

# FY 2014 Strategy & Results Presentation

March 12, 2015

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## FY 2014 Highlights

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Broadband

- Solid performance in a competitive broadband market: 228k new subscribers, representing a net-add market share of 26%
- Highest ARPU of the market
- Robust network rollout with nearly 7,000 unbundled Central Offices, completion of VDSL migration and increase in FTTH commitments



Mobile

- More than 2 million new subscribers in 2014 – a net-add market share of 66%
- Long-term target of 15% market share achieved in just 3 years
- Successful phone rental offerings – 50% of hardware revenues
- Success of 3G rollout: the 3G coverage rate of 75% has been met



Financials

- A fast-growing Group: revenues topped the €4 billion mark one year before the initial target date as set in March 2011
- ADSL FCF hits record high at €737m

**Unbeatable offerings & cost structure - Strong NGN commitments**

## Continued Growth in Operational Performance



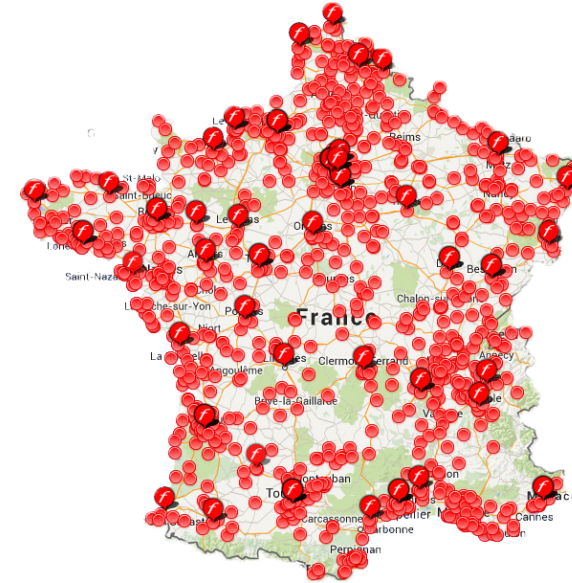
	Dec. 2012	Dec. 2013	Dec. 2014
<b>Subscriber KPIs</b>			
Total subscribers	10,569,000	13,680,000	15,973,000
- Broadband	5,364,000	5,640,000	5,868,000
- Mobile	5,205,000	8,040,000	10,105,000
<b>Other Broadband KPIs</b>			
Unbundling rate	94.10%	94.80%	96.40%
Broadband ARPU (end of period)	€36.0	€36.0	€35.1
Freebox Revolution ARPU	> €38.0	> €38.0	> €38.0

# Smart “de-digitalized” Distribution to Strengthen Local Presence



## 1<sup>st</sup> SIM card dispenser

- Already 1,000 SIM card dispensers already set up in stores across France as of December 2014 – available in the Maison de la Presse store network and Free Centers
- A ready-to-use SIM card delivered in a matter of minutes
- Other services offered: swapping of SIM card, paying outstanding bills, etc.



## New cities covered by Free Centers

- 43 stores opened as of December 2014, reinforcing subscriber trust and the Free brand image
- 10 new stores will be opened by end-2015
- Efficient model both for subscriptions & customer care: awarded best retail customer experience



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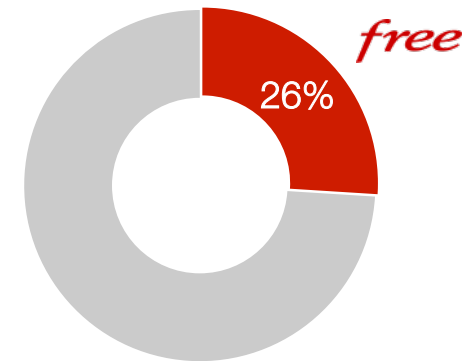
Broadband Business

# A Growing Market Share in a Competitive Environment



## Iliad market share – FY 2014

- 228k new subscribers won in 2014
- Gaining market share: 26% net-adds market share in 2014



## Broadband ARPU

- Highest ARPU in the market despite of a harsh competitive environment
- One-off online offers putting slight pressure on ARPU but a solid ROI

**Net-adds market share > 25% 4 years in a row**

# New Freebox mini 4K: The Most Innovative Entry-price Product



Freebox mini 4K replaces Freebox Crystal with the latests specs:



## Freebox **Server** mini 4K

- ADSL 2+ / VDSL 2 / FTTH ready
- WiFi up to 450 Mbps
- 4 1Gbps Ethernet slots
- 1 e-SATA slot, 2 USB 2.0 slots
- Embedded Femtocell

