Société anonyme. Share capital: €14,901,666

Registered office: 16, rue de la Ville l'Evêque – 75008
Paris, France

Registered in Paris under no. 342 376 332

ANALYSIS OF THE GROUP'S BUSINESS AND RESULTS

KEY CONSOLIDATED FINANCIAL DATA

In € millions	**H1 2021**	**H1 2020**
INCOME STATEMENT		
Total revenues	**3,722**	**2,784**
Services revenues	3,478	2,688
EBITDAaL	**1,398**	**876**
Profit from ordinary activities	579	218
Profit for the period	239	208
Profit for the period attributable to owners of the Company	243	208
BALANCE SHEET		
Non-current assets	18,938	14,505
Current assets	4,530	2,583
Of which cash and cash equivalents	*1,604*	*1,003*
Total assets	**23,469**	**17,088**
Total equity	5,565	5,532
Non-current liabilities	12,237	7,766
Current liabilities	5,666	3,790
Total equity and liabilities	**23,469**	**17,088**
CASH FLOWS		
Cash flows from operations	**1,505**	**1,125**
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(414)	(363)
Capital expenditure – France[1]	(771)	(622)
Capital expenditure – Italy[1]	(201)	(223)
Capital expenditure – Poland[1]	(64)	-
Capital expenditure – frequencies[2]	(46)	(2)
Net change in cash and cash equivalents – Group (excluding change in net debt and dividends)	**588**	**(109)**
Dividends	(176)	-
Net debt	**7,380**	**3,733**

[1] *Excluding payments for frequencies*
[2] *France (H1 2021: €6 million; H1 2020: €1 million) and Italy (H1 2021: €39 million; H1 2020: €1 million).*

1 OVERVIEW

The iliad Group (the “Group”) is a leading electronic communications player in France, Italy and Poland, with 43.4 million subscribers[3], €6.8 billion in revenues in the last twelve months, and more than 15,000 employees.

Since it was founded over 20 years ago, the Group has experienced very strong growth in France, with numerous technological and commercial developments. It has gone from being a fixed narrowband Internet service provider to an integrated fixed and mobile ultra-fast operator, by clearly focusing on deploying the latest technologies and proposing straightforward commercial offerings.

In 2018, the Group expanded its geographic reach to Italy, where it captured market share of more than 10% in less than two years. Then in 2020, it continued its expansion in Europe by acquiring Play, Poland’s leading mobile telecom operator.

iliad S.A. is the parent company of the iliad Group, which operates under the trade names of Free in France, iliad in Italy and Play in Poland. iliad S.A. has been listed on Euronext Paris (ILD ticker symbol) since 2004.

Following its acquisition of Play in Poland in late 2020, the Group now has three separate geographic segments: France, Italy and Poland, with France split out between B2C and B2B.

The following key performance indicators are used in this management report:

EBITDAaL: profit from ordinary activities before depreciation, amortization and impairment of property, plant and equipment and intangible assets and the impact of share-based payment expense.

Revenues billed to subscribers: revenues generated from the sale of services to subscribers.

1.1 Breakdown of revenues

France B2C

Fixed offerings (Broadband and Ultra-Fast Broadband)

In line with the sales and marketing approach it has followed for the past two years, in the first half of 2021 the Group pursued its rational pricing and promotions policy, while continuing to focus on (i) differentiation through innovation, with the launch of the Freebox Pop, and (ii) ongoing investment in Free Fiber, which has cemented the Group’s position as France’s leading alternative Fiber operator.

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[3] *Including 15.4 million registered subscribers in Poland.*

At June 30, 2021, the Group had four main fixed offerings (with two versions of the Freebox Delta):

✓: Included in the package	Freebox mini 4K	Freebox Revolution	Freebox Pop	Freebox Delta
INTERNET				
Optical fiber	✓	✓	✓ (5 GB EPON Fiber)	✓ (10 GB EPON Fiber)
xDSL+4G				✓
MONTHLY PRICE				
First 12 months	€14.99	€19.99	€29.99	€39.99(1)
After 12 months	€34.99	€44.99	€39.99	€49.99(1)

(1) The Freebox Delta S still costs €39.99 a month after the first year.

Depending on the eligibility of the subscriber's line, Free's offers are compatible with the following Broadband and Ultra-Fast Broadband technologies:

- Fiber (FTTH), which gives access to Ultra-Fast Broadband.
- 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 online eligibility (IP speeds).
- VDSL2, which gives speeds of up to 100 Mbps download and 40 Mbps upload for subscribers in unbundled areas and with short lines.
- 4G+, via a 4G+ Box which costs €29.99 a month and provides easy access to ultra-fast Internet for people located in areas that are not eligible for Fiber or where fixed-line Internet speeds are low but there is good 4G+ coverage. Similarly, the Freebox Delta has an xDSL/4G function that enables the xDSL signal to be bonded with a 4G signal in areas with low speeds, so subscribers can have up to 10 times faster speeds than when using ADSL alone.

The Group's offers include some or all of the following services, depending on the plan subscribers choose:

- **Telephony:** all subscribers have access to a telephone service under which they can make calls through their Freebox to fixed numbers in Metropolitan France (apart from short numbers and special numbers), as well as to fixed lines in over 110 destinations outside Metropolitan France depending on the terms of their plan. Additionally, various Group offers include free calls or packaged deals for calls to mobile numbers in Metropolitan France.
- **Free proposes the largest audiovisual offering in the market,** enabling its subscribers to access a television service comprising some 600 channels in all. Freebox TV has 220 channels in its basic package, with another 60 available through the TV by CANAL Panorama package, 30 of which are exclusive to Freebox TV. Around 240 high definition channels are also available, as well as a catch-up TV service covering more than 100 channels.
- **Free offers numerous value-added services** including Freebox Replay (its catch-up TV service), the highlights of the Ligue 1 Uber Eats championship (included in the Pop and Delta plans), video on demand (VOD), subscription video on demand, such as Netflix, Amazon Premium (S-VOD, included in the Delta plan), subscription to pay-TV packages and channels (Canal+, beIN Sports, etc.) and video games. The TV by CANAL offer gives subscribers access to over 100 channels on replay and 8,000 items of on-demand content on all types of screen (smartphone, tablet, Xbox 360, Xbox One and PC/Mac). The Famille by CANAL package gives access to the TV by CANAL offer, except for the sports channels, to subscribers who have a Freebox Crystal (which stopped being marketed at end-2020) or a Freebox mini 4K.

- **Free proposes new technology usages for households**, such as unlimited access to newspapers and magazines via LeKiosk (Freebox Delta), voice-controlling their box using OK Freebox and Alexa (Freebox Delta) and Google assistant (Freebox mini 4K), and adding a smart-home hub (Freebox Delta and Freebox Delta S) as well as a security pack for home surveillance. The Freebox Pop, launched in July 2020, allows subscribers to significantly improve WiFi reception in their homes thanks to the inclusion of a smart repeater which automatically connects up to the Freebox.
- **Hosting services**, which correspond to (i) providing dedicated servers to private individuals who wish to secure their data, and (ii) website hosting and the purchase/resale of domain names (services targeted mainly at private individuals and very small businesses that have relatively low data storage requirements). Hosting services are billed based on a monthly or annual subscription depending on the type of offer.

Mobile offerings

In the first six months of 2021, the Group continued to focus on improving its subscriber mix by increasing the proportion of subscribers on the Free Mobile Unlimited 4G/5G Plan. This notably entailed keeping the intermediate plan first launched in 2018, which offers a discounted price for 12 months and then automatically switches to the Free Mobile Unlimited 4G Plan (and, since December 15, 2020, the 4G/5G Plan). The price of this intermediate offering varies depending on the period, and in the first half of 2021 it ranged between €9.99 and €11.99 per month. At the same time, the Group pursued its proactive campaigns to migrate subscribers on the €2 plan to the Free Mobile Unlimited 4G/5G Plan.

Sales of devices (mobile phones and Delta Players)

- **Mobile phones**

The Group proposes a selection of the latest mobile phones on the market. With a view to being as transparent as possible, Free offers 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: (i) buying a phone and paying for it upfront; (ii) buying a phone and spreading its cost (up to 24 installments at no extra cost), or (iii) renting a phone (whereby the subscriber makes an initial payment and then a pays a monthly rental fee, which varies depends on the model, and at the end of the rental period has the choice between returning their phone and getting a latest-generation phone under a new rental agreement, or extending the rental period for their existing phone).

In all cases, the Group recognizes the corresponding revenue when the phone is received by the subscriber.

- **Delta Players**

As part of the Freebox Delta offering, subscribers become owners of their Delta Player, which is billed at a price of €480. Subscribers can choose the payment method they prefer from among the options available (cash payment or 90-day payment or 48-month installments).

In all cases, the Group recognizes the corresponding revenue when the Player is received by the subscriber.

Italy

The Group has enjoyed resounding commercial success in Italy since it first launched its mobile business there on May 29, 2018. It ended the first half of 2021 with 7.8 million subscribers, representing more than 10% of the Italian mobile market (excluding M2M).

At end-June 2021, iliad Italia had three mobile plans: (i) a voice-based plan costing €4.99/month – the lowest price in the market for this segment – offering unlimited calls in Italy and to over 60 international destinations, (ii) a €7.99/month plan including unlimited calls and 80 GB/month of 3G/4G/4G+ mobile data in Italy and 5 GB/month of mobile data in Europe, and (iii) a €9.99/month plan including unlimited calls and 120 GB/month of 3G/4G/4G+/5G mobile data in Italy and 6 GB/month of mobile data in Europe. These no-commitment plans have no hidden costs and the prices are set for life.

In Italy, the Group also proposes a selection of the latest Apple iPhones (iPhone 12, 12 mini and 12 Pro, among others). With a view to being as transparent as possible, iliad Italia offers phones separately from its mobile subscriptions, which means that subscribers can opt for whichever plan and phone they prefer, or can choose not to purchase a phone at all.

