER EQUALITY WITHIN THE BOARD, AND THE CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1 THE BOARD OF DIRECTORS

1.1 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.

At December 31, 2015, the Board comprised eleven directors (listed below), including four independent directors and one director representing employees[(1)]. Their experience and expertise are presented in Chapter 14 of this Registration Document.

Iliad's directors have complementary professional skills and experience and an in-depth knowledge of the Group. They are all highly pro-active and involved, which is a great asset both for the quality of Board discussions and the decisions it has to make.

Name	Date first elected	Start date of current term	Expiration date of current term
Chairman of the Board of Directors			
Cyril Poidatz	December 12, 2003	May 22, 2013	December 31, 2015
Chief Executive Officer and a director			
Maxime Lombardini	May 29, 2007	May 20, 2015	December 31, 2017
Senior Vice-Presidents and directors			
Xavier Niel	December 12, 2003	May 22, 2013	December 31, 2016
Antoine Levavasseur	May 27, 2005	May 22, 2013	December 31, 2015
Thomas Reynaud	May 29, 2008	May 24, 2012	December 31, 2015
Director			
Pierre Pringuet*	July 25, 2007	May 22, 2013	December 31, 2016
Marie-Christine Levet*	May 29, 2008	May 24, 2012	December 31, 2015
Orla Noonan*	June 23, 2009	May 22, 2013	December 31, 2016
Virginie Calmels*	June 23, 2009	May 22, 2013	December 31, 2016
Olivier Rosenfeld	December 12, 2003	May 22, 2013	December 31, 2015

* *Independent director.*

Alain Weill stepped down as a director on July 31, 2015.

Re-election of directors in 2016

The terms of office of five directors are due to expire at the close of the upcoming Annual General Meeting:

- Cyril Poidatz;
- Thomas Reynaud;
- Antoine Levavasseur;
- Olivier Rosenfeld;
- Marie-Christine Levet.

Consequently, at that meeting the Board will recommend that the shareholders re-elect these directors for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

The Board has also decided to recommend to shareholders at the upcoming Annual General Meeting that they elect Corinne Vigreux as a new director, also for a four-year term expiring at the close of the Annual General Meeting to be called to approve the 2019 financial statements.

(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).

Gender equality

Iliad has three women Board members.

The Board of Directors applied in advance the requirements of the French Act of January 27, 2011 on gender equality on corporate Boards, which stated that women had to make up 20% of a Board's members by 2014, and the Nominations and Compensation Committee is continuing its work on selecting suitable female nominees for directorships to recommend to the Board. By 2017 at least 40% of the Board's members will be women, as required under the applicable law.

Independent directors

The Company's Board of Directors includes a number of independent directors who meet the independence criteria defined in the Board's internal rules.

These criteria comply with the principles contained in the AFEP-MEDEF Code, which notably state that a director is deemed to be independent when he or she has no relationship of any kind with the Company, its group or the management of either that is such as to color his or her judgment.

Each year the Board carries out a review of the independence of its members on a case-by-case basis. In order be considered independent, a director must not:

- be – or have been at any time in the last five years – an employee or an executive director of the Company, or an employee or director of its parent or a company that it consolidates;
- be an executive director of an entity in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or an executive director of the Company (current or in the past five years) holds a directorship;
- be a customer, supplier, investment banker or a commercial banker which is material for the Company or the Group or for which the Company or Group represents a material proportion of the entity's activity;
- have close family ties with an executive director;
- have been an auditor of the Company in the past five years;
- have been a director of the Company for more than twelve years;
- represent a significant shareholder of the Company, taking into account that:

(i) a shareholder who owns over 10% of the Company's capital or voting rights is considered significant; and

(ii) below this threshold, the Board of Directors systematically reviews whether the director is independent, taking into account the composition of the Company's share capital and any potential conflicts of interest.

The Board of Directors reviews the independence of its members by reference to these criteria and each director's specific circumstances. The findings of the review are published in this report.

At its March 9, 2016 meeting the Board decided that the following directors qualify as independent: Pierre Pringuet, Marie-Christine Levet, Orla Noonan and Virginie Calmels.