## Freebox **Player** mini 4K

- Compact format: 11.5 x 15.5 x 3.5 cm
- 4K – Ultra High Definition
- The ultimate video encoding format: HEVC – H265
- Powered by Android TV™
- Chipset dual core 1.5 GHz
- HDMI, Bluetooth 4.0
- 3 USB 2.0 slots, 1 SD-card slot, S/PDIF (audio)
- Radio remote control with voice search function



# Freebox mini 4K Brings Major Innovations

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## 1<sup>st</sup> operator to launch 4K-UHD

- The ultimate standard for TV: 4 times more detailed images than with Full HD
- Totally future proof: ready for future 4K content on TV



## 1<sup>st</sup> triple-play box with Android TV™

- Acces to a world of contents and apps: thousands of movies, shows, and games from Google Play, Youtube and the best apps on TV
- Multi-screen with Google™ Cast: AnyTime and Any Device Access

androidtv

## 1<sup>st</sup> box with a voice search remote control

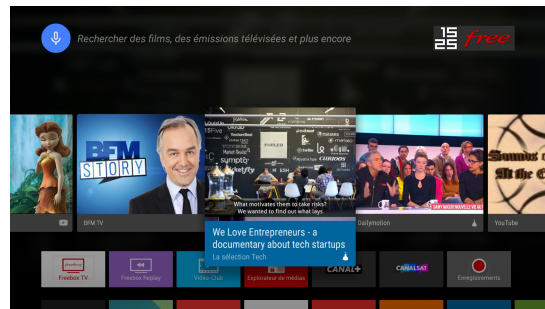
- Embedded microphone to allow voice search on TV
- Bluetooth remote control to improve the subscriber experience



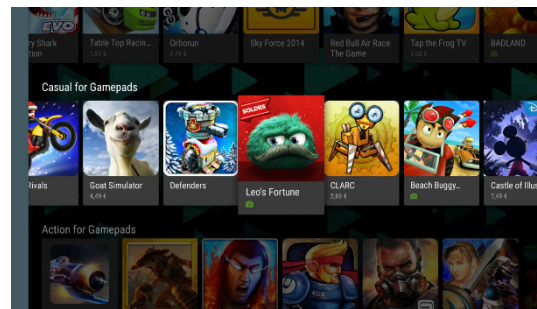
# A Unique TV Experience with the Freebox mini 4K



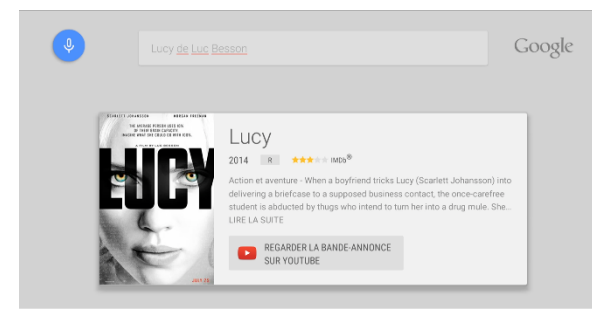
Home page:



Google Play Store:



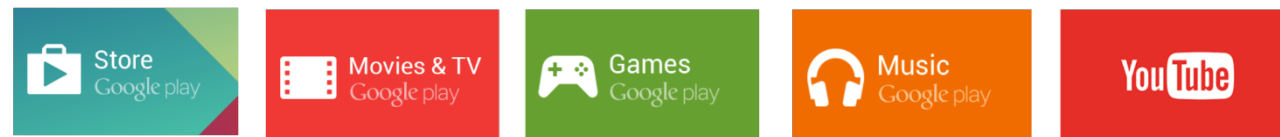
Voice search:



Free apps:



Android TV apps:

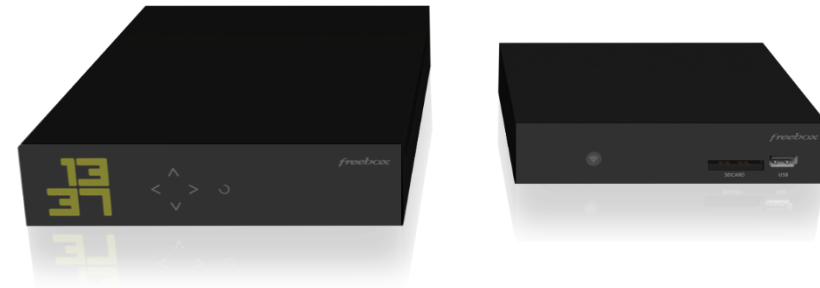


## Freebox mini 4K: The best Entry-price Product

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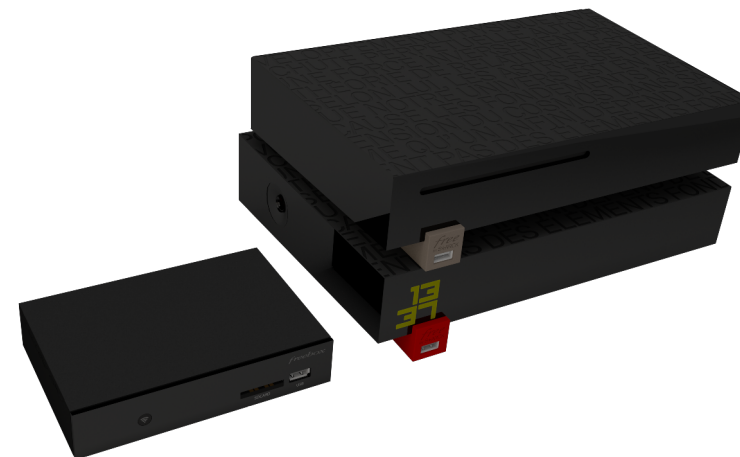
### New subscribers:

- €29.99/month for Internet + Phone + TV
- No commitment
- Freebox shipping: €19



### Existing subscribers:

- Multi-TV Player mini 4K Option for Freebox Revolution subscribers: €1.99/month
- Migration from Freebox Crystal or Freebox Revolution: €50
- Freebox shipping: €19



## 2 Freebox Offers: Simple & Innovative

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### Freebox **mini 4K**

ADSL2+/ VDSL2/FTTH

WiFi 802.11n

Calls to landlines in 106 countries

More than 200 TV channels (of which 50 HD channels)

Freebox Replay

4K Player with Android TV™

Hotline & Home technical assistance

### Freebox **Révolution**

ADSL2+/ VDSL2/FTTH

WiFi 802.11ac

Calls to landlines in 108 countries

More than 200 TV channels (of which 50 HD channels)

Freebox Replay

HD Player, designed by Philippe Starck

Hotline & Home technical assistance

**+ Calls to mobiles in France**

**+ Blu-ray™**

**+ NAS Server with Hard Disk**

**+ FreePlugs**

**+ Gamepad**

**Free: The best-value for money offers covering all market needs**

## Strong NGN Commitments



- Unbundling footprint covering 87% of the French population & unbundling ratio at 96.40% at end-December 2014
- More than 6,600 Central Offices unbundled and equipped with ADSL2+
- Iliad leading operator in terms of unbundling footprint



- Pushing VDSL2 upgrade to provide better bandwidth for subscribers
  - More than 6,000 Central Offices upgraded to VDSL2
  - Speeds of up to 100 Mbps\* download and up to 40 Mbps\* upload



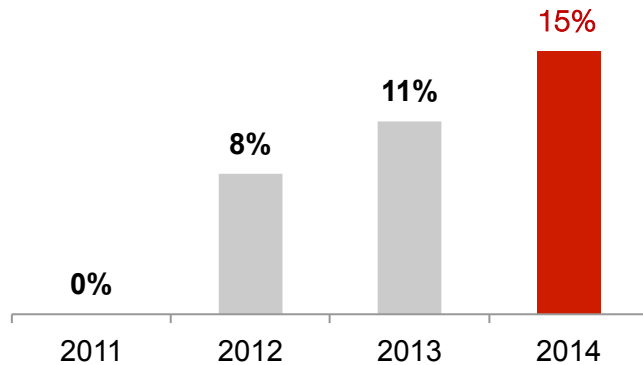
- Strong FTTH commitments
  - 230 optical nodes in very densely populated areas - potential coverage of around 3.4m FTTH plugs
  - Agreement with Orange extended to cover 4.5m homes
  - Extending horizontal coverage in dense areas

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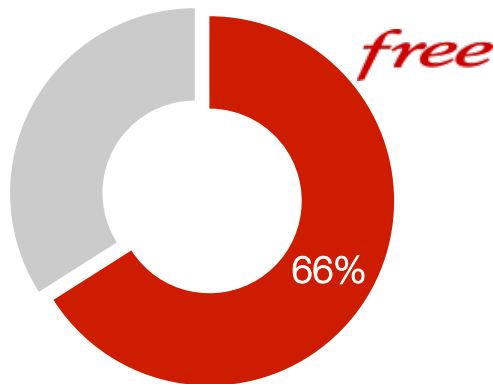
Mobile Business

## Free Mobile = 15% Market Share



### Iliad market share\* – December 2014

- More than 10m subscribers as at end-December 2014 – Another year of outstanding growth
- Top recruiter since commercial launch in January 2012



### Iliad FY 2014 net-add market share

- Innovative & competitive commercial offers improving the subscriber mix within net adds
  - Launch of the 1st subscription & SIM card dispenser
  - New roaming destinations included in the Free Mobile Plan
  - Successful phone rental offerings
- More than 2m net-adds: ~66% net-add market share