Poland

Through its acquisition of Play in November 2020, the iliad Group has become a major operator in the Polish telecom market. Play is a mobile operator principally positioned in the B2C market (with over 12 million active subscribers), and since early 2020 has become a fixed ISP via a white label agreement with a cable operator. Since this acquisition, the Group has provided mobile services in Poland (voice, text messages/MMS and data) to individuals and businesses (particularly SMEs) under monthly post-paid plans and via prepaid cards. Its target subscribers are those on post-paid plans, which generate higher ARPU and have a lower churn rate than prepaid subscribers. The Group has two main retail brands in Poland – Play – for all our services, but it also uses the Virgin Media brand, one of the largest MVNOs in Poland, which was purchased by Play in 2020.

The Group proposes a wide range of audiovisual services in Poland in addition to its telecommunications offering, including themed linear TV channels (sport, lifestyle, news, music, history and kids channels), S-VOD services (Netflix, HBO and Amazon Prime Video) and VOD. Launched in 2016, Play's TV via mobile connection offering was followed by the launch of an OTT TV box in 2019.

Other (including France B2B)

The “Other” segment chiefly comprises our B2B activities in France. B2B in France is split out into Business Telecommunications Services (very small businesses, SMEs and large corporations) and Hosting Services, which involves three different types of services: (i) dedicated hosting services, which correspond to providing dedicated servers to SMEs that wish to secure their data, (ii) colocation services, consisting of the provision of physical space in a datacenter, as well as the associated electric capacity, in order to house bays and servers, and (iii) cloud computing, which gives convenient, on-demand network access to a shared pool of configurable computing resources.

In the B2B Business Telecommunications Services segment, in March 2021 the Group launched its Free Pro offerings designed for companies and self-employed workers.

1.2 The Group’s main operating costs

France

Main operating costs of the Group’s fixed offerings

(i) Costs related to DSL offerings

The operating costs related to the Group's DSL offerings differ depending on whether or not subscribers are unbundled, i.e., whether their communications are carried on the Group’s own network (outside the local loop) or are covered by a wholesale offering proposed by the incumbent operator.

Currently, almost all of the Group's DSL subscribers are fully unbundled, for which the Group pays for the rental of the copper pair from the incumbent operator (€9.65[4] per month and per line in first-half 2021) as well as maintenance costs.

(ii) Costs related to Fiber offerings

In very densely populated areas, as the Group rolls out its network it is offering its subscribers in eligible areas the option of migrating to a Fiber offering. In these areas, the gross margin and EBITDAaL margin on Fiber offerings are higher than DSL margins as the Group no longer has to pay for the rental of the copper pair from the incumbent operator. The Group's objective is therefore to maximize the proportion of Fiber subscribers in eligible areas where technically feasible.

In areas where the fiber rollout is covered by co-financing agreements and public initiative networks (“PINs”), the business model applied by the Group until 2019 has been changed by the partnership entered into with InfraVia in February 2020 via the company Investissements dans la Fibre des Territoires (“IFT”), in which iliad holds a 49% stake (see Section 1.3.ii below). Since the beginning of this partnership, the Group has automatically leased its fiber infrastructure from IFT, with IFT in charge of co-investing. This new model results in average operating costs that are generally higher than for the model used until 2019, but this effect is offset for the Group by optimized capital expenditure and good visibility of its cost structure.

Main operating costs of the Group’s mobile offerings

(i) Mobile call and text message termination charges

The applicable termination charges in first-half 2021 were 0.74 euro cents for mobile voice calls and 1 euro cent for text messages.

(ii) Roaming charges

The Group has to pay roaming charges for the 2G and 3G roaming services provided to it in France, which are defined in a roaming agreement signed with the country’s incumbent operator (Orange) in 2011. This agreement has been extended until 2022 so that Free Mobile can continue to gradually stop using the Orange network for 2G/3G roaming services, largely by progressively and substantially reducing the maximum Internet speeds provided to roaming subscribers (currently capped at 384 kbps). The extension of the agreement with the gradual reduction of Internet speeds is intended to provide for an organized termination of the roaming services, notably for subscribers who have 2G devices and for the residual areas where Free Mobile's network is still in the rollout phase. ARCEP has noted (i) a steady decrease, in volume and proportion, of Free Mobile communications routed via 2G/3G roaming, and (ii) Free Mobile’s ongoing high level of investment in its own 3G/4G/5G network. In this gradual termination phase, the costs of the roaming agreement are no longer material in relation to the Group's overall financial position.

[4] €9.46 per month in 2020

Italy

MOCN (Multi-Operator Core Network) roaming agreement

The Group has to pay roaming charges for the roaming services provided to it in Italy, which are defined in a Multi-Operator Core Network (MOCN) agreement signed with Wind/Tre in 2016. This agreement enabled the Group to offer all-technology services with nationwide coverage immediately as from the launch of its mobile operations in Italy. It has an initial five-year term, renewable for a further five-year period at the Group's initiative. This technical solution for connecting up Wind/Tre's radio equipment to the Group's core network creates a more effective and optimal flow of traffic between the two networks compared with a more "conventional" roaming solution.

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

Consequently, margin levels depend on the total number of subscribers, the volume of traffic carried on the Group's network, and subscriber usage patterns, particularly for mobile data. The Group's objective is therefore to maximize the proportion of traffic carried directly on its own network, by deploying its own sites.

Mobile call and text message termination charges

The Group also pays mobile voice call and text message termination charges in Italy. Termination charges for mobile voice calls are regulated and have amounted to 0.67 euro cents per minute since January 1, 2021. Text message termination charges are not regulated.

As from January 1, 2022, termination charges for mobile voice calls will be reduced to 0.55 euro cents per minute, then to 0.4 euro cents from January 1, 2023 and 0.2 euro cents from January 1, 2024.

Poland

Main operating costs of the Group's fixed offerings

Fixed offerings are a recent activity for Play in Poland, and the main operating costs for these offerings corresponds to the wholesale price paid to its partner, Vectra, one of Poland's leading cable operators.

Main operating costs of the Group's mobile offerings

(iii) Mobile call and text message termination charges

The applicable termination charges for mobile voice calls were 0.0429 zloty per minute in first-half 2021 and were reduced to 0.0318 zloty (0.7 euro cents) per minute as from July 1, 2021. Termination charges for text messages – which are unregulated – remained stable at 0.05 zloty per text message. Termination charges for fixed-line calls were approximately 0.03 zloty per minute in first-half 2021 and decreased to 0.005 zloty per minute on July 1, 2021.

As from January 1, 2022, termination charges for mobile voice calls will be reduced to 0.55 euro cents per minute, then to 0.4 euro cents from January 1, 2023 and 0.2 euro cents from January 1, 2024.

(iv) Roaming charges

Despite its wide network coverage in Poland, Play pays for roaming services provided by two other mobile operators to ensure it has a full geographic footprint across the country. On June 7, 2021, Play and Orange Polska signed a further addendum to their roaming agreement, extending it until 2025. The amount paid under this roaming agreement totaled PLN 300 million for the period from 2021 to 2025.

Consequently, margin levels depend on the total number of subscribers, the volume of traffic carried on the Group’s network, and subscriber usage patterns, particularly for mobile data. The Group's objective is therefore to maximize the proportion of traffic carried directly on its own network, by deploying its own sites.

1.3 Capital expenditure and depreciation

France

Broadband (DSL offerings)

(i) Transmission network and unbundling the local loop

The Group has rolled out one of the largest IP networks in France, both in terms of coverage and traffic volumes. It draws on this extensive network to connect up subscriber connection nodes and unbundle the local loop. In the first half of 2021, it continued to extend its unbundled coverage by opening 350 new subscriber connection nodes, which brought the total number of unbundled subscriber connection nodes to over 15,400 throughout France at the period-end. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes are compatible with VDLS2 technology, which therefore means eligible subscribers have access to the best possible speeds on the local copper loop.

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 five or six years.

(ii) Operating costs and capital expenditure by subscriber

The main operating costs and capital expenditure by subscriber relate to the following:

- The boxes provided to subscribers (the cost of which varies depending on the model).
- Subscriber connection costs:
    - xDSL: Fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees), which amount to €50 per subscriber for full unbundling.
    - FTTH: Installation and connection costs for Fiber sockets.
- 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.

Rollout of a Fiber network

Optical fiber – which has long been used by electronic communications 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 upload and download speeds enables a variety of multimedia services to be used simultaneously.

The Fiber 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.

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

(i) Very densely populated areas (approximately 7 million lines)

In decision no. 2013-1475 dated December 10, 2013, ARCEP (the French regulatory authority for electronic and postal communications) issued a list of 106 municipalities that it 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. The in-building cabling is then shared by the operators.

The Group 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) the incumbent operator's infrastructure 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.

(ii) Outside very densely populated areas

Outside very densely populated areas, in order to optimize Fiber rollouts and operators' capital expenditure, the applicable regulatory framework (as defined in ARCEP decision no. 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.

a. Private co-financed areas (approximately 16 million lines)

Under the offer proposed by the incumbent operator and the second operator responsible for rolling out fiber in private co-financed areas, each operator can access all of the deployed lines and only has to co-finance the rollout to the extent of the local market share it is seeking to achieve, through purchases of 5% tranches. As a result of the incumbent operator's access offer, co-financing can be used not only for the line between the shared access point and the building, but also for the backhaul fibers between the shared access point and the optical node.

b. Public Initiative Networks – PINs (rest of France)

FTTH networks are rolled out in PIN areas in many different ways, which may require entering into agreements with the public bodies in charge of deploying the networks or with the private entities responsible for marketing them.

<u>Partnership with InfraVia</u>

In 2019, in order to accelerate its fiber rollouts in private co-financed areas and PIN areas, and to cement its status as the leading alternative FTTH operator, the Group made the strategic decision to enter into a partnership with InfraVia, a French private equity firm specialized in infrastructure. The deal – which closed on February 28, 2020 – involved setting up a company called IFT (49%-owned by the Group), dedicated to co-financing the creation of new FTTH sockets and taking up new co-financing tranches. Since late February 2020, IFT has provided all of Free's access and information services for the co-financed sockets concerned, under a long-term service agreement, and will also be able to offer the same services to third-party operators.