The proportion of independent directors is in excess of the third recommended in the AFEP-MEDEF Code. Consequently, the Board can carry out its duties with the required level of independence and objectivity and can ensure that the interests of all shareholders are taken into account.

1.2 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 transactions 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 cash and debt position, and more generally, any commitments given by the Company, particularly at the year-end closing and when it reviews the interim financial statements.

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 March 4, 2015. These rules, which round out the applicable laws and the Company's bylaws, set out the Board's organizational and operational procedures. They may be amended by the Board to reflect changes and developments in laws and regulations.

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 sets out the duties and obligations of directors in compliance with the principles of the AFEP-MEDEF Code, particularly those concerning professional diligence, loyalty, confidentiality, professional secrecy and conflicts of interest. The Code of Conduct also sets blackout periods during which directors are prohibited from carrying out transactions in the Company's shares, and provides a summary of the directors' obligations in terms of compliance with stock market regulations and the prevention of insider trading.

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 Board meetings 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 in an emergency, 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.

The 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 amendments to its overall strategy.

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 corporate 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 2015

The Board met nine times in 2015, with an average 90% attendance rate. During its meetings, which each lasted two hours on average, 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 directors, allocated directors' fees, and approved the report of the Chairman of the Board on the conditions governing the preparation and organization of the work of the Board of Directors and internal control and risk management procedures;
- amended the internal rules of the Board of Directors and the Nominations and Compensation Committee.

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

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. 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.

During 2014, the Company extensively updated the self-assessment system. The Board's internal rules now specify that the Board must devote one agenda item each year to discussing its operating procedures, 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 obtain 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 is used by 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 individual contribution to the Board's overall work.

In 2015 the Board of Directors devoted an agenda item at one of its meetings to discussing its operating procedures.

1.3 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. Their members may be allocated specific compensation by the Board in return for the work they carry out.

The Board of Directors has set up two such specialist committees – the Audit Committee and the Nominations and Compensation Committee. It may set up other specialist committees whenever it deems it appropriate. Each committee has its own set of internal rules approved by the Board of Directors, which set out its specific roles and responsibilities.

1.3.1 The Audit Committee

Membership structure

The Audit Committee comprises a minimum of three and a maximum of five members appointed by the Board of Directors from among the Board's members. The majority of Audit Committee members must be independent directors, as defined above.

At December 31, 2015 the Audit Committee's members were:

- Marie-Christine Levet – independent director and Chair of the Audit Committee since 2009;
- Orla Noonan – independent director; and
- Olivier Rosenfeld.

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:

- 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;
- Analyzing and assessing the efficiency and effectiveness of the internal control and risk management procedures set up by the Company;
- reviewing and commenting on the draft report of the Chairman of the Board of Directors on the Company's internal control and risk management procedures;
- overseeing tender processes for selecting Statutory Auditors or renewing their terms of office;
- keeping informed of the amount of fees paid to the Statutory Auditors' networks by companies controlled by Iliad, for services that are not directly audit-related;
- ensuring the independence of the Statutory Auditors (by verifying fees paid and ensuring that the statutory audit engagement is carried out completely separately from any non-audit related assignments).

Report on the Audit Committee's work in 2015

The Audit Committee met five times in 2015, with the meeting dates coinciding with the Company's major financial reporting dates. The average attendance rate at these meetings was 90%.

The committee meeting dedicated to examining the financial statements was held close to the date when 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.

During the year, the Audit Committee heard presentations given by a Senior Vice-President, the Head of Financial Control and the Head of Group Internal Control and Risk Management. The committee gave the Board a presentation on risk exposure and informed it of the Company's material off-balance sheet commitments. The Statutory Auditors attend the Audit Committee's meetings, and at one meeting each year they give a presentation, highlighting the key findings of their audit engagement and explaining the accounting options selected during 2015, the committee did not use the services of any external experts.

The meetings held in 2015 also covered various other subjects falling within the committee's remit, notably reviewing the annual and half-yearly financial statements, the Group's financial and cash management policy and accounting standards, and its provisioning and risk management strategy. Also during the year, the committee analyzed the tender process for selecting and re-appointing the Statutory Auditors.

Company Management representatives were able to attend all of the Audit Committee meetings held in 2015 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 2015.

