

Press release

Paris, May 17, 2023, 8:00 a.m.

Very solid first-quarter results despite inflationary pressures

 financial release

Performance for the first quarter of 2023 is in line with full-year 2022, with a strong commercial showing and an increase in revenues, consolidating iliad's position as the European leader¹ in terms of sales growth. Despite a much more unfavorable economic context than in first-quarter 2022 as well as higher growth capex in France, operating free cash flow² generation remained high and the leverage ratio improved to 3.1x. This momentum reinforces the Group's ambition to build a virtuous model that combines profitable and sustainable growth.

On a pro forma like-for-like basis³, consolidated revenues advanced 8.0% to €2.2 billion in the first quarter of 2023. Sales rose 7.6% in France, 12.6% in Italy and 7.3% in Poland¹.

In France, the Group delivered another strong sales performance, with Free recording 172,000 net new mobile subscribers (including 207,000 4G/5G subscribers) and 42,000 net new broadband and ultra-fast broadband subscribers (including 212,000 on Fiber). This performance confirms the brand power of Free, whose unique value-for-money offerings are all the more differentiating following the price changes presented by our competitors these past months.

In Italy, iliad Italia added 282,000 net new Mobile subscribers and 22,000 net new Fiber subscribers in the first quarter.

In Poland, the Fiberco ("PSO") transaction was completed on March 31, 2023 and will enable us to extend our addressable market in this country. To this end, during the first quarter, Play focused on marketing its Broadband and Ultra-Fast Broadband plan in UPC's historical scope, notching up 28,000 net adds in the Fixed-line market. In the Mobile business, net adds came in at a high 69,000 for the first quarter (compared with 1,000 in the previous quarter and 68,000 in the third quarter), driven by a strong performance for postpaid plans (up 76,000) and a slower decline for prepaid plans (down 6,000).

¹ Out of the Top 15 European telecom operators – iliad Group estimate based on operators' published accounts.

² EBITDAaL less net capex (excluding payments for frequencies)

³ Based on a constant scope of consolidation and exchange rates.

Pro forma like-for-like EBITDAaL rose 3.8% to €783 million, with each country recording a year-on-year increase. EBITDAaL growth slowed during the year, mainly due to (i) the sharp increase in energy costs, and (ii) to a lesser extent, higher network maintenance costs in line with our growth capex. Our decision not to change the prices of our mobile offerings in France and Italy weighed on earnings trends, but we remain convinced of the future benefits of this choice, both in terms of revenue growth and profitability.

The Group's capex totaled €553 million for the first quarter of 2023, up 14% year on year on a pro forma like-for-like basis. This increase was mainly driven by France, where Freebox inventories were replenished following the significant rise in new subscribers during recent quarters, most of whom are connected to Fiber and supplied with the latest generation of Freeboxes.

Despite the impact of higher energy costs on EBITDAaL and the higher level of growth capex in France and Poland, operating free cash flow remained satisfactory in first-quarter 2023, decreasing by a contained €20 million year on year to €229 million.

Since the beginning of 2023, the Group has launched several strategic deals to reinforce its mid- and long-term growth potential. For example, in France, we announced the acquisition of a majority stake in iTrust, a technology and services company whose R&D teams have spent the past 15 years developing a unique AI-based cybersecurity solution. This transaction supports Free Pro's launch of its Cyber XPR offering designed for businesses of all sizes. In Poland, the completion of the Fiberco transaction with InfraVia has marked a turning point in the Group's expansion drive in that country. This partnership will boost the Fixed Internet services market through an open access model, offering all operators equal access to the country's largest Fiber network which will ultimately cover half of all Polish households. Lastly, in Italy, the Group launched its first B2B mobile offering in early May – a disruptive solution that will help to cover Italian companies' connectivity needs.

The Group had an improved financial structure at March 31, 2023, with a leverage ratio of 3.1x at end-March 2023 versus 3.2x at end-December 2022. The 0.1x decrease is attributable to the proceeds received on the sale of a 50% stake in PSO – our Fiberco in Poland – and to the year-on-year increase in EBITDAaL. All of the Group's short- and medium-term financing needs are covered.