(iii) Fiber progress report at June 30, 2021

During the first half of 2021, through IFT, the Group signed new agreements with public initiative networks (PINs) and continued its investments with a view to offering its Fiber plans to as many people as possible.

- The number of connectible sockets was 22.7 million at end-June 2021, representing a 5.9 million increase compared with one year earlier. The Group's Fiber plans are now available in some 10,700 municipalities (versus 8,200 at end-2020). Having completed its horizontal coverage in very densely populated areas in 2018, the Group more or less completed its vertical connections in the first half of 2021, with a ratio of 96% at the period-end.
- The FTTH subscriber base grew by 50% in the twelve months to June 30, 2021, topping 3.3 million at the period-end. This represents a 1.1 million increase in the number of subscribers, making it a record year-on-year rise in terms of connections. This was due to two main factors:
  - French households' growing appetite for FTTH technology.
  - The gradual start of marketing for Free's FTTH offerings outside very densely populated areas.

The sharp acceleration in subscriber connections has enabled the Group to consolidate its position as France’s leading alternative FTTH operator. We are standing by our objectives of having 30 million marketable sockets by 2022 and over 5 million Fiber subscribers by 2023.

A comprehensive and enriched frequency portfolio

Since it was awarded France's fourth 3G mobile license in January 2010, the Group has continuously enriched its frequency portfolio.

After being allocated 5 MHz duplex in the 900 MHz and 2,100 MHz frequency bands and 20 MHz duplex in the 2,600 MHz band when it launched its Mobile business in 2012, the Group then rounded out its portfolio in Metropolitan France in 2015 and 2016 by acquiring additional spectrum in several refarming processes carried out by ARCEP, and then in 2020 when it was allocated 5G frequencies in the 3.4-3.8 GHz band. At June 30, 2021, the Group had a total portfolio of 180 MHz (including 110 MHz duplex) with balanced coverage across Metropolitan France, enabling it to deliver high-performing services in 3G, 4G and 5G.

Following the procedure to reallocate frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands whose licenses expire between 2021 and 2025, the Group will have additional frequencies in the 900 MHz and 2.1 GHz bands. ARCEP announced the spectrum reallocation in a decision dated November 15, 2018, with the Group being allocated an additional 3.7 MHz in the 900 MHz frequency band and an additional 9.8 MHz in the 2.1 GHz band. This reallocation procedure will gradually lead to a more balanced split of frequencies between France's operators.

	Frequency portfolio at end-June 2021	**Frequency portfolio as from February 9, 2025**	**License expiration dates**
700 MHz	2 x 10 MHz	2 x 10 MHz	Dec. 7, 2035
900 MHz	2 x 5 MHz	2 x 8.7 MHz	Jan. 11, 2030 (5 MHz), March 24, 2031 (2.6 MHz), Dec. 8, 2034 (1.1 MHz)
1,800 MHz	2 x 15 MHz	2 x 15 MHz	Oct. 11, 2031
2.1 GHz	2 x 5 MHz	2 x 14.8 MHz	Jan. 11, 2030 (5 MHz) Aug. 20, 2031 (9.8 MHz)
2.6 GHz	2 x 20 MHz	2 x 20 MHz	Oct. 10, 2031
3.5 GHz	70 MHz	70 MHz	Nov. 17, 2035
Total	**2 X 55 MHZ + 70 MHZ**	**2 x 68.6 MHz + 70 MHz**	

Rollout of a network of mobile masts

Since it was awarded France's fourth 3G mobile license, the Group has implemented its mobile network rollout strategy by drawing on its extensive fixed-line transmission network and putting in place specific business units that 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).

In line with its aim of becoming the alternative operator of choice for latest-generation networks, the Group continued to invest massively in mobile infrastructure in the first half of 2021, and in the second quarter decided to accelerate its 5G rollout program. Consequently, mobile network capex in France (Metropolitan France and the French West Indies) rose by 56% compared with first-half 2020. The key facts and figures relating to this capital expenditure are as follows:

- **During the first half of 2021, Free Mobile switched on nearly 1,200 new 3G sites, giving the Group some 20,600 sites at end-June 2021 and 99% population coverage on its own networks.**
- **The Group kept up its brisk pace of deploying 4G technology and accelerated its 5G rollouts.** Free Mobile continued to pro-actively invest in its latest-generation mobile network in first-half 2021, with (i) 1,800 MHz frequencies made available at nearly 900 additional sites for 4G, (ii) the deployment of more than 1,500 new 4G sites using 700 MHz frequencies, and (iii) the activation of nearly 5,000 5G sites throughout France, offering the largest 5G coverage in the country. These efforts enabled the Group to raise its population coverage to almost 99% for 4G at end-June 2021, and to almost 60% for 5G. At June 30, 2021 the Group had passed the milestone of 20,000 active 4G sites, and the number of 5G sites commercially up and running topped 10,000, bolstering Free Mobile's position as the telco with the largest 5G network in France.
- **Investments in the fiber backhaul network for mobile sites were pursued.** In view of ever-faster Internet speeds and the growing number of 4G users, the interconnection capacity of mobile sites is of critical importance to operators. In order to be able to offer its subscribers the best possible speeds, the Group has decided to prioritize the use of fiber for connecting its sites. As a result, at June 30, 2021, 95% of its sites in very densely populated areas were fiber-connected, enabling it to offer its subscribers the best 4G speeds.

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

- Licenses: between 15 and 19 years.
- General equipment: 10 years.
- Mobile technical equipment: 6 and 18 years.
- Other equipment: 3 to 5 years.
- Other assets: 2 to 10 years.

Strategic industrial partnership with Cellnex

In France, in late 2019 iliad sold to Cellnex 70% of the company that manages its French passive mobile telecommunications infrastructure ("On Tower France"), comprising 5,700 sites at end-2019.

In addition to this industrial partnership, through which Cellnex and iliad have teamed up to manage and develop On Tower France, iliad and On Tower France have entered into a long-term access and services agreement, providing for a build-to-suit program encompassing up to 4,500 new sites (of which 2,500 have been committed to by iliad).

The Group is currently in talks with Cellnex with a view to selling its remaining 30% stake in On Tower France. It estimates the value of this stake at over €700 million.

Rollout of the distribution network: stores and kiosks

At June 30, 2021, the Group had a network of 132 Free stores (Free Centers) located throughout France.

The Free Centers have three different but related objectives:

- To increase the Group's subscriber base by attracting new subscribers or by encouraging existing fixed-line 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.

In addition, the Group has a full physical presence in France, thanks to its network of self-service kiosks for mobile subscriptions that have an integrated SIM card dispenser. These dispensers are made available in partnership with the Maison de la Presse and Mag Presse store network. At June 30, 2021, the Group had approximately 1,500 kiosks across France.

Italy

A balanced frequency portfolio of 265 MHz (including 45 MHz duplex)

In November 2016, the Italian authorities authorized the transfer of the various frequencies covered by the agreement signed between iliad and the Hutchison and VimpelCom groups. This gave iliad a balanced portfolio of 2 x 35 MHz (duplex) frequencies in Italy, comprising:

- 2 x 5 MHz in the 900 MHz band.
- 2 x 10 MHz in the 1,800 MHz band.
- 2 x 10 MHz in the 2,100 MHz band.
- 2 x 10 MHz in the 2,600 MHz band.

The purchase price of this portfolio of frequencies was €450 million, which was paid in installments between 2017 and 2019.

In addition:

- In the second half of 2017, the Group paid €220 million to the Italian government in connection with the process of refarming 1,800 MHz frequencies and extending their licenses until 2029.

- As from 2021, the Group is paying €300 million in eight annual installments to the Italian government under its process for extending the licenses for 900 MHz and 2,100 MHz frequencies until 2029. The price set for the 2,100 MHz frequencies could be revised, however, as a revision process has been launched by AGCOM, which has been appealed by iliad Italia and other operators. In 2018, the Italian government carried out an auction for the allocation of 700 MHz frequencies as well as the frequencies in the 3.6 GHz-3.8 GHz and 26 GHz-27 GHz bands used for 5G. The results of the auction were announced in October 2018 and the Group was allocated the following, for a total of €1,193 million:

- 2 x 10 MHz in the 700 MHz band.
- 20 MHz in the 3.6-3.8 GHz band.
- 200 MHz in the 26.5-27.5 GHz band.

	Frequency portfolio at end-June 2021	**License expiration date**
700 MHz	2 x 10 MHz	Dec. 31, 2037
900 MHz	2 x 5 MHz	Dec. 31, 2029
1,800 MHz	2 x 10 MHz	Dec. 31, 2029
2.1 GHz	2 x 10 MHz	Dec. 31, 2029
2.6 GHz	2 x 10 MHz	Dec. 31, 2029
3.6-3.8 GHz	1 x 20 MHz	Dec. 31, 2037
26.5-27.5 GHz	1 x 200 MHz	Dec. 31, 2037
Total	**2 x 45 MHz + 220 MHz**	

In accordance with the rules set for the spectrum auction and pursuant to the Italian 2018 Finance Act (L. 205/2017), the purchase price for the above frequencies is payable in installments over the period 2018-2022 as follows:

In € millions	2018	2019	2020	2021	2022
Installments	144	9	55	27	959

Rollout of a mobile network in Italy

Since late 2016 and the signature of the agreement with the Hutchison and VimpelCom groups, iliad has been rolling out its own mobile network in Italy, which has notably involved:

- Deploying mobile sites. At June 30, 2021, the Group had almost 8,900 equipped sites in Italy, versus 7,700 at December 31, 2020.
- Switching on mobile sites. At end-June 2021, the Group had switched on nearly 7,800 sites in Italy, in line with its target of having some 8,500 active sites by the end of 2021.
- Deploying a backbone in order to connect up Italy’s principal towns and cities to the Group’s two main mobile network centers located in Milan and Rome.
- Rolling out the core network and interconnections with Wind/Tre to manage traffic under the MOCN (Multi-Operator Core Network) solution.

