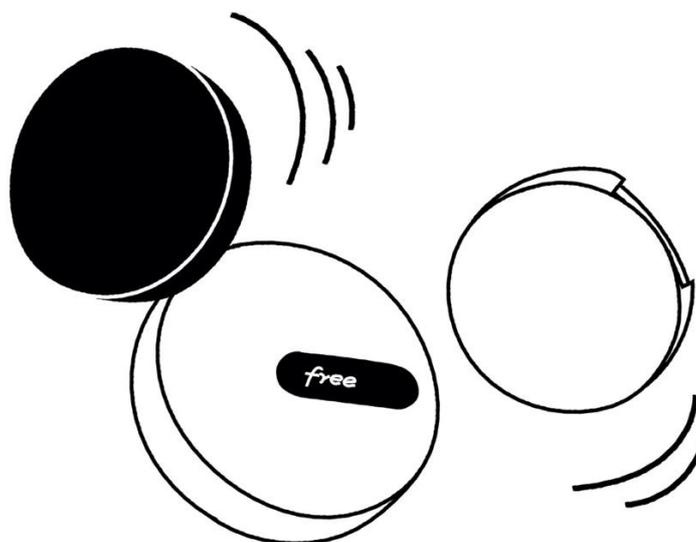


Innovation, commercial wins, massive rollouts, and business growth in France: iliad reaffirms its fundamentals in Q3 2020

 financial release



The iliad Group reaffirmed its fundamentals in the third quarter of 2020: innovation, with the success of the Freebox Pop; growth, with the acquisition of operator Play, commercial wins in both France and Italy and a fast pace of rollouts across France and Italy. iliad delivered a solid financial performance in Q3, with consolidated revenues up 6.3% year on year.

- The Group had the highest number of Fixed net adds in France during the quarter¹.
- iliad's robust third-quarter performance confirms its structural return to growth in France.
- Fixed and Mobile network rollouts continued at a brisk pace during the quarter, despite the difficult operating context.
- On September 21, iliad announced its intention to acquire the Polish mobile operator, Play.

¹ Internal estimate.

The Group had the highest number of Fixed net adds in France in Q3 2020.

With a total 99,000 net new subscribers in third-quarter 2020, Iliad registered its best performance since the fourth quarter of 2012. These figures were fueled by:

- **An increase in gross sales** due to the commercial success of the Freebox Pop – which attracted a very large number of subscribers in under three months – as well as renewed demand for the Freebox Delta.
- **Record high net adds for Fiber**, with 299,000 new subscribers in third-quarter 2020 and a Fiber subscriber base that has now topped 2.5 million.

The Group's robust third-quarter performance confirms its structural return to growth in France.

The solid financial performance in the third quarter of 2020 directly reflects the Group's commercial success during the period.

- Consolidated revenues **rose 6.3%** year on year.
- In **France**, the Group's revenues came to €1,252 million, up 1.9% despite a sharp drop in roaming revenues during the quarter. In **Italy**, revenues totaled €171 million, up 56.3% thanks to growth in the subscriber base.

The Group's Fixed and Mobile network rollouts continued at a brisk pace during the quarter.

- In **France**, Iliad deployed over 550 new mobile sites and equipped nearly 1,300 sites for 700 MHz. The Group now has 18,800 mobile sites across Metropolitan France and offers 4G coverage to 97.8% of the French population. It is the operator that has rolled out the largest number of new 4G sites in Metropolitan France since the start of 2020.
- In **Italy**, Iliad deployed some 770 mobile sites in third-quarter 2020, and by October 31 it had reached its year-end objective of having over 5,000 active sites.

On September 21, the Group announced its intention to acquire the Polish mobile operator, Play, by launching a public tender offer and securing the purchase of a 40% controlling interest from Play's two reference shareholders.

This transaction received clearance from the European Commission on October 27, paving the way for a new chapter in the Group's history.

Commenting on iliad's third-quarter performance, Thomas Reynaud, the Group's Chief Executive Officer, said:

"Despite the Covid-19 crisis and the complicated operating context it has caused, iliad has stayed on course, showing strength and solidarity and affirming its fundamentals: innovation, with the launch of the Freebox Pop and the Free-Ligue 1 Uber Eats app; commercial wins in France and Italy; a fast pace of network rollouts; and growth, with the acquisition of Play. The iliad Group also continues to be a dynamic employer, with the creation of over 400 net jobs in France since the start of 2020. The aim of what we're working together to achieve has never been more important: connectivity for everyone!"