1.3.2. The Nominations and Compensation Committee

Membership structure

At its meeting on January 26, 2015, the Board decided to set up a Nominations Committee and to combine its roles and responsibilities with those of the Compensation Committee originally set up in 2010. The new committee was named the Nominations and Compensation Committee and the internal rules of the former Compensation Committee were amended accordingly.

The Nominations and Compensation Committee comprises a minimum of three and a maximum of five members appointed by the Board of Directors from among the Board's members. The majority of the committee's members must be independent directors as defined above.

At December 31, 2015 the Nominations and Compensation Committee comprised two members (both independent directors). This situation is temporary, pending the election of new directors, following Alain Weil's resignation from his position as a director on July 31, 2015. The committee's two current members are:

- Virginie Calmels (independent director and Chair of the Nominations and Compensation Committee since 2011);
- Pierre Pringuet (independent director).

Operating procedures and main roles and responsibilities of the Nominations and Compensation Committee

The Nominations and Compensation Committee is responsible for:

- studying and making recommendations to the Board on (i) the main components of executive officers' compensation packages proposed by the Chairman of the Board and (ii) executive officers' pension benefits and benefits in kind;
- 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 amount of directors' fees to be submitted for approval at the Annual General Meeting, as well as (i) recommending how the fees should be allocated among the individual directors, taking into account their actual attendance at Board meetings and their contribution to the work of the Board and the Board's committees, and (ii) proposing the conditions applicable for the reimbursement of expenses to directors;
- approving the information provided to shareholders in the Annual Report regarding (i) executive officers' compensation, (ii) the policy for granting stock options and/or free shares and, (iii) 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;
- examining 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 provided for in the applicable regulations, (iv) whether existing terms of office should be renewed, and (v) the integrity, skills, experience and independence of candidates;
- issuing 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 Chairmen 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 is required to maintain;
- examining requests by executive officers concerning taking up new directorships or other positions outside the Company;
- putting forward succession planning proposals to the Board for executive officer positions, particularly in the event of an unforeseeable departure;
- preparing 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;
- discussing 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;
- issuing opinions and/or recommendations on the Chairman of the Board's proposals concerning 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 proposals concerning the information provided to shareholders in the Annual Report regarding (i) executive officers' compensation, particularly for the purpose of the shareholders' "say-on-pay" votes, (ii) the policy for granting stock options and/or free shares and, (iii) 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 2015

The Nominations and Compensation Committee met twice in 2015, with a 100% attendance rate. The main work conducted during these meetings involved preparing the Annual General Meeting, including making recommendations on the re-election of directors and the aggregate annual amount of directors' fees; preparing the say-on-pay resolutions; examining the conditions applicable for paying a termination benefit to the Chief Executive Officer in the event that he leaves the Group involuntarily as a result of a change in the Company's control or strategy; and analyzing the draft resolutions concerning grants of stock options and free shares.

The Committee also studied the technical aspects of the cash-settlement option proposed to shareholders of Free Mobile (including a number of Iliad's executive officers).

2 MANAGEMENT STRUCTURES

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.

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 and has the broadest powers to act on behalf of the Company in all circumstances.

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 particularly that the directors are able to properly perform their duties.

Executive Management

Since June 14, 2007, the Company's executive management has been placed under the responsibility of the Chief Executive Officer, Maxime Lombardini.

The powers of the Chief Executive Officer can be restricted by the Board of Directors, and certain projects and transactions must be submitted to the Board for prior approval.

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.

The Company's Senior Vice-Presidents are:

- Rani Assaf;
- Antoine Levavasseur;
- Thomas Reynaud;
- Xavier Niel.

The Board of Directors renewed the terms of office of the Chief Executive Officer and Senior Vice-Presidents at its March 4, 2015 meeting for a three-year period, expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending December 31, 2017.

Operational structure of the Company's Senior Management team

Since June 2004, the Company's Senior Management team has been structured around a Management Committee headed by the Chairman of the Board of Directors. The Management Committee is assisted in its work by several specialist committees reporting to Senior Management whose roles and responsibilities are set out below in the section on internal control.

3 DIRECTORS' AND OFFICERS' COMPENSATION

Principles and rules approved by the Board of Directors for setting compensation and benefits allocated to executive officers

The Board of Directors is responsible for setting the compensation policy for executive officers and has confirmed its intention to ensure transparency in this regard by complying with the AFEP-MEDEF Code.