Strategic industrial partnership with Cellnex

The deployment and maintenance of the Group's passive mobile telecommunications infrastructure in Italy is partly covered by a strategic partnership agreement with Cellnex, which was signed in May 2019, with the deal closing in December 2019. This partnership firstly entailed the sale of 2,185 sites, which has been followed by a long-term access and services agreement entered into between Cellnex and iliad Italia that provides for a build-to-suit program.

Rollout of a distribution network in Italy

The Group has put in place several different distribution channels for its mobile offering in Italy:

- Physical distribution:
  - A network of 19 stores in major Italian cities.
  - A network of over 1,400 SIM card dispensers ("Simboxes") located in some 900 kiosks in busy catchment areas. These kiosks comply with the applicable Italian legislation, particularly "Pisanu's law", which requires identification of subscribers when they take out their subscription.
  - Access to a nationwide network of resellers enabling subscribers to top up their plans.
  - A network of more than 550 partner shops (cafés, tobacconists, newsagents, etc.) and over 1,400 supermarkets where subscriptions can be taken out in just a few minutes.
- Digital distribution:
  - Online distribution accessible via mobile phone, tablet or computer, enabling users to take out their mobile plan online and receive their SIM card at home through the post.

<

Poland

Since Play launched its operations in Poland in 2007 it has expanded its frequency portfolio, which comprised the following at end-June 2021:

	Frequency portfolio at end-June 2021	License expiration
800 MHz	2 x 5 MHz	June 23, 2031
900 MHz	2 x 5 MHz	Dec. 31, 2023
1,800 MHz	2 x 15 MHz	Dec. 31, 2027
2.1 GHz	2 x 14.8 MHz + 1 x 5 MHz(1)	Dec. 31, 2022
2.6 GHz	2 x 20 MHz	Jan. 25, 2031
Total	**2 x 73.8 MHz + 5 MHz**	

Expansion of the mobile network in Poland

Play pursued its network rollout plan in first-half 2021, adding 295 active sites and giving it own-network coverage rates of 99.6% of the Polish population for 2G/3G and 99.2% and 91.8% respectively for 4G LTE and 4G+. Since 2020, Play has also invested in rolling out 5G using the 2,100 MHz band, and had approximately 27% 5G population coverage at end-June 2021.

Play's own 2G/3G/4G coverage is rounded out by roaming agreements with two other Polish mobile operators (it previously also had an agreement with Polkomtel but that was terminated at end-2019). On June 7, 2021, Play and Orange Polska signed a further addendum to their roaming agreement, extending it until 2025. The amount paid under this agreement totaled PLN 300 million for the period from 2021 to 2025.

Strategic industrial partnership with Cellnex

On March 31, 2021, the iliad Group completed the extension of its industrial partnership with Cellnex through the sale to Cellnex of 60% of the company that manages the Group’s passive mobile telecommunications infrastructure in Poland. The proceeds received by the Group for this sale totaled approximately €0.8 billion before tax.

Thanks to this industrial partnership with Cellnex, Play has strengthened its investment capacity, enabling it to enter a new growth cycle which will involve (i) deploying and purchasing 5G frequencies, (ii) densifying its mobile network to support growth in usages, and (iii) pursuing its objective of entering the fixed market.

In addition, iliad has undertaken to carry out a build-to-suit program in partnership with Cellnex, involving the construction of at least 1,500 mobile sites and representing some €400 million over the next ten years.

Distribution network in Poland

The Group has put in place several different distribution channels for its offerings in Poland:

- Physical distribution:
  - The Group's physical distribution network in Poland comprises 750 stores exclusively dedicated to Play-brand offerings and products. This network – which includes directly-owned stores and third-party distributors – covers a large area of Poland, including all city centers and the busiest catchment areas of the country's main towns and cities. These stores can meet the needs of small businesses for standard services, but a dedicated B2B service is also available for corporate customers seeking a more tailored approach.
- Digital distribution:
  - Online distribution accessible via mobile phone, tablet or computer, enabling users to take out their mobile plan online and receive their SIM card at home through the post.

2 KEY FIGURES AND SIGNIFICANT EVENTS OF FIRST-HALF 2021

The key figures and significant events of first-half 2021 are set out below.

In € millions	**H1 2021e**	H1 2020	% change
Consolidated revenues	**3,722**	**2,784**	**+33.7%**
Consolidated services revenues[(1)]	3,478	2,688	+29.4%
Consolidated revenues from devices	253	105	+140.9%
Intra-group sales	(5)	(4)	*+25.0%*
Revenues – France	**2,542**	**2,475**	**+2.7%**
By segment			
- B2C	2,497	2,440	*+2.3%*
- B2B	45	35	*+29.7%*
Revenues – Italy	**383**	**312**	***+22.9%***
Revenues – Poland	**801**	**-**	**-**
Consolidated EBITDAaL	**1,398**	**876**	**+59.5%**
EBITDAaL – France[(2)]	1,019	960	+6.2%
- B2C	1,017	956	+6.2%
- B2B	3	4	-25.0%
EBITDAaL – Italy	6	(84)	*NM*
EBITDAaL – Poland	373	-	-
Consolidated capex[(3)]	**1,036**	**845**	**+22.7%**
Capex – France[(3)]	771	622	+24.0%
- B2C	741	612	+21.1%
- B2B	30	9	NM
Capex– Italy[(3)]	201	223	-9.9%
Capex – Poland[(3)]	64	-	-
Profit from ordinary activities	**579**	**218**	**+165.2%**
Profit from ordinary activities – France[(2)]	432	432	0.0%
Profit/(loss) from ordinary activities – Italy	(139)	(214)	-35.1%
Profit from ordinary activities – Poland	286	-	
Profit for the period	**239**	**208**	**+14.6%**
Net debt	**7,380**	**3,733**	**+97.7%**
Leverage ratio[(4)]	**2.75x**	**2.16x**	**+0.60x**

(1) Excluding intra-group sales for the Group and for France (2) Including intra-group sales for the Group (3) Excluding payments for frequencies
(4) Calculated including 12-month EBITDAaL contribution from Poland

3 COMPARISON OF RESULTS FOR FIRST-HALF 2021 AND FIRST-HALF 2020

In € millions	**H1 2021**	H1 2020	**% change**
Revenues	**3,722**	**2,784**	**+33.7%**
Purchases used in production	1,293	1,014	+27.5%
Gross profit	**2,429**	**1,771**	**+37.2%**
as a % of revenues	***65.3%***	**63.6%**	***+1.7 pts***
Payroll costs	(225)	(160)	41.0%
External charges	(447)	(297)	+50.5%
Taxes other than on income	(102)	(79)	+28.6%
Additions to provisions	(48)	(32)	+50.3%
Other income and expenses from operations, net	146	(11)	NM
Depreciation of right-of-use assets	(355)	(315)	+12.6%
EBITDAaL	**1,398**	**876**	**+59.5%**
as a % of revenues	***37.6%***	**31.5%**	***+6.1 pts***
Share-based payment expense	(21)	(18)	+15.5%
Depreciation, amortization and provisions for impairment	(798)	(640)	+24.7%
Profit from ordinary activities	**579**	**218**	**+165.2%**
Other operating income and expense, net	(50)	231	NM
OPERATING PROFIT	**529**	**450**	**+17.7%**
Finance costs, net	(90)	(39)	+133.4%
Other financial income and expense, net	(128)	(80)	+60.0%
Corporate income tax	(85)	(135)	-37.2%
Share of profit of equity-accounted investees	12	13	-4.0%
PROFIT FOR THE PERIOD	**239**	**208**	**+14.6%**

a. Analysis of consolidated results

(a) Key indicators

FRANCE	Q2 2021	Q1 2021	3-month change
Number of mobile subscribers	**13,345k**	**13,382k**	**-36k**
- *o/w on the Free Mobile Unlimited 4G/5G Plan*[1]	*8,754k*	*8,657k*	*+97k*
- *o/w on the voice-based plan*	*4,592k*	*4,725k*	*-133k*
Number of Broadband and Ultra-Fast Broadband subscribers	**6,812k**	**6,765k**	**+47k**
- *o/w Fiber*	*3,318k*	*3,071k*	*+247k*
Total number of subscribers – France	**20,157k**	**20,147k**	**+10k**
Number of connectible Fiber sockets	22.7m	21.1m	+1.6m
	Q2 2021	**Q2 2020**	**Year-on-year change**
Broadband and Ultra-Fast Broadband ARPU (in €)[2]	32.7	31.9	+2.5%
Mobile ARPU billed to subscribers (in €)[2]	10.9	10.2	+6.9%

ITALY	Q2 2021	Q1 2021	3-month change
Number of mobile subscribers	**7,820k**	**7,540k**	**+280k**

POLAND	Q2 2021	Q1 2021	3-month change
Number of registered mobile subscribers[2]	15,464k	15,373k	+91k
Number of active mobile subscribers[2]	12,310k	12,165k	+145k
- *o/w on plans*	8,428k	8,392k	+36k
- *o/w prepaid*	3,882k	3,773k	+108k
Number of Home subscribers[2]	198k	162k	+36k
- *o/w TV Box subscribers*	176k	149k	+27k
- *o/w Fixed Broadband/Ultra-Fast Broadband subscribers*	22k	13k	+9k
Total number of subscribers – Poland[2]	**12,508k**	**12,327k**	**+181k**
	Q2 2021	**Q2 2020**	**Year-on-year change**
Mobile ARPU billed to subscribers (in PLN)[3]	27.6	26.5	+4.0%

[1] *50/100/150 GB for non-Freebox subscribers.*
[2] *See glossary for definitions.*
[3] *ARPU calculated based on revenues billed to mobile subscribers.*