Key operating performance indicators at September 30, 2020

<i>France</i>	Sept. 30, 2020	June 30, 2020	3-month change
Total mobile subscribers	13,476k	13,406k	+70k
• <i>Of which on the Free Mobile Unlimited 4G Plan*</i>	8,503k	8,383k	+120k
• <i>Of which on the voice-based plan</i>	4,973k	5,023k	-50k
Average 4G data usage (in GB per month per subscriber)	16.0	16.6	-0.6
Total Broadband and Ultra-Fast Broadband subscribers	6,671k	6,572k	+99k
• <i>Of which Fiber</i>	2,517k	2,218k	+299k
• <i>Fiber take-up rate</i>	37.7%	33.7%	+4.0 pts
Total number of subscribers – France	20,147k	19,978k	+169k
Number of connectible Fiber sockets	18,200k	16,750k	+1,450k
	Q3 2020	Q2 2020	Q3 2019
Broadband and Ultra-Fast Broadband ARPU** (in €)	31.8	31.9	32.5
<i>Excluding e-books</i>	31.8	31.9	31.6
Mobile ARPU invoiced to subscribers** (in €)	10.9	10.2	10.6
<i>Excluding e-books</i>	10.9	10.2	10.3
Italy	Sept. 30, 2020	June 30, 2020	3-month change
Total mobile subscribers	6,840k	6,260k	+580k

* 50/100 GB for non-Freebox subscribers.

** See glossary for definition.

Consolidated revenues

The Group's consolidated revenues rose 6.6% year on year in the first nine months of 2020, led by (i) ongoing strong sales momentum in Italy (€483 million in revenues for the nine-month period) and (ii) a 1.8% increase in services revenues in France, which offset (iii) a 14.2% decrease in sales of devices.

The table below shows the breakdown of consolidated revenues by category for the nine-month and three-month periods ended September 30, 2020 and September 30, 2019.

Third-quarter and nine-month revenues

In € millions	Q3 20	Q3 19	% change	9M 20	9M 19	% change
Revenues – France	1,252	1,229	+1.9%	3,728	3,660	+1.8%
By type of revenues:						
- Fixed services	673	661	+1.7%	2,009	1,973	+1.8%
- Mobile services	537	524	+2.4%	1,578	1,521	+3.7%
<i>Of which invoiced to subscribers</i>	439	423	+4.0%	1,270	1,212	+4.8%
- Devices	44	45	-2.7%	146	171	-14.2%
- Intercompany sales – France	(1)	(1)	-	(5)	(5)	-
By segment:						
- B2C	1,233	1,211	+1.8%	3,674	3,615	+1.6%
- B2B	19	17	+8.1%	54	46	+16.6%
Revenues – Italy	171	109	+56.3%	483	286	+68.6%
Intra-group sales	(2)	(2)	-	(5)	(2)	-
Services revenues – France	1,209	1,185	+2.0%	3,587	3,494	+2.6%
Consolidated services revenues	1,380	1,294	+6.6%	4,069	3,780	+7.6%
Consolidated revenues	1,420	1,336	+6.3%	4,205	3,944	+6.6%

France

The Group's revenues in France increased 1.9% in the third quarter of 2020 to €1,252 million, with services revenues rising 2.0% (4.5% excluding the impact of e-books).

Fixed services revenues

Services revenues for the Fixed business climbed 1.7% to €673 million in third-quarter 2020. The main factors underlying this performance were as follows:

- **A record showing for Fiber, with 299,000 net adds during the quarter.** The Group had over 2.5 million Fiber subscribers and 18.2 million connectible sockets at end-September. The Fiber take-up rate among the Group's subscriber base is now almost 38%, up by more than 14 points in the space of 12 months.
- **Best Fixed net-adds performance** since the fourth quarter of 2012, with 99,000 new subscribers in third-quarter 2020, thanks to:
 - **Fiber acting as a tool for winning new subscribers.** Over half of those signing up to Free Fiber are completely new subscribers (i.e., not switching from other plans), and our new subscribers in non-densely populated areas have reached a record high, demonstrating the success of our local communication campaigns.
 - **An increase in gross sales**, reflecting the successful launch of the Freebox Pop and renewed demand for the Freebox Delta.
- **A 70-euro-cent year-on year decrease in ARPU to €31.8.** Unlike in the third quarter of 2019, ARPU was not lifted by the inclusion of the e-book offering. Excluding the impact of e-books, ARPU rose 0.6%, reflecting the improved customer mix and the effect of subscribers switching to plans that are not part of promotional deals, the accretive effect of which was partly offset by the rise in gross sales.
- An 8.1% overall revenue increase for the **B2B segment**, representing slower growth than in previous quarters. Jaguar Networks' growth accelerated during the period, with revenues up 16.2%, but this positive effect was partly offset by an unfavorable basis of comparison for Scaleway's B2B activities.

Mobile services revenues

Following a second quarter that was adversely impacted by the Covid-19 crisis, Mobile services revenues picked up in the third quarter, rising 2.4% to €537 million. This increase was fueled by a re-acceleration in growth for revenues invoiced to subscribers, which were up 4% to €439 million. The main factors affecting Mobile services revenues in third-quarter 2020 were as follows:

- **120,000 net adds for the Group's 4G plans** – our best quarterly performance in the past 12 months – which pushed up our total 4G subscriber base to more than 8.5 million at end-September. The Group continued to improve its subscriber mix during the period, and its total mobile subscriber base increased by a net 70,000 subscribers. At September 30, 2020, the Group had a total of 13.48 million mobile subscribers in France.
- **A robust increase in revenues invoiced to subscribers**, which rose almost 4% to €439 million (7.2% excluding the impact of e-books), despite a 55% decrease in roaming revenues. This good performance reflects (i) the Group's successful strategy of switching subscribers on the voice-based plan to the Free Mobile Unlimited 4G Plan (50/100 GB for non-Freebox subscribers), (ii) the fact that a high number of Série Free Plan subscribers are being automatically switched to the Free Mobile Unlimited 4G Plan after 12 months, and (iii) the lower churn rate. All of these factors drove a 2.8% increase in ARPU to €10.9 (5.8% increase excluding the impact of e-books).
- A 4.1% **decrease in Other Mobile revenues** to €97 million, **after two quarters of growth**. Primarily stemming from interconnections between operators for voice and text message services, these revenues generate low margins and have been adversely affected from a structural standpoint by a decreasing use of text messages as mobile data usage rises. However, this structural revenue decrease was halted in the first two quarters of the year due to the higher number of voice calls and text messages during the national lockdown in France.
- **Ongoing brisk pace of rollouts**. During the third quarter, Free deployed over 550 new mobile sites and equipped nearly 1,300 sites for 700 MHz. At end-September, the Group had almost 18,800 sites in Metropolitan France, of which some 17,700 are 4G, with 96% of its 4G sites equipped for 700 MHz. At the same date, the Group's mobile network covered more than 98.4% of the French population for 3G and 97.8% for 4G.

Revenues from devices

Sales of devices contracted 2.7% in third-quarter 2020 to €44 million, primarily reflecting an unfavorable basis of comparison with third-quarter 2019, when the figure was boosted by sales of the Freebox Delta Player.

Italy

Revenues generated by the Group in Italy totaled €171 million in third-quarter 2020, up 56% year on year. The operating context remained difficult during the quarter, despite Italy coming out of lockdown, with the mobile market still weighed down by the Covid-19 crisis. The main factors underlying performance in Italy during the third quarter were as follows:

- iliad Italia recorded a very high number of net adds despite ongoing targeted and very aggressively-priced offerings launched by competitors and the market's lower churn rate since late February, when the government introduced its initial restrictions to curb the spread of Covid-19. With 580,000 net adds in the third quarter of 2020, **the Group had over 6.8 million subscribers in Italy** at end-September 2020. Since launching its mobile operations in Italy in late May 2018, the Group has won **almost 9% of the Italian market**.
- The Group continued to roll out its mobile network during the quarter, deploying some 770 new sites and reaching a total of **nearly 4,780 active sites and 6,640 equipped sites** at September 30. At end-October, iliad Italia had already met its objective of having **over 5,000 active sites** by the end of 2020.