The Board's objective is to provide executive officers with competitive compensation packages that increase annually at a steady pace.

The Board sets the compensation of the Company's executive officers at its discretion. The amounts set are reasonable, balanced and fair and are determined taking into account each executive officer's assigned duties and performance as well as their level of responsibility.

Remuneration of non-executive directors – Directors' fees

Only independent non-salaried directors are paid directors' fees. The overall amount of these fees is approved by the Company's shareholders and their individual allocation is decided by the Board.

At the Annual General Meeting held on May 20, 2015 the annual fees to be allocated among the Company's independent directors were set at €180,000 for 2015. At its July 1, 2015 meeting, following the recommendation of the Nominations and Compensation Committee and in accordance with the AFEP-MEDEF Code, the Board decided that these fees would be allocated as follows:

- a fixed portion of €21,000 based on the director's actual attendance at Board meetings (of which €1,500 could be deducted if a director was absent for more than one meeting during the year);
- a variable portion of €9,000, based on the director's membership of and degree of involvement in the work conducted by the Board committees.

The table below sets out the fees paid to directors in 2015 based on the above two factors.

In €	Amount paid in 2015
Virginie Calmels	28,500
Marie-Christine Levet	28,500
Orla Noonan	30,000
Pierre Pringuet	30,000
Olivier Rosenfeld	28,500
Alain Weill	16,667

Compensation payable to the Chairman, Chief Executive Officer and Senior Vice-Presidents

During the year ended December 31, 2015 the Company's executive officers received the following compensation:

In €	Compensation received
Cyril Poidatz Chairman of the Board of Directors	168,000
Maxime Lombardini Chief Executive Officer and a director	384,000
Rani Assaf Senior Vice-President	183,000
Antoine Levavasseur Senior Vice-President and a director	183,000
Xavier Niel Senior Vice-President and a director	183,000
Thomas Reynaud Senior Vice-President and a director	384,000

Variable compensation

No variable compensation system has been set up for the Group's executive officers.

Pension plan

There is no specific pension plan in place for the Company's executive officers.

Termination benefits

At its March 4, 2015 meeting, when Maxime Lombardini was reappointed as Chief Executive Officer for a three-year term, the Board confirmed that Mr. Lombardini would still be eligible for the payment of a termination benefit in the event of an involuntary departure from the Group. However it amended the applicable performance conditions to factor in the Group's development since the conditions were originally set.

Consequently, based on the recommendation of the Nominations and Compensation Committee, the Board decided that the payment of the termination benefit would be contingent on achieving 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.

The termination benefit would only be paid if at least one of these performance conditions is achieved, as placed on record by the Board of Directors on the basis prescribed by the laws in force on the termination date of Mr. Lombardini's duties as Chief Executive Officer. The amount of the benefit would not be able to exceed one and a half times the total annual compensation paid to Mr. Lombardini, defined as the average of his annual compensation paid for the two fiscal years preceding the termination.

The benefit would only be paid in the case of an involuntary departure (of any kind whatsoever, except for serious or gross misconduct) due to a change in control of the Company or its strategy. No payment would be due if Mr. Lombardini voluntarily resigns or moves to another position within the Iliad Group.

This commitment was approved by shareholders at the May 20, 2015 Annual General Meeting.

No-compete commitment

No indemnities are payable to executive officers under no-compete clauses.

Stock option and share grant plans

For many years the Company has regularly granted stock options and made share grants under attractive conditions. The objective of these grants is to offer executive officers and a large number of Group employees a long-term incentive to encourage them to create value for shareholders.

In accordance with the applicable regulations concerning stock options and shares granted free of consideration to executive officers, at the grant date the Board of Directors is required to either (i) set the number of shares that beneficiaries must hold in registered form until they leave their position as an executive officer, or (ii) decide that the shares cannot be sold by the beneficiaries until the end of their term as an executive officer.

Employment contracts

In accordance with the AFEP-MEDEF Code, neither the Chairman of the Board of Directors nor the Chief Executive Officer hold an employment contract with the Company.