(b) Quarterly consolidated revenues

In € millions	Q2 2021	Q2 2020	% change	Q1 2021	Q1 2020	% change
Consolidated revenues	**1,875**	**1,402**	**+33.7%**	**1,846**	**1,382**	**+33.6%**
Consolidated services revenues(1)	1,759	1,348	+30.4%	1,719	1,339	+28.3%
Consolidated revenues from devices	122	58	+109.2%	131	45	+192.5%
Total intra-group sales	*(3)*	*(2)*	*NM*	(3)	(3)	NM
Revenues – France	**1,280**	**1,242**	**+3.1%**	**1,263**	**1,233**	**+2.4%**
By type of revenues						
- Services	1,246	1,187	+5.0%	1,221	1,190	+2.6%
Fixed services	712	672	*+6.0%*	692	663	+4.4%
Mobile services	533	514	*+3.7%*	529	527	+0.3%
o/w billed to subscribers	*438*	*408*	*+7.2%*	436	422	+3.4%
o/w other	*96*	*106*	*-9.3%*	93	105	-11.8%
- Devices	36	58	*-38.4%*	43	45	-3.4%
Intra-group sales – France	*(2)*	*(3)*	*NM*	(1)	(1)	NM
By segment						
- B2C	1,255	1,224	*+2.5%*	1,242	1,216	+2.2%
- B2B	24	18	*+39.9%*	21	17	+20.1%
Revenues – Italy	**195**	**162**	***+20.4%***	**188**	**150**	**+25.1%**
- Mobile services	193	160	*+20.6%*	186	149	+24.2%
o/w billed to subscribers	*150*	*120*	*+24.9%*	145	114	+26.7%
o/w other(2)	*43*	*40*	*+7.6%*	41	34	+20.2%
Revenues – Poland(3)	**404**	**-**	**-**	**398**	**-**	**-**
- Services	319	-	-	312	-	-
o/w Mobile services billed to subscribers	*224*	-	-	*218*	-	-
o/w Interconnection & other services(4)	*93*	-	-	*86*	-	-
o/w Home	*2*	-	-	*2*	-	-
- Devices	85	-	-	86	-	-

(1) Excluding intra-group sales for the Group and for France (2) Mainly interconnection revenues (3) EUR/PLN: 4.5374 for H1 2021 and 4.5457 for Q1 2021 (4) Mainly interconnection, wholesale and B2B services revenues

(c) Analysis of results – Group

(i) Revenues

Consolidated revenues climbed 33.7% year on year in the first half of 2021. Excluding Play in Poland, which has been consolidated since November 18, 2020, the increase was 4.9%, led by Italy which recorded a 22.9% jump in revenues, and France, where growth was 2.7%. In the second quarter, again excluding Play, the year-on-year increase came to 5.0%, with growth of 20.4% in Italy and 3.1% in France.

(ii) Gross profit

Consolidated gross profit amounted to €2.43 billion in first-half 2021, up 1.7 points as a percentage of revenue. Excluding the consolidation of Play in Poland, this increase came to 5.3 points and was mainly due to lower roaming costs resulting from higher traffic volumes carried directly on the Group's own networks in France and Italy.

(iii) Payroll costs

At end-June 2021, the Group had over 15,100 employees, representing an increase of nearly 400 people compared with end-December 2020.

Excluding the impact of the consolidation of Play, the year-on-year rise in payroll costs chiefly stemmed from new hires related to (i) the faster pace of Fiber rollouts and connections in France, (ii) the expansion of the distribution network in France and Italy, and (iii) the preparations for the launch of B2B operations in France, including the hosting business.

(iv) External charges

External charges rose by 50.5% year on year to €447 million (up 26.1% excluding Poland), reflecting (i) the increase in rental costs for mobile networks due to the deployment of new mobile sites in France and Italy, and (ii) the faster pace of Fiber rollouts and connections in France, which led to additional expenses (rental, maintenance, energy, insurance, sub-contracting and easement costs, etc.).

(v) Taxes other than on income

Taxes other than on income totaled €102 million, up 28.6% year on year (17.0% excluding Poland), due to the larger number of mobile sites in France (30% increase in IFER tax payments) and in Italy.

(vi) Additions to provisions

Additions to provisions for bad debts, impairment of inventories, and contingencies came to €48 million in the first half of 2021, up €16 million year on year (but only a €4 million increase excluding Poland). The main amounts recognized during the period related to provisions for bad debts and for claims and litigation.

(vii) Other income and expenses from operations, net

This item represented net income of €146 million in the first six months of 2021, versus an €11 million net expense in first-half 2020. This positive swing reflects, among other things, the recognition of gains generated on the sale of sites in connection with build-to-suit programs (in Poland, France and Italy).

(viii) Depreciation of right-of-use assets

Depreciation of right-of-use assets amounted to €355 million in first-half 2021, up 12.6% year on year (6.5% excluding Poland) due notably to the increase in the Broadband and Ultra-Fast Broadband subscriber base and sales of passive mobile infrastructure. This income statement item results from the Group's application since January 1, 2019 of IFRS 16, Leases.

(ix) Profit for the period

Profit for the period was 15% higher than in the first half of 2020. Finance costs, net rose year on year (by €52 million) following the acquisition of Play in Poland and refinancing operations carried out in the first half of 2021. Other financial income and expenses also represented a higher net expense in first-half 2021, up 25% excluding Poland, primarily due to the increase in interest expense on leases.

(d) Analysis of results – France (B2C + B2B)

The following table presents income statement data for France (up to "Operating profit") for the six-month periods ended June 30, 2021 and June 30, 2020:

In € millions	**H1 2021**	**H1 2020**	**% change**
Revenues	**2,542**	**2,475**	**+2.7%**
Services revenues	2,467	2,377	+3.8%
Revenues from devices	79	103	-23.2%
Intra-group sales	*(4)*	*(4)*	*NM*
Gross profit*(1)*	**1,890**	**1,761**	**7.3%**
as a % of revenues	*74.4%*	*71.1%*	*+3.3 pts*
EBITDAaL(1)	**1,019**	**960**	**+6.2%**
as a % of revenues	*40.1%*	*38.8%*	*+1.3 pts*
Profit from ordinary activities(1)	**432**	**432**	**0.0%**
Capital expenditure (excluding payments for frequencies)	**771**	**622**	**+24.0%**

(1) Including intra-group sales for the Group

(i) Revenues

Fixed services revenues

Services revenues generated by the Fixed business amounted to €1.41 billion in the first half of 2021, up 5.1% year on year, with growth accelerating in the second quarter to 5.9%. The main factors underlying this performance in the first half of 2021 are as follows:

- **The total Fixed subscriber base rose by 90,000 in the first half of 2021, with a 47,000 increase in the second quarter.** This performance testifies to the appeal of our offerings, which combine service differentiation with competitive prices. Fiber kept up its solid momentum, with 513,000 new subscribers taking up the Group's Fiber plans during the six-month period (including 245,000 in the second quarter, which was more or less stable compared with second-quarter 2020). At end-June 2021, the Fiber subscriber base stood at 3.32 million, with the penetration rate among the overall subscriber base up 15 points year on year at 48.7%.

- **Free was number one in France for Fixed Internet performance in the first half of 2021, according to nPerf[5], notably thanks to its excellent Fiber services.** The nPerf survey gave Free the best average download speed in the market (535 Mbps) and the best average upload speed (356 Mbps).

[5] In the nPerf performance survey of fixed Internet connections in Metropolitan France published on July 16, 2021, in terms of average FTTH speeds in first-half 2021, Free was ranked number one both for download speed (534.8 Mbps) and for upload speed (356.1 Mbps). Survey based on 3,529,013 tests carried out between January 1, 2021 and June 30, 2021 on Ultra-Fast Broadband lines (FTTH, cable and VDSL2) by users of the nPerf tool in Metropolitan France. See www.nperf.com for the full survey and the methodology used.

- **At €32.7, Fixed ARPU was 80 euro cents (2.5%) higher than in the second quarter of 2020 and 10 euro cents higher than in first-quarter 2021.** The rise in ARPU reflects the better subscriber mix and the effect of subscribers switching to plans that are not part of promotional deals.

- Revenue growth for **B2B** accelerated in the second quarter of 2021, coming in at 39.9% versus 20.1% in the first quarter.

- **The number of connectible Fiber sockets increased by 5.9 million over 12 months, totaling 22.7 million at end-June 2021.** The Group's Fiber plans are now available in some 10,700 municipalities (versus 8,200 at end-2020). Topping 3.3 million, the FTTH subscriber base was 50% higher at June 30, 2021 than one year earlier. The 1.1 million year-on-year increase in subscriber numbers represents a record high for the Group in terms of connections.

Mobile services revenues

Mobile services revenues rose 2.0% to €1.06 billion in the first half of 2021, with a 3.7% increase in the second quarter to €533 million. Revenues billed to subscribers rose 5.2% for the full six-month period and 7.1% in the second quarter. The main factors underlying this performance in the first half of 2021 are as follows:

- **The Free Mobile Unlimited 4G/5G Plan (50/100/150 GB for non-Freebox subscribers) continued to do well, with 191,000 net new subscribers during first-half 2021, including 97,000 in the second quarter.** However, the total mobile subscriber base decreased by 30,000 net subscribers over the six-month period, with a 36,000 net decrease in the second quarter. This reduction was mainly due to aggressive promotions launched by certain competitors for entry-level plans, which impacted the subscriber base for our €2 plan.

- **The Mobile business delivered a good showing, with a 7.2% second-quarter increase in revenues billed to subscribers.** Mobile ARPU billed to subscribers rose 6.9% to €10.9, due to the steady stream of subscribers switching from the Série Free Plan to the Free Unlimited 4G/5G Plan.

- Other Mobile revenues (mainly corresponding to income from voice and SMS/MMS interconnections) decreased by 10.6% year on year to €189 million (9.5% decrease in the second quarter). These revenues (which generate very low margins) were boosted in first-half 2020 by an atypical rise in volumes of voice traffic and text messages due to the unprecedented travel restrictions imposed in France.

- **Some 4,000 sites have been newly equipped to use 700 MHz frequencies over the past 12 months, significantly enhancing the subscriber experience.** This trend is being recognized by an increasing number of external surveys and is expected to continue thanks to the acquisition of additional frequency licenses in the third quarter.

