2022 Annual Report
iliad Holding S.A.S.

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This is the annual report (the "Annual Report") of iliad Holding S.A.S. for the year ended December 31, 2022. The Annual Report consists of the following documents, included herein at the schedules indicated below:

SCHEDULE 1

Overview of the Group and its businesses[1]

1.1 THE ILIAD GROUP

Introduction

The iliad Group (the **"Group"**) is a leading European electronic communications provider, with 45.9 million subscribers in France, Poland and Italy, €8.4 billion in revenues in 2022 and more than 16,700 employees.

Founded in 1991 in France, the Group became a major national provider of Internet access and fixed and mobile electronic communications in the early 2000s before gradually expanding to Italy in 2018 and Poland in 2020.

The Group's parent company, iliad S.A. operates under a variety of trade names, including Free, Free Pro and Scaleway in France, iliad in Italy and Play and UPC in Poland.

Since expanding outside France, the Group does business in three separate geographic segments: France, Italy and Poland.

France

France is our main market and accounted for 66% of the Group's total revenues in 2022. Free entered the Internet service provider (ISP) market in France in April 1999, with a straightforward, no-subscription offering. This commercial strategy enabled it to win a large share of the dial-up market with relatively low advertising outlay compared with its competitors.

After completing the rollout of its electronic communications network and interconnecting with the incumbent operator's network in April 2001, Free was able to effectively control the cost structure of an offering based on Internet connection time, and was able to launch an attractively-priced but profitable dial-up plan.

After launching Free's ADSL Broadband offering in October 2002 and then its first mobile plans in 2012, the Group has gradually established itself as a major integrated operator in the fixed and mobile segments (Broadband and Ultra-Fast Broadband) of the French telecommunications market, by investing in local loop unbundling and the roll out of fiber network and a network of mobile masts. In January 2019, the acquisition of Jaguar Network marked the iliad Group's entry into the B2B market.

In the more than 20 years since Free was launched, the Company has successfully maintained all its distinctive features – straightforward solutions, attractive pricing and a technical quality widely recognized in every market segment addressed.

Italy

In 2018, the Group entered the mobile market in Italy – a country in which it had never before conducted any business – where 11% of total consolidated revenues was generated in 2022. The Group started deploying its proprietary mobile network in Italy in late 2016 and completed its network coverage through a roaming agreement with WindTre, followed by a network sharing agreement in late 2022.

On January 25, 2022, iliad Italia also became a new entrant in the fixed ultra-fast broadband market with the launch of a double play Internet and Telephony offer. In 2022, the plans were based exclusively on a wholesale offer using the Open Fiber network, but in 2023 they will begin using the FiberCop (wholesale agreement signed in September 2021) and Fastweb (wholesale agreement signed in October 2022) networks.

Poland

The Group has been present in Poland since 2020, when it acquired Play, a leading nationwide operator in the country's mobile telephony market. In 2022, Poland represented 23% of the Group's revenues. Play is a national mobile operator that has its own infrastructure and also provides fixed services (broadband and OTT TV).

In September 2021, the iliad Group further expanded in Poland through the acquisition of UPC Polska, whose closing on April 1, 2022 made the Group a convergence leader in the country.

(1) It is expressly specified that the financial figures included in such Schedule 1 reflect the position of iliad S.A. and its own subsidiaries.

1.1.1 Significant events of 2022 and key figures

Selected financial information regarding iliad SA and its consolidated subsidiaries – please refer to schedule 6 of this Annual Report for an analysis of the Group business and results.