**Long-term market share target reached in the space of just 3 years**

## Best international roaming deals

- Unlimited plan (€19.99) works for 35 days/year per country at no extra charge (SMS/MMS, calls & 3G Internet with 3GB) in 14 destinations: Austria, Belgium, Czech Republic, French West Indies & Guiana, Germany, Greece, Italy, Israel, Netherlands, Poland, Portugal, Romania, Spain and UK
- 374 price reductions for incoming and outgoing communications (calls, SMS, MMS & data)
- Unlimited SMS messages from Europe and French overseas department to French mobile since July 17, 2014



## Price reduction extended to two additional Free Mobile Plans

- Up to 4 Free Mobile Plans at €15.99/month for each Freebox subscription

## Successful phone rental offerings

- Already representing 50% of hardware revenues
- Improved customer mix since the launch of rental offers

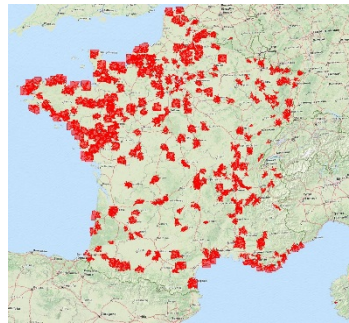




# Accelerating the Network Rollout

**3G: the coverage commitment of 75% of the French population was met at end-2014**

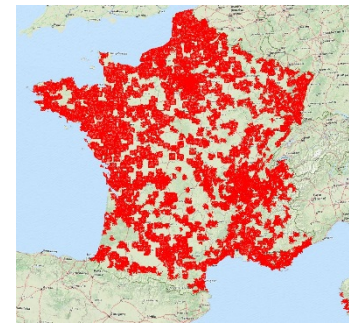
**4,428 sites in service at end-2014**



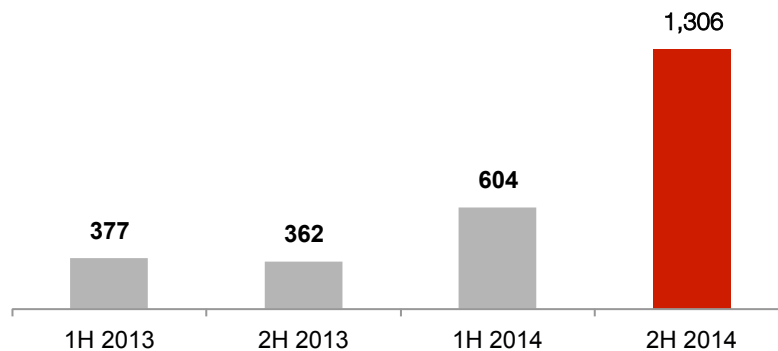
2012

**3G pop. coverage**

**27% vs. 75%**



2014



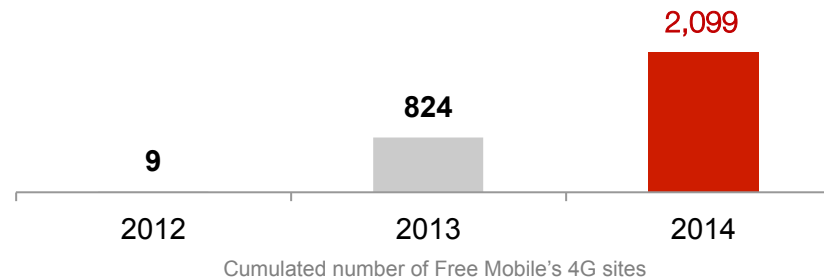
Growth in Free Mobile's 3G site openings

- 2014: strong increase in network rollout
- 2015 will be another busy year for network rollout with at least 1,500 new sites
- Focus on network densification in urban areas

**Reaching commitments & improving traffic coverage**

## 4G Rollout Ramping-Up

**2,099 sites in service at end-2014**



### Strong ramp-up of 4G coverage in 2015

- Easy migration from 3G to 4G: mobile network designed from the outset to use the latest technologies (an all-IP NGN)
- Nuancing the gap between 3G and 4G sites
- Around 60% population coverage by end-2015
- Free Mobile: 1<sup>st</sup> operator in terms of 4G rollout in February 2015 with 358 sites opened