- **Free pursued its brisk pace of 5G rollouts and consolidated its position as the telco with the largest 5G network in France.** At end-June 2021, Free had the highest number of 5G sites (all frequencies combined) in Metropolitan France, with nearly 17,000 authorized sites (including some 2,500 using 3.5 GHz frequencies) and over 10,200 sites that were commercially up and running (including some 1,300 using 3.5 GHz frequencies).

Devices

First-half revenues from sales of devices retreated 23.2% to €79 million. The main reason for this decline was a 33% fall in sales of smartphones in the second quarter, reflecting the preparation of our retail system for the new Free Flex model.

(ii) Gross profit

Gross profit for France amounted to €1.9 billion in first-half 2021, up €129 million on the corresponding period of 2020. As a percentage of revenues the increase was 3.3 points.

The year-on-year growth in this item primarily stemmed from (i) lower roaming costs resulting from higher traffic volumes carried directly on the Group's own network, (ii) a better mobile subscriber mix, and, to a lesser extent, (iii) savings on unbundling costs resulting from the increase in the Fiber subscriber base in very densely populated areas.

(iii) EBITDAaL – France (B2C + B2B)

EBITDAaL generated in France rose 6.2% to €1,019 million, representing an EBITDAaL margin of 40.1%, up 1.3 points on first-half 2020.

During the first six months of 2021 the Group continued to focus on the independence of its networks and the quality differentiation and diverse services that such independence allows.

The results of executing this strategy of capital expenditure and differentiation can be seen in the faster pace of the Group's Fiber rollouts and connections, the high demand for our most innovative Freeboxes and the improvement in our mobile subscriber mix.

The main factors affecting EBITDAaL generated in France in first-half 2021 were as follows:

- **Positive factors:**

  - **An operating leverage effect** stemming from the respective €69 million and €43 million year-on-year increases in Fixed services revenues and Mobile services billed to subscribers.

  - **Further openings of sites equipped for 700 MHz frequencies and deployments of new sites, giving the Group more consistent and higher quality mobile coverage**, which is encouraging subscribers to switch to the Free Mobile Unlimited 4G/5G Plan.

  - In very densely populated areas, lower unbundling costs for subscribers switching from copper to Fiber.

  - A positive contribution from "Other income and expenses from operations, net", notably including proceeds from the sale of mobile sites in connection with the build-to-suit program announced in May 2019.

- **Negative factors:**

  - **Higher expenses related to the use of infrastructure** (taxes, rental costs, energy costs, maintenance charges), such as the Group's mobile sites and Fiber network, chiefly attributable to the creation of the joint venture with InfraVia ("IFT").

  - **A 16% rise in payroll costs** as a result of new hires to support the faster pace of Fiber rollouts and connections, and recruitments both for the mobile and hosting businesses and for the expansion of the retail network.

(iv) Profit from ordinary activities

At €432 million, profit from ordinary activities in France was on a par with the first-half 2020 figure, with growth in EBITDAaL offset by the 24% year-on-year rise in depreciation and amortization expenses deriving from (i) the extension of the Group's Fiber and mobile networks and (ii) the 5G rollout.

(e) Analysis of results – Italy

The following table presents a simplified income statement for the Italy segment for first-half 2021 and first-half 2020:

In € millions	**H1 2021**	**H1 2020**	**% change**
Revenues	**383**	**312**	**+22.9%**
Services revenues	380	309	+23.0%
Gross profit	**124**	**11**	**NM**
as a % of revenues	*32.4%*	*3.7%*	*+28.7 pts*
EBITDAaL	**6**	**(84)**	**NM**
as a % of revenues	*1.5%*	*-27.0%*	*+28.5%*
Profit/(loss) from ordinary activities	**(139)**	**(214)**	**-35.1%**
Capital expenditure (excluding payments for frequencies)	**201**	**223**	**-9.9%**

(i) Revenues

Despite a challenging operating context in the first half of 2021 due to ongoing Covid restrictions, revenues generated by iliad Italia were up 22.9% year on year to €383 million, advancing 20.4% in the second quarter. The main factors underlying this performance in the first half of 2021 are as follows:

- **iliad Italia delivered a good sales performance in first-half 2021 despite a less favorable operating context for a new entrant**, **with almost 600,000 new subscribers since the beginning of the year, including 280,000 in the second quarter.** The Group had a total of 7.82 million subscribers in Italy at June 30, 2021, representing a market share of over 10%.

- **The Group kept up the brisk momentum of its network rollout, and at end-June 2021 had some 7,800 active sites in Italy, versus 6,100 at the end of 2020**. This figure is in line with the Group's target of having 8,500 active sites by the end of 2021, and the higher number of sites has enabled iliad Italia to increase the portion of traffic carried on its own network.

- **The Group continued to expand its retail network in Italy.** At June 30, 2021, it had 19 stores and more than 1,400 Simboxes in 900 kiosks located in busy catchment areas.

(ii) Gross profit

Gross profit in Italy rose by a sharp €113 million to €124 million in first-half 2021. This year-on-year increase was mainly attributable to lower roaming charges resulting from higher traffic volumes carried directly on the Group's own network, as well as the increase in the overall subscriber base.

(iii) EBITDAaL

For the first time, the Italian business made a positive contribution to consolidated EBITDAaL, reporting a €6 million surplus compared with an €84 million loss in first-half 2020. This positive swing was due to

(i) the sharp increase in revenues, which has enabled the Group to move closer to achieving critical mass in Italy, and (ii) the direct impact of its network rollout drive, as reflected in the above-mentioned gross profit figure. Other than the costs relating to the MOCN agreement, the Italian segment's main expense items are:

- **Expenses related to the Group’s mobile network** (which comprised some 7,800 active sites at end-June 2021), mainly corresponding to rental costs and depreciation of right-of-use assets.
- **Interconnection costs**.
- **Marketing and advertising costs, and structural expenses** such as payroll costs and subscriber relations costs.

(iv) Profit/(loss) from ordinary activities

The loss generated by ordinary activities in Italy improved in first-half 2021, coming in at €139 million, including depreciation/amortization expense for the network’s components and frequencies, which is increasing in line with network rollouts.

(f) Analysis of results – Poland

As Play was consolidated late in the year in 2020 (November 18), the analysis of the Poland segment's results is based on pro forma figures adjusted as if it had been consolidated for the full year in 2020.

In € millions – Actual figures since consolidation on November 18, 2020 (EUR/PLN exchange rate: 4.5374)	**H1 2021**	**H1 2020**	**% change**
Revenues	**801**	**-**	***ND***
Services revenues	631	-	*ND*
Revenues from devices	171	-	*ND*
Gross profit	**417**	**-**	***ND***
as a % of revenues	*52.0%*		*ND*
EBITDAaL	**373**	**-**	***ND***
as a % of revenues	*46.5%*		*ND*
Profit from ordinary activities	**286**	**-**	***ND***
Capital expenditure (excluding payments for frequencies)	**64**	**-**	***ND***

In PLN millions – 12 months	**H1 2021**	**H1 2020**	**% change**
Revenues	**3,636**	**3,499**	**+3.9%**
Services revenues	2,862	2,748	+4.1%
Revenues from devices	775	751	+3.2%
Gross profit	**1,892**	**1,763**	**+7.3%**
as a % of revenues	*52.0%*	*50.4%*	*+1.6 pts*
EBITDAaL	**1,692**	**1,151**	**+47.1%**
as a % of revenues	*46.5%*	*32.9%*	*+13.6 pts*
Profit from ordinary activities	**1,297**	**761**	**+70.5%**
Capital expenditure (excluding payments for frequencies)	**292**	**302**	**-3.3%**

(i) Revenues

Play's revenues in Poland totaled PLN 3.64 billion in the first half of 2021, up 3.9% year on year. The growth figure was higher in the second quarter than in the first, reaching 4.2%, including 8.1% for services billed to subscribers (versus 3.6% and 5.0% respectively in the first quarter). The main factors underlying this performance in the first half of 2021 are as follows:

- **Play's sales performance improved for the second quarter in a row, thanks to (i) its strategy of focusing on creating value by enhancing services and refreshing offerings, (ii) achieving better segmentation by improving the visibility of the Play brand, and (iii) the ramp-up of offerings in Play's new markets (Home & video).** The base of active subscribers on contracts (excluding M2M and free SIM cards) increased by 37,000, fueled by a better churn rate. The prepaid subscriber base rose by 108,000 units. The vast majority of the increase in the mobile subscriber base – both contract and prepaid – was for Play-brand products and services.

- **In the Home segment (TV Box and Fixed Internet),** the subscriber base rose by 36,000 units in the second quarter, on a par with first-quarter growth, highlighting Play’s significant potential in these segments.

- **Play's value-focused growth strategy has paid off**, with ARPU billed to subscribers up 4.0% year on year in the second quarter of 2021, to PLN 27.6. The pace of ARPU growth accelerated during the second quarter, both for subscribers on contracts (rising 3.3% vs. 2.1% in the first quarter) and prepaid cards (up 12.5% vs. 6.4%).

- **Sales of devices rose by 3.2% for the full six-month period and by 2.6% in the second quarter.**

(ii) Gross profit

Gross profit as a percentage of revenues widened by 1.6 points to 52.0% in first-half 2021. This increase reflects a better revenue mix thanks to higher mobile services revenues billed to subscribers (up 8.1%) and slower growth in sales of devices (which have low margins).

(iii) EBITDAaL

EBITDAaL in Poland rose 47.1% in the first half of 2021. Excluding the net positive impact of the deal with Cellnex (the higher rental costs of sites transferred to On Tower Poland – which has been 60%-owned by Cellnex since March 31 – were more than offset by the gain realized on the sale of 517 additional sites at the close of the deal), EBITDAaL saw double-digit growth thanks to i) higher gross profit due to a better revenue mix, and ii) the initial beneficial impacts of Play's integration within the iliad Group.