Service agreements

Apart from the contracts described in Chapter 15, Section 15.2 of this Registration Document, at December 31, 2015 neither the Company nor any of its subsidiaries had entered into any service contracts with an executive officer that provide for the award of any types of benefits. Details of the contracts entered into between the Company and one of its directors – which were duly authorized by the Board as related-party agreements – are provided in the Statutory Auditors' special report.

4 APPLICATION OF THE "COMPLY OR EXPLAIN" RULE

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 25.1 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
Performance appraisal Article 10.4 – "It is recommended that the non-executive directors meet periodically without the executive or 'in-house' directors. The internal rules of operation of the Board of Directors must provide for such a meeting once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive's respective performance shall be carried out, and the participants shall reflect on the future of the company's executive management."	Matters relating to the performance of the Chairman, Chief Executive Officer and the Senior Vice-Presidents are dealt with either during the assessments of the Board's operating procedures or by the Nominations and Compensation Committee. 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. 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.

CHAIRMAN'S REPORT ON 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).

1 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'Evêque 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.

2 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
- procedures 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 referred to in this document are at the heart of the overall internal control system.

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

3 INTERNAL CONTROL PLAYERS

The Group's main internal control bodies are as follows:

The Management Committee

The Management Committee is an operations 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 and the meetings are attended by the Chairman of the Board of Directors, the Chief Executive Officer, the Senior Vice-Presidents and the Head of the Group's Research & Development Department. The senior managers of the Group's main subsidiaries also attend certain meetings. The issues covered also serve as a basis for 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 call centers and managers from the Subscriber Relations Department. This committee meets monthly in order to coordinate the work of the call centers and anticipate future needs. It also ensures that all the requisite resources have been allocated to the call centers in order to meet the requirements of subscribers and foster their loyalty;
- the Environment and Sustainable Development Committee, which puts forward proposals aimed at defining and putting in place the Group's corporate social responsibility (CSR) commitments. This committee is responsible for the operational management and implementation of the Group's CSR policy.

4 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 team through consistency checks and manual controls.

Senior Management is also regularly provided with technical information concerning the Group's platform and network, as well as 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 call 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, the Company'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 Internet and telecommunications sectors as well as the financial and legal 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. It 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. The Group considers that the provisions set up to cover the contingencies, litigation or disputes of which it was aware or which 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. Legal risks are monitored by the Legal Affairs Department.

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 situation.

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 press officer centralizes all strategic, commercial, financial and technical information that is released outside the Group. Furthermore, in accordance with this procedure, the press officer attends any and all interviews in order to ensure that the information relayed is consistent.

5 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.

5.1 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 management.

5.2 Monthly reporting 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 drawn up 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 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.

5.3 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 common accounting manual, enables consistent use 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.

5.4 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.

6 OTHER INFORMATION REQUIRED PURSUANT TO ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

6.1 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. All 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.

6.2 Disclosures required pursuant to Article L. 225-100-3 of the French Commercial Code

The disclosures required pursuant to Article L. 225-100-3 of the French Commercial Code are provided in the following chapters of this Registration Document: Chapter 10 – "Capital resources", Chapter 18 – "Major shareholders", and Chapter 21 – "Additional information".

The Chairman of the Board of Directors

APPENDIX B

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ILIAD

For the year ended December 31, 2015

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 Auditors of Iliad and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 10, 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Xavier Cauchois
Partner

Deloitte & Associés
François Buzy — Jean-Paul Seguret
Partners

APPENDIX C

PROPOSED RESOLUTIONS PRESENTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 19, 2016

ORDINARY RESOLUTIONS

- Approval of the parent company financial statements for the year ended December 31, 2015.
- Approval of the consolidated financial statements for the year ended December 31, 2015.
- Appropriation of profit for the year ended December 31, 2015 (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.
- Re-election of Cyril Poidatz as a director.
- Re-election of Thomas Reynaud as a director.
- Re-election of Antoine Levavasseur as a director.
- Re-election of Olivier Rosenfeld as a director.
- Re-election of Marie Christine Levet as a director.
- Election of Corinne Vigreux as a director.
- Setting directors' fees.
- Advisory vote on the compensation due or paid for 2015 to Cyril Poidatz (Chairman of the Board of Directors).
- Advisory vote on the compensation due or paid for 2015 to Maxime Lombardini (Chief Executive Officer).
- Advisory vote on the compensation due or paid for 2015 to Rani Assaf, Antoine Levavasseur, Xavier Niel and Thomas Reynaud (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.
- 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 fifteen 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, 2015