### Bandwidth increased thanks to gaining new spectrum frequencies

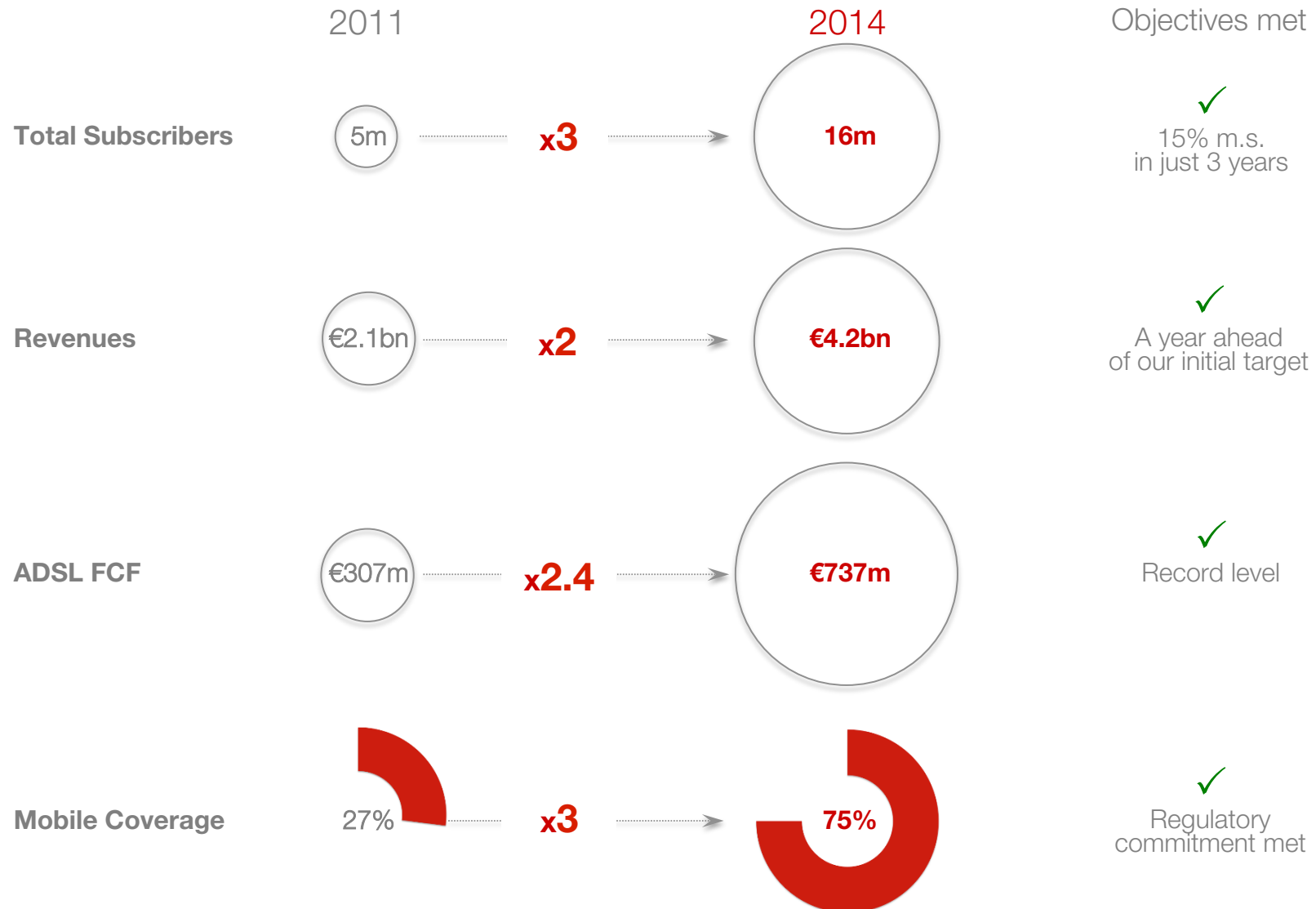
- 1,800 MHz refarming is in progress – 2x5 MHz already obtained from Bouygues
- 700 MHz will strengthen our spectrum portfolio

### Quality & Customer satisfaction

- Average data consumption of 2GB per 4G subscriber
- Free Mobile: 2<sup>nd</sup> operator in terms of 4G speeds\*

## Financial Performance

# 2011-2014: Outstanding Growth for the Group



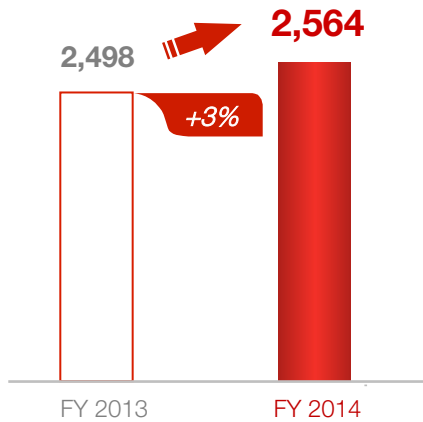
## Excellent Financial Performance



	<b>FY 2013</b>	<b>FY 2014</b>	<b>% change</b>
Revenues	3,748	<b>4,168</b>	<b>+11%</b>
EBITDA	1,204	<b>1,284</b>	<b>+7%</b>
EBIT*	541	<b>570</b>	<b>+5%</b>
Profit for the period	265	<b>278</b>	<b>+5%</b>
ADSL FCF	636	<b>737</b>	<b>+16%</b>
Dividend per share	0.37	<b>0.39</b>	<b>+5.4%</b>