(iv) Profit from ordinary activities

Profit from ordinary activities surged 70.5% versus first-half 2020. The impact of EBITDAaL growth was partly offset by the increase in depreciation expense for network components.

b. Consolidated cash flows and capital expenditure

In € millions	H1 2021	H1 2020	% change
Consolidated cash flows from operations	**1,505**	**1,125**	**+33.8%**
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(414)	(363)	+14.0%
Change in working capital requirement	(57)	2	NM
Operating free cash flow after IFRS 16	**1,034**	**764**	**+35.3%**
Capex – France(1)	(771)	(622)	+24.0%
Capex – Italy(1)	(201)	(223)	-9.9%
Capex – Poland(1)	(64)	-	-
Income tax paid	(163)	(160)	+1.9%
Other	798	135	NM
Consolidated free cash flow (excluding payments for frequencies, financing activities and dividends)	**633**	**(106)**	***NM***
Payments for frequencies – France	(6)	(2)	*NM*
Payments for frequencies – Italy	(40)	(1)	*NM*
Payments for frequencies – Poland	-	-	-
Consolidated free cash flow (excluding financing activities and dividends)	**588**	**(109)**	***NM***
Dividends	(176)	-	*NM*
Cash and cash equivalents at end of period	**1,597**	**985**	**+62.1%**

(1) Excluding payments for frequencies

Consolidated free cash flow

In the first half of 2021, the Group stepped up the pace of its capex programs focused on growth and rolling out its Fiber and mobile networks in France and its mobile network in Italy, enabling it to become more autonomous and increase its profitability while at the same time enhancing the quality of its subscriber service. In Poland, Play's integration into the iliad Group did not alter the trajectory of Play's capex program and it continued to invest in deploying mobile sites. Altogether, the Group invested €1.04 billion in its networks in first-half 2021, and €46 million for the purchase of frequencies in France and Italy.

The year-on-year change in consolidated free cash flow mainly reflects the following:

- €1.51 billion in consolidated cash flows from operations, before €414 million in lease payments and interest expense on lease liabilities recognized due to the application of IFRS 16. Adjusted for the impact of IFRS 16, consolidated cash flow from operations rose by 35.3%, with the year-on-year decrease in France offset by the positive effects of Italy reaching EBITDAaL breakeven and the consolidation of Play for a full six-month period.

- A €57 million negative impact from change in working capital requirement, primarily due to the increase in revenues in Italy.

- €771 million in capital expenditure for France, up 24.0% year on year. The Group accelerated its 5G rollout drive during the period, adding nearly 5,000 new technically operational sites using 700 MHz frequencies, and over 1,000 new sites using 3.5 GHz frequencies. During the first six months of 2021, Free switched on nearly 1,200 new 3G sites and over 1,400 4G sites in Metropolitan France, and stepped up its rollouts in the French overseas territories. It also deployed some 2.8 million new connectible Fiber sockets and connected up a net 514,000 new subscribers to Fiber.

- €201 million invested in the Italian network, which was 10% lower than in first-half 2020 as the intense rollout pace slowed during the first six months of 2021 with almost 1,100 new sites equipped versus over 1,700 in the year-earlier period. However, the number of new sites activated was similar year on year.

- €64 million in capital expenditure for Poland (3% lower on a pro forma basis at constant exchange rates). Play continued to extend its mobile network during the period (with 295 new active sites), but delays in the allocation of 5G frequencies resulted in further postponements of some capex projects.

- €163 million in income tax paid.

- Other: including (i) a €0.8 billion inflow from the sale of 60% of On Tower Poland to Cellnex, (ii) outflows related to the build-to-suit program with Cellnex, (iii) a €43 million outflow for the acquisition of a 12.4% stake in Unieuro, and (iv) an €83 million outflow for buybacks of iliad shares.

- Dividends: as the 2020 AGM was postponed to July of that year due to Covid restrictions, the dividend for 2019 was paid in the second half of 2020. In 2021, the AGM was held in the first half of the year.

On May 18, 2021, the Group announced that it intended to sell its 30% stake in On Tower France and to dedicate part of the sale proceeds to its capital expenditure programs. At this stage of talks, the Group expects this stake to be valued at over €700 million.

<u>Net change in cash and cash equivalents</u>

The Group ended the year with €1.60 billion in available cash and cash equivalents.

c. Consolidated debt

The Group is not subject to any liquidity risk or the risk of breaching financial covenants (ratios, targets, etc.).

At June 30, 2021, the Group had gross debt of €8,987 million and net debt of €7,380 million (excluding IFRS 16 lease liabilities). At the same date, it had sufficient liquidity to finance its operations, with €1.6 billion in consolidated cash and cash equivalents and €2.1 billion in undrawn revolving credit facilities.

The Group is pursuing its strategy of investing in major industrial projects that will generate substantial future cash flows, while maintaining its solid financial structure and significant access to financing. At June 30, 2021, the Group's leverage ratio including Play (based on a 12-month contribution to EBITDAaL) was a contained 2.75x EBITDAaL.

Gross debt at June 30, 2021 primarily comprised the following:

1) MAIN BORROWINGS – ILIAD

(a) Borrowings due within one year

- A €1.4 billion NEU CP program

  The Group has a short-term NEU CP program representing a maximum amount of €1.4 billion which was renewed on June 3, 2021. At June 30, 2021, €620 million of this program had been used.

- €500 million worth of bonds maturing in November 2021

  The Group carried out a €1,150 million dual-tranche bond issue in April 2018. The first tranche of these bonds – amounting to €500 million and paying interest at 0.625% – is redeemable at face value on November 25, 2021.

(b) Borrowings due beyond one year

i) Bank borrowings

- Loans granted by the European Investment Bank (EIB)

  The EIB has granted iliad several loans in order to help finance the rollout of its ADSL, Fiber and mobile (4G and 5G) networks. These loans are repayable in installments and have long maturities. At June 30, 2021, the Group had the following EIB loans due beyond one year:

  - A €200 million loan granted in 2016 with the final installment due in September 2030.
  - A €300 million loan granted in 2018 with the final installment due in April 2033.
  - A €300 million loan granted in November 2020 and fully drawn down since March 2021, with the final installment due in March 2029.

- Loans granted by KFW IPEX-Bank

  KFW IPEX-Bank has granted iliad several loans in order to help finance the rollout of its fixed and mobile networks in France and Italy. These loans – which are repayable in installments and have long maturities – were as follows at June 30, 2021:

  - A €90 million loan granted in 2017 with the final installment due in June 2029.
  - A €150 million loan granted in 2019 and drawn down on November 9, 2020, with the final installment due in October 2030.

  The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.30% per year depending on the Group's leverage ratio.

- A €1,650 million syndicated revolving credit facility

  The Group has a €1,650 million syndicated revolving credit facility set up with a pool of international banks, with a final maturity in July 2025. None of this facility had been drawn down at June 30, 2021, and it was therefore still available in full.

  The applicable interest rate is based on Euribor for the period plus a margin of between 0.25% and 1.45% per year depending on the Group's leverage ratio.

- €2,000 million bridge loan for the acquisition of Play

  For the purpose of its November 2020 acquisition of the Polish telecom operator, Play, iliad used a €2,000 million bridge loan with an initial maturity in March 2022 and an option to extend to September 2022.

  On December 18, 2020, the Group requested to repay €900 million of the loan in advance of its maturity, using the funds from a €900 million syndicated term loan set up on the same date (see below). Following this early repayment, the bridge loan amounted to €1,100 million at December 31, 2020.

  On February 12, 2021, the Group repaid in advance the full outstanding amount of the bridge loan, using the proceeds from a €1,300 million dual-tranche bond issue.

- €900 million syndicated term loan

  For the purpose of redeeming €900 million worth of the €2,000 million bridge loan set up for the purpose of acquiring Play,

  on December 18, 2020 iliad was granted a €900 million syndicated term loan by a large pool of international banks. This loan has an initial maturity in December 2023, with two successive options to extend until December 2025.

  The applicable interest rate is based on Euribor for the period plus a margin of between 1.00% and 1.80% per year depending on the Group's leverage ratio.

iliad's bank borrowings are subject to financial covenants based on its leverage ratio. None of these covenants had been breached at June 30, 2021.

The above-mentioned borrowings do not include the following bank loans that were fully repaid in advance of maturity on the following dates in the first half of 2021:

- February 11, 2021: a bridge loan maturing in 2023 (€1,100 million).

ii) Bonds

- €650 million worth of bonds maturing in 2022

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

The bonds will be redeemed at face value at maturity on December 5, 2022.

- <u>€650 million worth of bonds maturing in 2024</u>

  On October 5, 2017, the Group issued €650 million worth of bonds which pay interest at 1.5% per year. The bonds will be redeemed at face value at maturity on October 14, 2024.

- <u>€1,150 million worth of bonds issued in two tranches, redeemable in 2021 and 2025</u>

  On April 18, 2018, the Group issued €1,150 million worth of bonds in two tranches:

  - A first tranche of €500 million, redeemable within one year (see above).
  - A second tranche of €650 million, paying interest at 1.875% per year and redeemable at face value at maturity on April 25, 2025.

- <u>€650 million worth of bonds maturing in 2026</u>

  On June 10, 2020, the Group issued €650 million worth of bonds which pay interest at 2.375% per year. These bonds will be redeemed at face value at maturity on June 17, 2026.

- <u>€1,300 million worth of bonds issued in two tranches, redeemable in 2024 and 2028</u>

  On February 4, 2021, the Group issued €1,300 million worth of bonds in two tranches:

  - A first tranche of €600 million, paying interest at 0.750% per year and redeemable at face value at maturity on February 11, 2024.
  - A second tranche of €700 million, paying interest at 1.875% per year and redeemable at face value at maturity on February 11, 2028.

iii) *Schuldschein* notes

On May 22, 2019, iliad carried out a *Schuldscheindarlehen* issue (*Schuldschein* notes), raising a total of €500 million in six tranches:

- Three fixed-rate tranches totaling €175 million, paying interest at 1.400%, 1.845% and 2.038%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively.

- Three variable-rate tranches totaling €325 million, with lending margins of 1.40%, 1.70% and 1.80%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively.