In € millions	2022	2021
Income statement		
Total revenues	**8,369**	**7,587**
EBITDAaL	3,303	2,949
Profit from ordinary activities	1,356	1,148
Profit for the period	646	526
Balance sheet		
Non-current assets	20,333	19,498
Current assets	3,192	2,952
Of which cash and cash equivalents	*521*	*704*
Assets held for sale	1,470	959
TOTAL ASSETS	**24,994**	**23,409**
Total equity	5,213	5,873
Non-current liabilities	14,894	11,553
Current liabilities	4,888	5,983
Liabilities related to assets held for sale	19	0
TOTAL EQUITY AND LIABILITIES	**24,994**	**23,409**
Cash flows		
Cash flows from operations	**3,717**	**3,208**
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(892)	(836)
Capital expenditure – Group (excluding payments for frequencies)	(2,139)	(1,673)
Capital expenditure – frequencies	(1,185)	(175)
Net change in cash and cash equivalents – Group (excluding change in net debt and dividends)	**(1,333)**	**(19)**
Dividends paid to the Company	(1,467)	(176)
Net debt	**10,815**	**8,012**

Key figures for 2022

iliad S.A. and its consolidated subsidiaries

Operational information

The Group's active subscriber base rose sharply on a pro forma basis in 2022, adding 2.72 million new subscribers, of whom 2.2 million new Mobile subscribers and 547,000 new Fixed/Internet subscribers. At the year-end, the Group served a total of 45.9 million subscribers in its three host countries, including 36.5 million for Mobile and 9.3 million for Fixed. As in previous years, the Group remained very active in deploying the latest generation infrastructure (FTTH, 4G and 5G) and new services.

Revenues

Consolidated revenues advanced 10.3% to €8.37 billion in 2022, led by the consolidation on a full-year basis of UPC Polska in Poland as from the second quarter, as well as by the robust growth in France (up 6.9%) and at iliad Italia (up 15.5%). On a pro forma like-for-like basis [1] revenues ended the year up 6.9%.

Profitability

Consolidated EBITDAaL jumped 11.9% in 2022 (8.0% on a pro forma like-for-like basis) to €3.30 billion, with EBITDAaL margin widening by 0.6 points to 39.4%. Profit for the period rose 44.1% year on year and operating cash flow (EBITDAaL less Capex excluding payments for frequencies) surged 74.8% to €1.16 billion.

Leverage

At year-end 2022, consolidated net debt amounted to €10.82 billion, a €2.80 billion increase that primarily reflected the acquisition of UPC Polska (for €1.7 billion) and the payment for 5G frequencies in Italy (€1.0 billion). Leverage rose by 0.5 points to 3.2x EBITDAaL.

(1) *Based on constant scope of consolidation and exchange rates.*

France

Operational information

The total Fixed subscriber base rose by 255,000 in 2022, while momentum in the Fiber segment remained strong, with growth of 885,000 subscribers over the year. At end-December 2022, the Group had a total of 4.66 million Fiber subscribers, with the penetration rate among the overall subscriber base advancing 10.4 points year on year to 64.9%. The number of connectible Fiber sockets increased by 5.8 million over 12 months, totaling 31.3 million at end-December 2022. The Group's Fiber offerings are now available in more than 22,000 municipalities.

With 931,000 net adds to the subscriber base, the Unlimited 4G/5G plan[1] delivered its best sales performance in the past five years. Free is actively pursuing its 4G and 5G mobile network rollouts across all of France's regions. Over the year, Free Mobile switched on nearly 2,200 new 4G sites and more than 2,900 5G sites, increasing its population coverage to nearly 88% in 5G – the best in the country – and 99.2% in 4G. The Group intends to continue investing in coverage and network densification in order to become the Alternative operator of choice. The ARCEP quality of service audit released in October 2022 showed strong growth in almost every indicator in every region. In all types of residential areas, Free is the Alternative operator that scored the highest on the majority of mobile use indicators measured by ARCEP, including web browsing speed, video streaming quality and file downloading. Free performed particularly well in medium-density and rural areas.