Having considered:

- the Board of Directors' management report for the year ended December 31, 2015;
- the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2015;
- the report of the Chairman of the Board of Directors on the work of the Board and the Company's internal control and risk management procedures; and
- the Statutory Auditors' report on the Chairman's report;

the shareholders approve the parent company financial statements for the year ended December 31, 2015, as presented, together with the transactions reflected in those financial statements and summarized in those reports.

Second resolution

Approval of the consolidated financial statements for the year ended December 31, 2015

Having considered:

- the Board of Directors' management report for the year ended December 31, 2015;
- the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2015;
- the report of the Chairman of the Board of Directors on the work of the Board and the Company's internal control and risk management procedures; and
- the Statutory Auditors' report on the Chairman's report;

the shareholders approve the consolidated financial statements for the year ended December 31, 2015, 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, 2015 (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, 2015 show a profit of €334.9 million, the shareholders approve the Board of Directors' recommendation and resolve to appropriate the distributable profit for the year as follows:

In €	Amount
Profit for the year:	**334,957,317**
Less prior-year losses	0
Plus retained earnings	1,788,697,637
Total distributable profit	**2,123,654,954**
Appropriation:	
To the legal reserve	7,396
To a dividend payment representing a maximum of: i.e., €0.41 per share	24,217,695
BALANCE Appropriated to retained earnings	**2,099,429,863**

The shareholders note that a maximum of 59,067,549 shares are eligible for the 2015 dividend, corresponding to the aggregate of the 58,660,640 shares making up the Company's capital at December 31, 2015 and the 406,909 shares that are potentially issuable between January 1, 2016 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 €0.41. The ex-dividend date will be June 21, 2016 and the dividend will be paid as from June 23, 2016 based on positions closed as of the close of business on June 22, 2016.

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.

The €0.41 per-share dividend will be 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.

In accordance with the disclosure requirements in Article 243 *bis* of the French Tax Code, dividends for the last three years were as follows:

	2012	2013	2014
Total number of shares making up the Company's capital(1)	57,850,669	58,354,320	58,517,825
Aggregate net dividends *(in €)*	21,404,748	21,591,098	22,821,951
Net dividend per share(2) *(in €)*	0.37	0.37	0.39

(1) Number of shares outstanding at the ex-dividend date.
(2) 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.

Fourth resolution

Approval of related-party agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code

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 agreements and commitments described therein.

Fifth resolution

Re-election of Cyril Poidatz as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Cyril Poidatz 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, 2019.

Sixth resolution

Re-election of Thomas Reynaud as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Thomas Reynaud 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, 2019.

Seventh resolution

Re-election of Antoine Levavasseur as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Antoine Levavasseur 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, 2019.

Eighth resolution

Re-election of Olivier Rosenfeld as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Olivier Rosenfeld 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, 2019.

Ninth resolution

Re-election of Marie-Christine Levet as a director

Based on the recommendation of the Board of Directors, the shareholders re-elect Marie-Christine Levet 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, 2019.

Tenth resolution

Election of Corinne Vigreux as a director

Based on the recommendation of the Board of Directors, the shareholders elect Corinne Vigreux 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, 2019.

Eleventh resolution

Setting directors' fees

Based on the recommendation of the Board of Directors, the shareholders resolve to set the aggregate annual amount of directors' fees at €180,000, to be allocated among the Company's individual, non-salaried independent directors.

Twelfth resolution

Advisory vote on the compensation due or paid for 2015 to Cyril Poidatz (Chairman of the Board of Directors)

Having been consulted in accordance with the recommendation in Article 24.3 of the AFEP-MEDEF Corporate Governance Code – which the Company uses as its corporate governance reference framework in accordance with Article L. 225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or paid for 2015 to Cyril Poidatz, Chairman of the Board of Directors, as presented in Section 5.4.3 of the 2015 management report and Chapter 15, Section 15.1.3 of the 2015 Registration Document.