# Double-Digit Revenue Growth in 2014

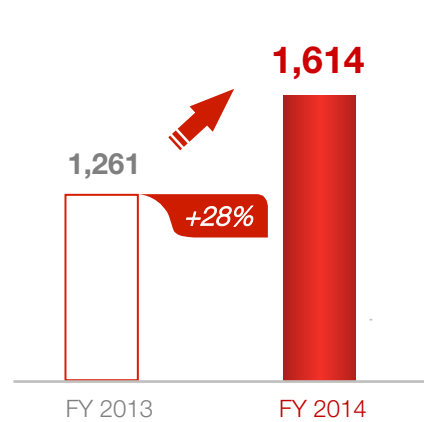
Broadband revenues



**Growth maintained in Broadband activities**

- + 228k new subscribers attracted by the Group's offers
- ARPU > €35 in a highly competitive environment

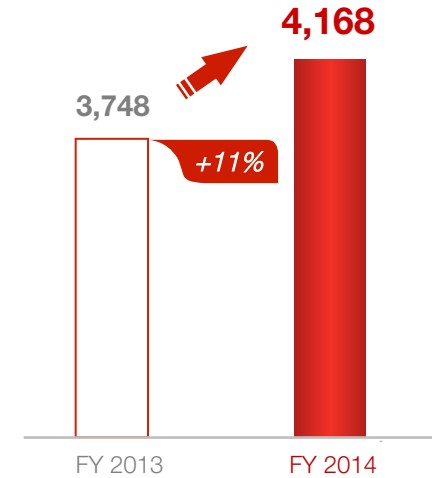
Mobile revenues



**Sharp rise in Mobile revenues, up by 28%**

- + More than 2 million new subscribers
- + Handset sales increase thanks to the new financing plans and the iPhone 6 effect
- End of asymmetrical pricing

Group revenues



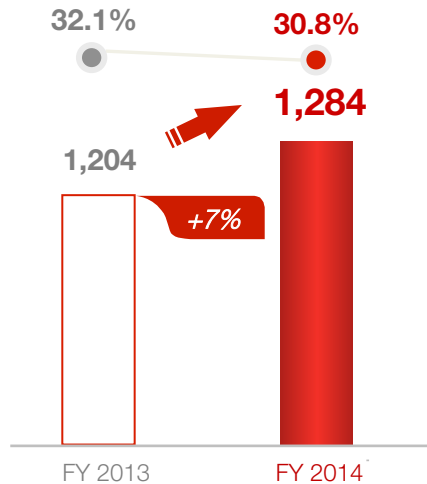
**11% growth in Group revenues during FY 2014**

- + Market share gains for both Broadband and Mobile
- + Mobile: c.40% of Group revenues

**Revenues topped €4bn in 2014 a year ahead of our initial target**

# Growing Profits and Earnings

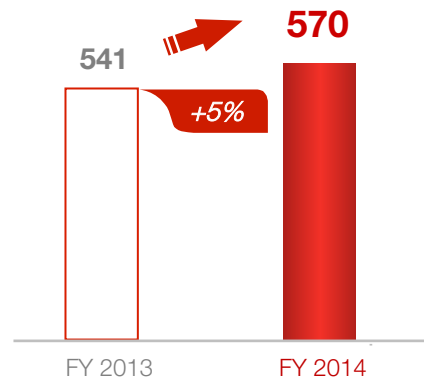
Group EBITDA



### Robust Group EBITDA at €1.3bn in 2014

- + Fast-growing mobile business and better coverage
- + FTTH network rollout & scale effect on fixed costs base for Both Broadband and Mobile
- Impact of new VAT regime and the end of MTR asymmetry
- Dilutive impact of handsets rental plans and enhanced commercial offerings

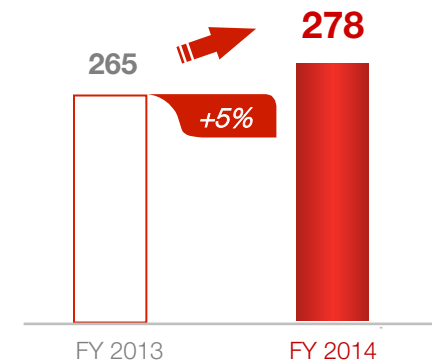
Group EBIT



### A 5% year-on-year increase in Group EBIT

- + Driven by a EBITDA growth
- Dilutive contribution of Mobile
- Higher D&A due to new assets (network, 4G license) – but stable as a % of revenues