Acquisition of Play

On September 21, 2020, the Strategy Committee of HoldCo and the Board of Directors of iliad approved the launch of a public tender offer for all of the shares making up the capital of the Polish telecom operator, Play, for a cash amount of PLN 39 per share (representing a total of c. €2.2 billion for 100% of the share capital and an enterprise value of c €3.5 billion). In parallel, iliad has signed a binding agreement to purchase a 40% controlling interest from Play's two reference shareholders for the same unit price (i.e., PLN 39 per share), which will give iliad the majority of seats on Play's Board of Directors.

5G frequencies

On October 1, 2020, following the end of the principal phase of the 5G spectrum auction carried out in France, the Group was allocated two blocks of 10 MHz for a total price of €252 million, to be paid over four years. This is in addition to the 50 MHz block obtained by the Group after making the commitments specified by ARCEP, in return for a payment of €350 million spread over 15 years. Moreover, from 2021, the Group will extend its spectrum in the 900 MHz frequency band (+2.6 MHz symmetrical) and in the 2.1 GHz frequency band (+9.8 MHz symmetrical).

Group objectives

As well as the human impact, the coronavirus pandemic has generated an economic slowdown in certain regions. The social and financial impacts for the Group are currently limited but the pandemic could affect Iliad and its objectives, as is the case for all companies in the telecommunications sector. Possible impacts include the shortage of certain electronic components and a slower rollout of the Group's Fixed and Mobile networks.

France

• B2C

⊙ Fixed:

- Achieve a 25% share of the Broadband and Ultra-Fast Broadband market in the long term.
- Have 2.8 million Fiber subscribers by end-2020 and more than 5 million by 2024.
- Have 22 million connectible Fiber sockets by end-2022 and around 30 million by end-2024.

⊙ Mobile:

- Have more than 80% of the subscriber base signed up to the Free Mobile Unlimited 4G Plan² by 2024.
- Have over 25,000 sites by 2024.
- Achieve a 25% share of the mobile market in the long term.

⊙ Financial targets:

- EBITDAaL margin in France (excluding B2B and sales of devices) of over 40% in 2020.
- In view of the increase in Fiber subscriptions, achieve an EBITDAaL less capex figure in France (excluding B2B activities) of more than €700 million in 2020.
- Achieve an EBITDAaL less capex figure in France (excluding B2B activities) of approximately €900 million in 2021.

• B2B

- Obtain a B2B market share of around 4% to 5% by 2024.
- Generate B2B revenues of between €400 million and €500 million in 2024.

Italy

- Have over 5,000 active sites by end-2020.
- Based on this target number of active sites, we expect EBITDAaL losses to be lower in 2020 than in 2019.
- Have rolled out between 10,000 and 12,000 sites by end-2024.
- Achieve EBITDAaL break-even with a market share of less than 10%.
- Generate €1.5 billion in revenues in Italy in the long term.

² 50/100 GB for non-Freebox subscribers

Glossary

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

Broadband and Ultra-Fast Broadband ARPU: 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 invoiced 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 FTTH 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.

FTTH (*fiber-to-the-home*): Data delivery technology that directly connects subscribers' homes to an optical node (ON).

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

Mobile ARPU invoiced to subscribers: Includes revenues invoiced 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.

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

Services revenues: Revenues excluding sales of devices.

Total mobile subscribers – France: Represents, at the end of a period, the total number of subscribers, identified by their telephone lines, who have subscribed to a Free mobile offering, excluding those recorded as having requested the termination of their subscription.

Total mobile subscribers – Italy: Represents, at the end of a 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.

About iliad

iliad is the parent company of Free, the inventor of the Freebox, the first multiservice box on ADSL. Free is behind numerous innovations in the Broadband and Ultra-Fast Broadband access segment (VoIP, IPTV, flat-rate calling plans to multiple destinations, etc.) and provides straightforward and innovative offerings at the best prices. Since January 2012, Free has brought mobile phone usage within everyone's reach with straightforward, no-commitment offerings at very attractive prices. As at September 30, 2020, Free had nearly 20 million subscribers in France (6.7 million Broadband and Ultra-Fast Broadband subscribers and 13.5 million mobile subscribers). On May 29, 2018, the Group launched its mobile network in Italy under the iliad brand, becoming the country's fourth operator, and had over 6.8 million subscribers at September 30, 2020.

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