In order to continue to implement its CSR strategy, the Group strengthened its governance structure at the end of 2022 by setting up a CSR Committee within the Board of Directors. This new committee comprises three members, two of whom are independent. Following the publication of our energy saving plan in October 2022, we also presented during the quarter all the circular economy best practices implemented in France to reduce our carbon footprint. At the same time, the Group is in the process of completing its draft submission form for obtaining SBTi validation of its emissions-reduction pathway.

Commenting on the Group's performance, Thomas Reynaud, Iliad's Chief Executive Officer, said: *"Despite a difficult inflationary context in the first quarter, the Iliad Group is reaping the benefits of its past efforts. In our three host countries, we are consolidating our leading position in the attraction of new subscribers. And we are actively preparing for the future everywhere, tapping into new markets, particularly on the B2B market, which is set to become a powerful growth driver. We are investing in infrastructure and technological excellence, as we strive to become Europe's most innovative operator."*

Key operating performance indicators¹ at March 31, 2023

France (figures in thousands unless otherwise stated)	Q1 2023	Q4 2022	Change 3 months
Number of mobile subscribers	14,390	14,218	+172
- Of which on the 4G/5G Free Mobile Plan (incl. French overseas DOM/TOM)	10,397	10,190	+207
- Of which on the voice-based plan	3,993	4,027	-34
Number of Broadband and Ultra-Fast Broadband subscribers	7,222	7,180	+42
- Of which Fiber	4,870	4,658	+212
Fiber take-up rate	67.4%	64.9%	2.5 pts
Number of connectible Fiber sockets (in millions)	32.5	31.3	+1.3
Total number of subscribers - France	21,612	21,398	+214
	Q1 2023	Q1 2022	Change 12 months
Broadband and Ultra-Fast Broadband ARPU (in €) ¹	34.4	33.5	+2.7%
Mobile ARPU billed to subscribers (in €) ¹	11.8	11.4	+3.2%
Italy (figures in thousands)	Q1 2023	Q4 2022	Change 3 months
Number of mobile subscribers	9,849	9,567	+282
Number of fiber subscribers	131	109	+22
Total number of subscribers - Italy	9,980	9,676	+304
Poland (figures in thousands unless otherwise stated)	Q1 2023	Q4 2022	Change 3 months
Number of active mobile subscribers	12,832	12,763	+69
- Of which on plans	9,060	8,984	+76
- Of which prepaid	3,773	3,779	-6
Number of Fixed subscribers	2,046	2,018	+28
Total number of subscribers - Poland	14,878	14,781	+97
	Q1 2023	Q1 2022	Change 12 months
Mobile ARPU billed to subscribers (in PLN)	29.1	28.2 ²	+3.2%
Group (figures in thousands)	Q1 2023	Q4 2022	Change 3 months
Number of mobile subscribers	37,071	36,548	+523
Number of Fixed subscribers	9,399	9,307	+92
TOTAL NUMBER OF SUBSCRIBERS	46,471	45,855	+615

¹ See glossary for definitions.

² Adjusted figures for Q1 2022 to include UPC Polska on a pro forma basis.

First-quarter 2023 revenues

The table below shows the breakdown of consolidated revenues by category for the first quarters of 2023 and 2022, as well as the percentage change between the two periods.

<i>In € millions</i>	Q1 2023	Q1 2022	% change
Consolidated revenues	2,186	1,934	+13.0%
Consolidated services revenues ¹	2,018	1,802	+12.0%
Consolidated revenues from devices	172	136	+26.4%
<i>Intra-group sales</i>	(3)	(3)	+84.4%
Revenues – France	1,442	1,339	+7.6%
- Services	1,374	1,289	+6.6%
- Devices	67	51	+31.6%
- <i>Intra-group sales</i>	(2)	(1)	+25.1%
Revenues – Italy	241	214	+12.6%
- Services	239	212	+12.4%
- Devices	3	2	+52.1%
Revenues – Poland²	507	384	+32.1%
- Services	405	301	+34.7%
- Devices	102	83	+22.7%

(1) Before eliminations (2) EUR/PLN exchange rate: 4.68935 in Q1 2023 and 4.62299 in Q1 2022.