Group Profit



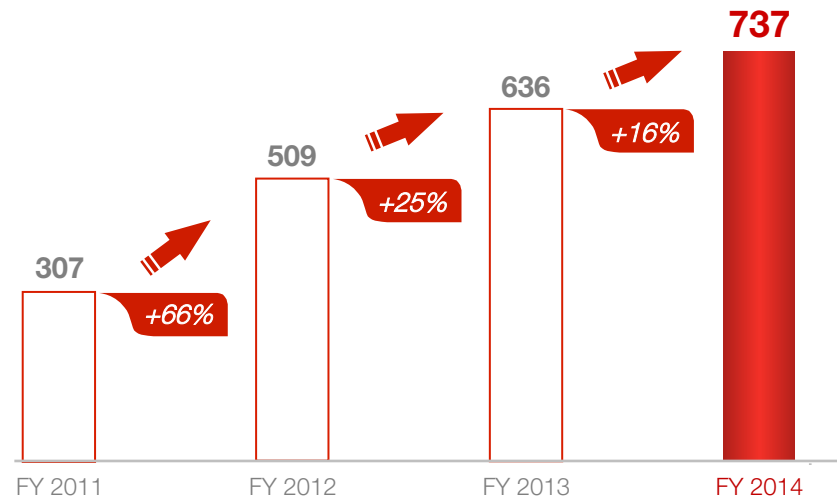
### A slight increase in Group profit

- + In line with Group EBIT
- Negative impact of increase in corporate tax rate

## ADSL FCF Hits a Record High

Outstanding growth for Group ADSL FCF: x2.4 since 2011

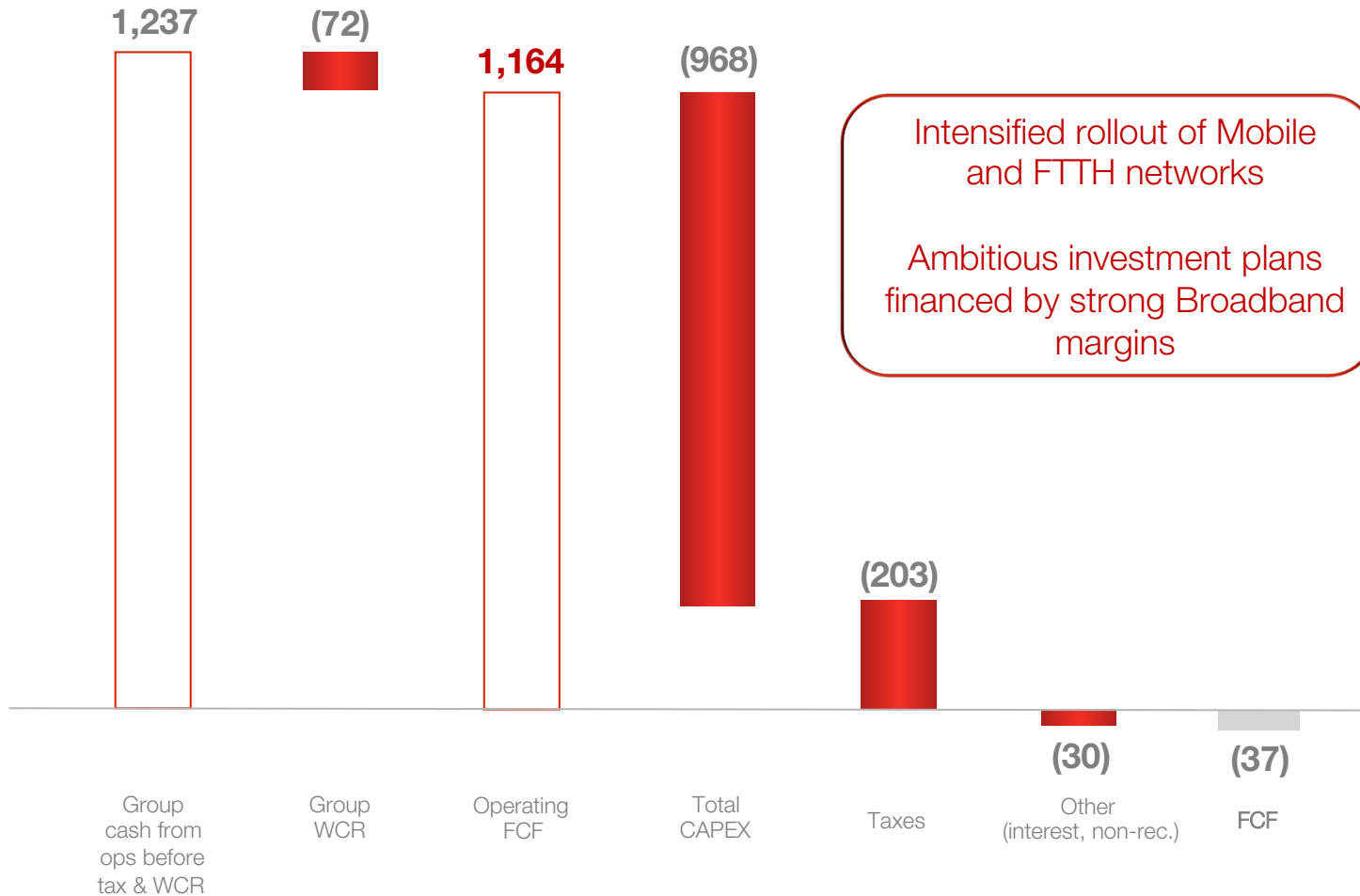
- Strong growth for the ADSL business: nearly 5.9m subscribers as of today
- Margin expansion driven by operational efficiency:
  - Network rollout is the key to profitable growth – (unbundling ratio covering 96.40%)
  - Lean costs base & scale effect
- Slowdown of ADSL growth capex (cabling fees, boxes, etc.)