Financial information

In 2022, revenues in France rose by 6.9% to €5.55 billion, impelled by sustained gains in every quarter. Fixed services revenues amounted to €3.05 billion for the year, up 6.7%. ARPU over the four quarters improved by €0.70 or 2.1% year-on-year to €33.60. Mobile services revenues grew by 4.7% to €2.28 billion. Revenues billed to subscribers rose 8.4% over the year, lifted by the average 4.4% increase in ARPU billed to subscribers (€11.60). Other Mobile revenues (mainly corresponding to income from voice and SMS/MMS interconnections) decreased by 13.0% during the year. These revenues (which have low margins) are on a structurally downward trend as traffic is switching to digital platforms. Revenue from device sales climbed 37.7% over the year to €239 million, reflecting the ramp-up of our Free Flex plan introduced in 2021.

EBITDAaL in France gained 4.7% to €2.29 billion, while EBITDAaL margin narrowed by 0.9 point to 41.2% due to higher network maintenance and energy costs and the unfavorable sales mix, as device sales outpaced Services revenues. As expected, capital expenditure (excluding frequencies) declined from the previous year's peak, by 10.8% to €1.49 billion in 2022. Outlays were primarily focused on the deployment of our 5G mobile network, the rollout of Fiber in every community and the connection of new Fiber subscribers. Operating cash flow (EBITDAaL less capex excluding payments for frequencies) therefore increased by 55.1% to €795 million.

Poland

Operational information

The active mobile subscriber base in Poland gained 506,000 users in 2022, ending the year at 12.76 million. The year was unusual due to the war in Ukraine, whose outbreak in late February caused large numbers of Ukrainians to seek refuge in Poland and other neighboring countries. In addition to the free prepaid plans introduced to support these refugees, the number of paid prepaid cards also rose on war-related demand, lifting the number of subscribers by 174,000 over the year. The base returned to normal levels over the second half, however, shedding 38,000 subscribers in the third quarter and another 89,000 in the fourth. Sales performance in the Plans segment was excellent, with a net gain of 334,000 new subscribers in 2022. ARPU for the year was up 2.7%, to PLN 28.8. In the Fixed segment, the consolidation of UPC Polska as of April 1, 2022 drove a steep 32,000 user increase in the subscriber base in the fourth quarter, on a par with the growth figures for the previous three quarters. Play's value-focused growth strategy is paying off, with average ARPU billed to subscribers up 2.7% for the full year to PLN 28.3 (the figures for ARPU billed to subscribers since Q1 2020 have been adjusted to reflect the new method used for counting active prepaid subscribers), with a 1.2% increase in the fourth quarter. The acquisition of the entire share capital of UPC Polska was completed on April 1, 2022 (the signing of the agreement for the sale by Liberty Global of cable operator UPC Polska to Play was announced on September 22, 2021).

Financial information

Pro forma like-for-like revenue growth stood at 3.7% for the year, at PLN 8.93 billion. Excluding the cut in regulated mobile termination charges (which had very little impact on margins), growth would have come to 6.7%. Mobile services revenues billed to subscribers rose by 7.4% to PLN 4.37 billion, reflecting growth in the subscriber base and an increase in ARPU after refreshing our offerings. Interconnection and other revenues declined by 13.1% over the year to PLN 1.38 billion. Termination charges for mobile voice calls were reduced by €0.7 cents to €0.55 cents on January 1, 2022, then by a further €0.4 cents on January 1, 2023 and, in the future, by another €0.2 cents on January 1, 2024. Device sales edged up 10.3% during the year to PLN 1.79 billion, for a 10.1% pro forma like-for-like gain.

EBITDAaL for the Poland segment increased by 20.9% year on year and by 1.4% on a pro forma like-for-like basis. The operating leverage from the PLN 150 million increase in like-for-like service revenues was partially offset by (i) higher costs related to building out the mobile network (46% increase, for Play only), (ii) inflation, which has caused energy prices to soar (57% increase, for Play only), and (iii) higher network maintenance costs (up 41%, for Play only). Capital expenditure increased by 37.6% on a reported basis but only by 1.6% like-for-like. Operating cash flow (EBITDAaL less Capex excluding payments for frequencies) increased by 14.1% year-on-year to PLN 2.53 billion.