Key financial performance indicators in first-quarter 2023

<i>In € millions</i>	Q1 2023	Q1 2022	% change
Consolidated revenues	2,186	1,934	+13.0%
France	1,442	1,339	+7.6%
Italy	241	214	+12.6%
Poland	507	384	+32.1%
<i>Intra-group sales</i>	(3)	(2)	+22.9%
Consolidated EBITDAaL	783	714	+9.6%
France	498	493	+0.9%
Italy	64	40	+61.1%
Poland	221	181	+22.0%
Consolidated capex¹	553	465	+19.0%
France	442	332	+33.3%
Italy	59	94	-36.9%
Poland	52	40	+30.6%
Operating free cash flow (<i>EBITDAaL less capex</i>)	229	249	-7.9%
France	55	162	-65.8%
Italy	5	(54)	-108.8%
Poland	169	142	+19.6%
Profit for the period	59	477	-87.6%
	Mar. 31, 2023	Dec. 31, 2022	Change
Net debt	10,614	10,815	-201
LTM ² EBITDAaL	3,372	3,346	+25
Leverage ratio (LTM EBITDAaL)	3.1x	3.2x	-0.1x

EUR/PLN exchange rate: 4.68611 in Q1 2023 and 4.5652 in Q1 2022.

(1) Excluding payments for frequencies (2) LTM: Last Twelve Months and including UPC Polska.

P&L - Q1 2023 and Q1 2022

<i>In € millions</i>	Q1 2023	Q1 2022	% change
Revenues	2,186	1,934	+13.0%
Purchases used in production	(612)	(589)	+3.9%
Payroll costs	(153)	(135)	+13.6%
External charges	(382)	(279)	+37.3%
Taxes other than on income	(99)	(89)	+11.4%
Additions to provisions	(27)	(24)	+12.5%
Other income and expenses from operations, net	66	88	-24.5%
Depreciation of right-of-use assets	(197)	(193)	+1.8%
EBITDAaL	783	714	+9.6%
<i>EBITDAaL margin</i>	<i>35.8%</i>	<i>36.9%</i>	<i>-110bps</i>
Share-based payment expense	(9)	(8)	+8.3%
Depreciation, amortization and impairment of non-current assets	(495)	(443)	+11.8%
Profit from ordinary activities	279	264	+5.9%
Other operating income and expense, net	(11)	326	NM
Operating profit	268	590	-54.5%
Finance costs, net	(127)	(46)	+175.3%
Other financial income and expense, net	(13)	3	NM
Interest expense on lease liabilities	(57)	(51)	+11.9%
Corporate income tax	(24)	(54)	-55.8%
Share of profit of equity-accounted investees	12	35	-64.9%
PROFIT FOR THE PERIOD	59	477	-87.6%

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 migration 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 FTTH 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.

Fiber take-up rate: Represents the number of Fiber subscribers as a percentage of the total number of Broadband and Ultra-Fast Broadband subscribers.

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 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 the total number of subscribers at the end of two different periods.

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 Fixed 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 Ultra-Fast Broadband subscribers - Italy: Represents, at the end of a given period, the number of subscribers who have subscribed to an Iliad Italia Ultra-Fast Broadband offering, 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 Fixed subscribers in Poland.

About the Iliad Group

Created in the early 1990s, the Iliad Group is the inventor of the world's first triple-play box and has grown into a major European telecoms player, standing out for its innovative, straightforward and attractive offerings. The Group is the parent of Free in France, Iliad in Italy and Play in Poland, has over 16,700 employees serving 46.5 million active subscribers at March 31, 2023, and generated €8.4 billion in revenues in 2022. In France, the Group is an integrated Fixed and Mobile Ultra-Fast Broadband operator and had 21.6 million retail subscribers at March 31, 2023 (14.4 million mobile subscribers and 7.2 million fixed subscribers). In Italy - where the Group launched its business in 2018 under the Iliad brand, becoming the country's fourth mobile operator with 12% of market share - it had more than 9.8 million subscribers at March 31, 2023. In Poland, the Group became an integrated convergent operator after the acquisition of UPC Polska in 2022 and had more than 12.8 million mobile subscribers and more than 2 million fixed-line subscribers at March 31, 2023. With the acquisition of Play and UPC Polska in 2020 and 2022, respectively, the Iliad Group has become Europe's sixth-largest operator by number of retail mobile subscribers (excluding M2M) and Fixed Internet.

Find out more at:

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