On June 30, 2021, iliad carried out a second issue of *Schuldschein* notes, raising a total of €500 million in six tranches:

- Three fixed-rate tranches totaling €124 million, paying interest at 1.150%, 1.400% and 1.700%, and redeemable at maturity on June 30, 2025, June 30, 2026 and June 30, 2028, respectively.

- Three variable-rate tranches totaling €376 million, with lending margins of 1.150%, 1.400% and 1.700%, and redeemable at maturity on June 30, 2025, June 30, 2026 (with a 6-month or 12-month extension option) and June 30, 2028, respectively.

2) MAIN BORROWINGS – PLAY

i) Bank borrowings

- A PLN 5,500 million multi-tranche syndicated credit facility set up in March 2021

On March 29, 2021, Play set up a PLN 5,500 million multi-tranche syndicated credit facility (the "Term and Revolving Facilities Agreement") with a large pool of international and local banks in order to refinance its existing debt. The two tranches of the facility are as follows:

- A term loan amounting to PLN 3,500 million, repayable at maturity in 2026. The applicable interest rate is based on Wibor for the period, plus a margin of between 1.25% and 2.25% per year depending on Play's leverage ratio.
- A revolving tranche amounting to PLN 2,000 million, maturing in 2024, with two successive options to extend until 2026. The applicable interest rate is based on Wibor for the period, plus a margin of between 1.25% and 2.25% per year depending on Play's leverage ratio. None of this tranche had been drawn down at June 30, 2021, and it was therefore still available in full.

None of the covenants applicable to these borrowings had been breached by Play at June 30, 2021.

ii) Bonds

- PLN 750 million worth of bonds maturing in 2026

  On December 13, 2019, Play issued PLN 750 million worth of bonds paying variable interest twice a year based on Wibor plus a 1.75% margin. These bonds will be redeemed at face value on December 11, 2026.

- PLN 500 million worth of bonds maturing in 2027

  On December 29, 2020, Play issued PLN 500 million worth of bonds paying variable interest twice a year based on Wibor plus a 1.85% margin. These bonds will be redeemed at face value on December 29, 2027.

Summary of the Group's borrowings due beyond one year at June 30, 2021

In € millions	Maturity	Type of repayment/ redemption	Total amount of financing	Amount used	Amount available
<u>MAIN BORROWINGS – ILIAD</u>					
<u>Bank borrowings</u>					
EIB – 2016	September 2030	In installments	200	200	-
EIB – 2018	April 2033	In installments	300	300	-
EIB – 2020	March 2029	At maturity	300	300	-
KFW – 2017	June 2029	In installments	72	72	-
KFW – 2019	October 2030	In installments	142.5	142.5	-
Syndicated revolving credit facility – 2018	July 2025	At maturity	1,650	-	1,650
Syndicated term loan – 2020	December 2023	At maturity	900	900	-
<u>Bonds</u>					
Ordinary bonds – 2015	December 2022	At maturity	650	650	-
Ordinary bonds - 2017	October 2024	At maturity	650	650	-
Ordinary bonds – 2018	November 2021 &April 2025	At maturity	500 & 650	1,150	-
Ordinary bonds – 2020	June 2026	At maturity	650	650	-
Ordinary bonds – 2021	February 2024 & February 2028	At maturity	600 & 700	1,300	-
<u>*Schuldschein* notes</u>	May 2023, 2026 & 2027	At maturity	500	500	-
<u>*Schuldschein* notes</u>	June 2025, 2026 & 2028	At maturity	500	500	-
<u>MAIN BORROWINGS – PLAY*</u>					
Syndicated term loan	March 2026	At maturity	**774**	774	-
Syndicated revolving credit facility	March 2024	At maturity	442	-	442
<u>Bonds</u>					
Ordinary bonds – 2019	December 2026	At maturity	164	164	-
Ordinary bonds – 2020	December 2027	At maturity	110	110	-

*Converted at the PLN/EUR spot rate at June 30, 2021: 4.5201

d. Ownership structure at June 30, 2021

At June 30, 2021, iliad's share capital was made up of 59,622,465 ordinary shares, held by the following shareholders:

- Executive Management: 44,681,189 shares, representing 74.94% of the share capital.
- Public: 13,775,280 shares, representing 23.10% of the share capital.
- Treasury shares: 1,165,996 shares, representing 1.96% of the share capital.

At June 30, 2021 the following stock option and share grant plans were in place:

- One iliad stock option plan with a total of 107,028 shares under option.

- Four share grant plans representing a potential 762,464 new iliad shares.

4 ADDITIONAL INFORMATION

a. Objectives

As well as the effect it is continuing to have on people's lives, the Covid-19 pandemic is still weighing on the economies of many countries. In 2020, the social and financial impacts of the virus on the iliad Group were limited. However, for 2021 and beyond, the pandemic could affect the iliad Group and its objectives, just as it may affect all telecommunications companies. Potential impacts include a shortage of certain electronic components and a slower rollout of Fixed and Mobile networks.

FRANCE

Long-term goal for the B2C market: 25% share of the Mobile, Broadband and Ultra-Fast Broadband markets

- **B2C**
  - **Fixed:**
    - More than 5 million Fiber subscribers by 2023
    - 30 million connectible Fiber sockets by end-2022
  - **Mobile:**
    - Over 80% of the subscriber base signed up to the Free Mobile Unlimited 4G/5G Plan[6] by 2024.
    - Over 25,000 sites by 2023
  - **Financial targets:**
    - 2021: EBITDAaL less capex (excluding B2B activities) of more than €600 million (target revised (i) following the decision to allocate part of the future proceeds from the sale of On Tower France to our 5G capital expenditure program, and (ii) to secure supplies and increase inventories of components for our Freeboxes and other electronic equipment in view of the current market shortages and, to a lesser extent, of fiercer competition on the mobile market in France in second-quarter 2021)
- **B2B**
  - B2B market share of around 4% to 5% by 2024
  - B2B revenues of between €400 million and €500 million by 2024

ITALY

- **Mobile:**
  - Have around 8,500 active sites by end-2021
  - Have rolled out between 10,000 and 12,000 sites by end-2023
- **Fixed:**
  - Launch the Fixed business after summer 2021
- **Financial targets:**
  - Achieve positive EBITDAaL for full-year 2021
  - Generate €1.5 billion in revenues in Italy in the long term.

POLAND

- Increase EBITDAaL less capex in 2021 (on a 12-month pro forma basis).

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[6] *50/100/150 GB for non-Freebox subscribers*

b. Events after the balance sheet date

On July 30, 2021, HoldCo II – a company controlled by Xavier Niel through the company HoldCo – decided to strengthen its control over iliad by launching a simplified public tender offer (the “Offer”) for iliad’s shares in order to accelerate the Group’s growth and support its strategy. The Offer price has been set at €182 per share and the Offer has been unanimously favorably received by iliad’s Board of Directors. At the end of the Offer period, if the number of shares not tendered to the Offer does not represent more than 10% of iliad’s share capital and voting rights, HoldCo II will ask the AMF to launch a squeeze-out procedure. Provided that the AMF issues a compliance notice, the Offer period will open on September 8, 2021 based on the provisional timetable set out in the draft prospectus for the Offer, which is available in the Investor Center of iliad’s website under "Regulatory disclosures".

c. Risk factors

The Group’s most significant risks are described in Chapter 2. Risk Factors of the 2020 Universal Registration Document. At the date of publication of this report, this description remains applicable and offers an appropriate assessment of the main risks and uncertainties for the remaining six months of 2021.

d. Main related party transactions

The main related party transactions are described in Note 18 to the condensed interim consolidated financial statements.

e. Glossary

The definitions of the main terms used by iliad are set out below:

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

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

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

Connectible Fiber socket: A socket for which the link between the shared access point and the optical splitter has been put in place by the building operator, which the Group can access in accordance with its co-financing commitments, and for which the connection to the Group’s network has been completed or is in progress.

EBITDAaL: Profit from ordinary activities before depreciation, amortization and impairment of property, plant and equipment and intangible assets, and the impact of share-based payment expense.

FCF: Free cash flow.

Fiber: Data delivery technology that directly connects subscribers’ homes to an optical node (ON).

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

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

M2M: Machine to machine communications.

Mobile ARPU billed to subscribers: Includes revenues billed to subscribers divided by the total number of Mobile subscribers during the period.

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

Net debt: Difference between short- and long-term financial liabilities, and available cash and cash equivalents as presented in the balance sheet.

Number of active mobile subscribers – Poland: Represents, at the end of a given period, the total number of subscribers, identified by their telephone lines, who have subscribed to a Play mobile offering (excluding M2M and free SIM cards) and who have issued or received at least one communication (voice or data) during the preceding 30 days.

Number of Broadband and Ultra-Fast Broadband subscribers – France: Represents, at the end of a given period, the total number of subscribers, identified by their telephone lines, who have signed up for a Free or Alice Broadband or Ultra-Fast Broadband offering, excluding those recorded as having requested the termination of their subscription.

Number of Home subscribers – Poland: Represents, at the end of a given period, the number of subscribers who have signed up to a TV Box plan or a fixed Broadband or Ultra-Fast Broadband plan, excluding those recorded as having requested the termination of their subscription.

Number of mobile subscribers – France: Represents, at the end of a given 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.

Number of mobile subscribers – Italy: Represents, at the end of a given period, the total number of subscribers, identified by their telephone lines, who have subscribed to an iliad Italia mobile offering and who have issued or received at least one communication during the preceding three months.

Number of registered mobile subscribers – Poland: Represents, at the end of a given period, the total number of subscribers, identified by their telephone lines, who have subscribed to a Play mobile offering (including M2M cards and free SIM cards), excluding those recorded as having requested the termination of their subscription.

Revenues billed to subscribers: Revenues generated from services billed directly to subscribers (services included in subscribers' mobile plans as well as additional services).

Services revenues: Revenues excluding sales of devices.

Total number of subscribers – Poland: Represents, at the end of a given period, the number of active mobile subscribers in Poland and the number of Home subscribers in Poland.

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