(1) 210 GB for non-Freebox subscribers.

Italy

Operational information

In 2022, iliad Italia was once again the net add leader in the Mobile market, with 1.06 million new subscribers signed up over the year, including 224,000 in the final quarter. The market environment remained very competitive during the year, with a wide array of highly price-aggressive competing plans specifically targeting iliad Italia and changes in portability regulations that made porting less seamless, thereby impacting our ability to gain subscribers from other operators late in the year.

Launched in late January 2022, our Fiber plan ended the year with 109,000 subscribers, a very satisfactory performance given the limited population addressed by our infrastructure partner (OpenFiber).

Financial information

iliad Italia revenues stood at €927 million in 2022, up 15.5%. Service revenues rose 15.5% year on year to €919 million. Other revenues, including the Fixed business, eased back just 0.5%, as the first-time contribution from Fixed sales offset the decline in interconnection revenues during the year.

EBITDAaL increased 2.6x in 2022, with the margin nearing 23%. This sharp rise was driven by the operating leverage created by the €123 million increase in iliad Italia's services revenues and significantly lower Multi-Operator Core Network (MOCN) costs thanks to the rollout of our own network. Together, these two factors offset the 77% surge in energy costs and the 41% increase in marketing expenses. Capital expenditure excluding payments for frequencies decreased 7.6% year on year to €381 million, due mainly to the fact that inventories of Freeboxes were built up in 2021 ahead of the launch of a dedicated box for Italy in February 2022. Operating cash flow (EBITDAaL less Capex excluding payments for frequencies) represented a net outflow of €170 million, or almost a 50% improvement from the prior-year.

— KEY FINANCIAL INDICATORS FOR ILIAD S.A. AND ITS CONSOLIDATED SUBSIDIARIES

In € millions	2022	2021	Change
Consolidated revenues	**8,369**	**7,587**	**+10.3%**
Revenues – France	**5,555**	**5,195**	**+6.9%**
Revenues – Italy	**927**	**802**	**+15.5%**
Revenues – Poland	**1,907**	**1,600**	**+19.2%**
Intra-group sales	*(19)*	*(10)*	*+93.0%*
Consolidated EBITDAaL	**3,303**	**2,949**	**+12.0%**
EBITDAaL – France	2,287	2,185	+4.7%
EBITDAaL – Italy	211	80	NM
EBITDAaL – Poland	805	684	+17.7%
Consolidated Capex(1)	**2,139**	**2,283**	**-6.3%**
Capex – France	1,492	1,673	-10.8%
Capex – Italy	381	413	-7.6%
Capex – Poland	265	198	+34.1%
Operating cash flow(2) ("OCF")	**1,164**	**666**	**+€498m**
OCF France	795	512	+€282m
OCF Italy	(170)	(333)	+€162m
OCF Poland	540	487	+€54m
Profit for the period	**758**	**526**	**+44.1%**
Net debt	**10,815**	**8,012**	**+2,803**
EBITDAaL including 12 months of UPC Polska (in 2022)	3,346	2,949	+397
Leverage ratio(3)	**3.2x**	**2.7x**	**+0.5x**

(1) Acquisitions, net of disposals, of property, plant and equipment and intangible assets, excluding frequencies.
(2) EBITDAaL less Capex.
(3) With 12 months of EBITDAaL from UPC Polska in Poland.

— BUSINESS ACTIVITIES/KEY OPERATING INDICATORS

France *(figures in thousands unless otherwise stated)*	2022	2021	Year-on-year change
Number of mobile subscribers	**14,218**	**13,611**	**+607**
• *Of which on the 4G/5G Free Mobile Plan (including French overseas DOM-TOM)*	*10,190*	*9,259*	*+931*
• *Of which on the voice-based plan*	*4,027*	*4,352*	*-325*
Number of Broadband and Ultra-Fast Broadband subscribers	**7,180**	**6,925**	**+255**
• *Of which Fiber*	*4,658*	*3,773*	*+885*
Fiber take-up rate among Broadband and Ultra-Fast Broadband subscribers	64.9%	54.5%	+10.4 points
Number of connectible Fiber sockets	31.3 million	25.5 million	+5.8 million
TOTAL NUMBER OF SUBSCRIBERS – FRANCE	**21,398**	**20,537**	**+862**