**ADSL FCF**  
as a % of revenues:  
**28.7%**

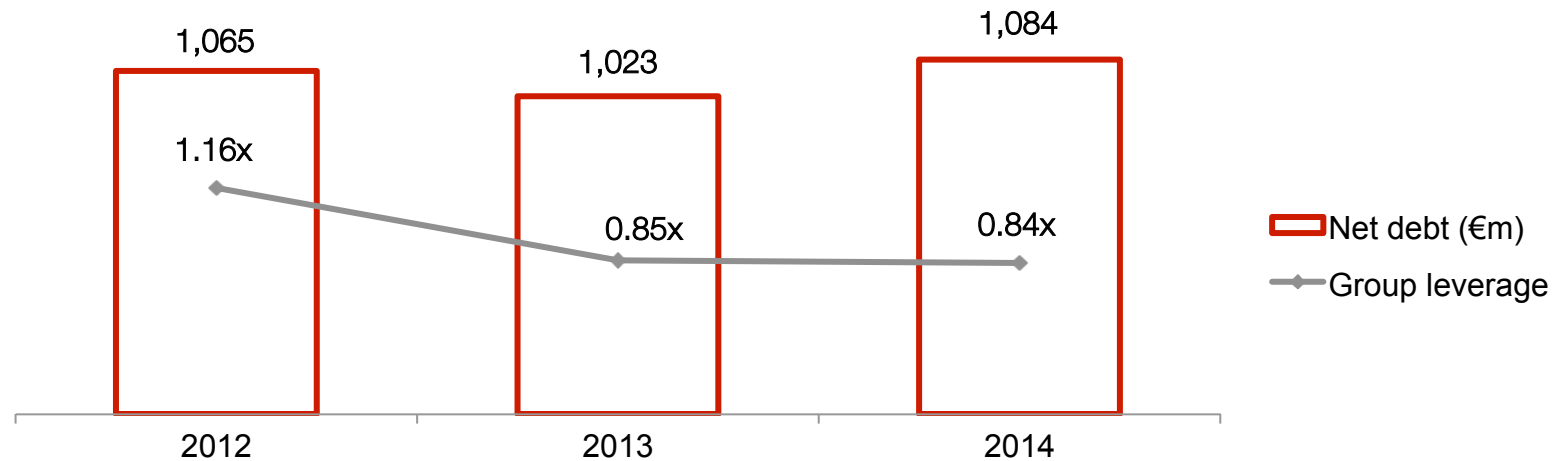


# Strong Investments Backed by Solid FCF



**Network rollout financed by a solid Operating FCF**

## A Solid Financial Structure



### A unique positioning

- Recurring subscription-based revenues
- Solid ADSL FCF generation
- Critical mass reached in the mobile business with 15% market share
- A proven track record of growing top line and profitability
- An entrepreneurship-owned company

### A very solid financial structure

- Total equity of €2.3bn
- Leverage kept below 1x EBITDA
- Strong liquidity position (> €1.5bn)

## **Broadband**

- Achieve a 25% share of the landline broadband market in the long term
- Pursue FTTH rollouts and step-up the pace of net subscriber adds

## **Mobile**

- Deploy more than 1,500 sites in 2015
- Reach a 4G coverage rate of around 60% of the French population by end-2015
- Achieve a 25% market share in the long term

## **Group**

- Achieve more than 10% growth in consolidated EBITDA in 2015
- Ambition to achieve a Group EBITDA margin of more than 40% by the end of the decade