Thirteenth resolution

Advisory vote on the compensation due or paid for 2015 to Maxime Lombardini (Chief Executive Officer)

Having been consulted in accordance with the recommendation in Article 24.3 of the AFEPMEDEF Corporate Governance Code – which the Company uses as its corporate governance reference framework in accordance with Article L. 225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or paid for 2015 to Maxime Lombardini, the Company's Chief Executive Officer, as presented in Section 5.4.3 of the 2015 management report and Chapter 15, Section 15.1.3 of the 2015 Registration Document.

Fourteenth resolution

Advisory vote on the compensation due or paid for 2015 to Rani Assaf, Antoine Levavasseur, Xavier Niel and Thomas Reynaud (Senior Vice-Presidents)

Having been consulted in accordance with the recommendation in Article 24.3 of the AFEP-MEDEF Corporate Governance Code – which the Company uses as its corporate governance reference framework in accordance with Article L. 225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or paid for 2015 to Rani Assaf, Antoine Levavasseur, Xavier Niel and Thomas Reynaud, Senior Vice Presidents of the Company, as presented in Section 5.4.3 of the 2015 management report and Chapter 15, Section 15.1.3 of the 2015 Registration Document.

Fifteenth 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, European Commission regulation 2273/2003 dated December 22, 2003, and market practices approved by the French securities regulator (*Autorité des Marchés Financiers* – AMF). 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 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 *et seq.* 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 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;
6. to cancel all or some of the shares bought back, subject to the adoption of the seventeenth resolution;
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 – including while a public tender offer for the shares or other securities issued by the Company or a public tender offer initiated by the Company is in progress, but excluding the blackout periods provided for by law and the applicable regulations – on or off market, by any method permitted under the applicable law and regulations, 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 December 31, 2015, the total amount invested in the share buyback program would not exceed €1,759,819,200, corresponding to a maximum of 5,866,064 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 do whatever is necessary.

The Board of Directors shall 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 thirteenth resolution of the May 20, 2015 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.

Sixteenth resolution

Authorization for the Board of Directors to grant existing or new shares free of consideration to Group employees and/or executive officers

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) employees 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/or (ii) executive officers of the Company and/or entities or groups of entities related to the Company, subject to the conditions provided for in Article L. 225-197-1 II of said Code, all in accordance with the terms and conditions set out below;
2. resolve that the total number of new or existing shares granted pursuant to this authorization may not represent more than 0.5% of the Company's capital at the grant date, not including any additional shares that may be allocated following an adjustment to the initial number of shares granted as a result of a corporate action;
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 in accordance with this resolution, and that this sub-ceiling will be included in the above-mentioned 0.5% overall ceiling;
4. resolve that the shares will only vest after a minimum period whose duration will be set by the Board of Directors, it being specified that this period may not be less than two years; the duration of the lock-up period, if any, will be set by the Board of Directors.
5. resolve that the shares shall automatically vest and any restrictions on their sale be lifted in the event that a beneficiary becomes disabled and such disability is classified in the second or third categories provided for in Article L. 341-1 of the French Social Security Code;
6. note and resolve that this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for shares issued in connection with any share grants made under this authorization, as well as their right to the portion of the Company's reserves to be capitalized in payment for the new shares;
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, deduct from reserves, retained earnings or additional paid-in capital the amount required to pay up said shares, place on record the capital increase carried out pursuant to this authorization, amend the bylaws to reflect the new capital and generally carry out all necessary procedures and formalities;
8. note that if the Board of Directors uses this authorization it shall inform 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 valid for a period of thirty-eight months from the date of this meeting and supersedes the unused portion of the authorization given for the same purpose in the twenty-third resolution of the May 20, 2015 Annual General Meeting.

Seventeenth 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 fifteenth resolution, in accordance with the applicable laws and regulations, and notably Article L. 225-209 of the French Commercial Code, the shareholders:

1. grant the Board of Directors full discretionary powers 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 fifteenth resolution, 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-fifth resolution of the May 20, 2015 Annual General Meeting;
4. resolve that this authorization is given for an eighteen-month period as 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.

Eighteenth 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 LAW ON THE ENVIRONMENT

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CROSS-REFERENCE TABLE – INFORMATION REQUIRED IN THE ANNUAL FINANCIAL REPORT

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