France	Q4 2022	Q4 2021	Year-on-year change
Broadband and Ultra-Fast Broadband ARPU *(in €)*	34.1	33.4	+2.2%
Mobile ARPU billed to subscribers *(in €)*	11.8	11.4	+3.6%

Italy *(figures in thousands)*	2022	2021	Year-on-year change
Number of mobile subscribers	9,567	8,505	+1,062
Number of Fiber subscribers	109	-	+109
TOTAL NUMBER OF SUBSCRIBERS – ITALY	**9,676**	**8,505**	**+1,171**

Poland *(figures in thousands unless otherwise stated)*	2022	2021 (incl. UPC Polska)	Year-on-year change
Number of active mobile subscribers	**12,763**	**12,257**	**+506**
• *Of which plans*	*8,984*	*8,650*	*+334*
• *Of which prepaid cards*	*3,779*	*3,606*	*+173*
Number of Fixed subscribers	2,018	1,837	+181
TOTAL NUMBER OF SUBSCRIBERS – POLAND	**14,781**	**14,094**	**+687**

Poland	Q4 2022	Q4 2021 (incl. UPC Polska)	Year-on-year change
Mobile ARPU billed to subscribers *(in PLN)*	29.2	27.9	+4.7%

Group	2022	2021 (incl. UPC Polska)	Year-on-year change
Number of mobile subscribers	36,548	34,373	+2,175
Number of Fixed subscribers	9,307	8,762	+545
TOTAL NUMBER OF SUBSCRIBERS	**45,855**	**43,135**	**+2,720**

Exceptional factors that have influenced the Group's main activities or main markets

Conflict in Ukraine

As the Group does not have any business activities in Ukraine, the armed conflict engaged in by Russia on February 24, 2022 has not had a direct material impact on iliad's sales for the year ended December 31, 2022. However, as from the very first days of the war, Play – the Group's Polish subsidiary – put in place measures to manage the increase in data traffic and help the people emigrating to Poland, including increasing its network capacity, securing its systems, offering certain services free of charge to Ukrainians and increasing the number of the Group's contact points on the border with Ukraine and in the rest of the country. Support measures were also implemented in France and Italy, with certain services offered free of charge to Ukrainians in France and Ukraine. As was the case across the industry, the conflict has led to an increase in energy costs and a shift in the energy price hedging policies applied in our geographies. However, the Group does not expect these cost increases to have a material impact on its business in the coming months or years.

1.2 MARKETS AND STRATEGY

1.2.1 Principal markets

At end-2022, the Group was a convergent fixed-mobile services provider in each of its three geographies: France, Poland and Italy.

1.2.1.1 The fixed Internet access market in France

— GENERAL INFORMATION ABOUT THE FRENCH BROADBAND AND ULTRA-FAST BROADBAND MARKET

	2022 *(at Sept. 30, 2022)*	**2021**	**2020**
Revenues *(in € millions)*	**9,617** *(12,814 on a 12-month rolling basis)*	**12,585**	**12,158**
Number of subscriptions *(in millions)*	**31.9**	**31.5**	**30.6**
• *Of which Broadband*	*11.2*	*13.1*	*15.9*
• *Of which Ultra-Fast Broadband*	*20.7*	*18.4*	*14.7*
• *Of which end-to-end fiber*	*17.2*	*13.4*	*9.3*
Number of Free subscriptions *(in millions)*	**7.1**	**6.9**	**6.7**

The total number of Broadband and Ultra-Fast Broadband subscriptions in France rose by 0.4 million in the first nine months of 2022. With an aggregate 31.9 million Broadband and Ultra-Fast Broadband subscribers at September 30, 2022, the penetration rate for French households was one of the highest in Europe. Given the maturity of the Broadband and Ultra-Fast Broadband market in France, its growth is gradually slowing, with 2020 and 2021 rates lifted by the slight bump in demand during the health crisis and the resulting increase in connectivity needs. Revenues from Broadband and Ultra-Fast Broadband access services amounted to €9.6 billion in the first nine months of the year (€12.8 billion on a 12-month rolling basis), up 2.4% year on year (comparable growth in 2021 and 2020 was 3.5% and 2.8% respectively).

With optical fiber now widely available in French households, nearly 65% of subscriptions at end-September 2022 were for Ultra-Fast Broadband (>30 Mbps) and 83% of these were via FTTH technology (77% at end-September 2021 and 68% at end-September 2020). Altogether, this technology accounts for more than half (53.8%) of all Broadband and Ultra-Fast Broadband subscriptions in France as of end-September 2022.

Players in the fixed Internet access market in France

The Group's main competitors in the French fixed Internet access market are:

- Internet service providers associated with telecommunications operators: Orange, SFR and Bouygues Telecom;
- independent local access providers;
- companies offering Internet access as a means of winning customers for other services, such as banks and supermarkets.

1.2.1.2 The mobile telephony market in France

— **GENERAL INFORMATION ABOUT THE FRENCH MOBILE TELEPHONY MARKET**

	2022 *(at Sept. 30, 2022)*	2021	2020
Revenues *(in € millions, excluding revenues from M2M cards)*	**10,913** (14,497 on a 12-month rolling basis)	**13,999**	**13,367**
Number of active SIM cards *(in millions)* **– Metropolitan France only, excluding M2M**[(a)]	**80.1**	**78.5**	**76.1**
• *Of which locked-in plans*	*20.0*	*20.6*	*21.2*
• *Of which no-commitment plans*	*54.8*	*52.4*	*49.3*
• *Of which active prepaid cards*	*5.3*	*5.5*	*5.6*
4G active customer base *(in millions of SIM cards)*	**69.7**	**66.2**	**60.8**
5G active customer base *(in millions of SIM cards)*	**6.2**	**3.0**	**-**
Average bill[(b)] *(in euros per month – on a rolling annual basis)*	**15.2**	**15.1**	**14.7**

(a) Machine to machine communications.
(b) Revenue excluding M2M card revenue divided by average number of active SIM cards over the period.
Source: ARCEP

At end-September 2022, the mobile telephony market in Metropolitan France counted 80.1 million users (corresponding to active SIM cards excluding M2M), up by 2.3 million compared with 12 months earlier, and the penetration rate was 121.6%, 2.7 points higher year on year.

The key facts and figures for the mobile networks services market in France in the first nine months of 2022 were as follows:

- a 2.4 million increase in the number of no-commitment plans and a 0.6 million decline in the number of locked-in plans;
- as in 2021, the downward trend in prepaid cards remained limited compared to 2020, at just a 0.2 million in the first nine months of 2022 compared with a 1.1 million drop in the same 2020 period;
- in third-quarter 2022, the 4G active subscriber base exceeded the 3G active base for the first time, at 69.7 million active lines versus 69.3 million. The 5G subscriber base is rising sharply, with a 4.5 million gain year on year, but remains modest compared to the size of the market (6.2 million subscribers out of a total 80.1 million active lines);
- after the unprecedented decline in 2020 due to the steep drop in tourism caused by the health crisis, the volume of mobile roaming-out data traffic pursued its robust rebound, rising 66% over the period after gaining 45% in the first nine months of 2021. The situation was similar for telephony, but to a lesser extent, with a 12% increase in the 2022 period after 15% growth a year earlier;
- sustained growth in mobile data usage, with average monthly data usage per active 4G subscriber of 13.1 GB, a more than 16% increase over the first nine months of 2021;
- traditional voice and SMS/MMS pursued their structural decline over the period due to the growing use of social media apps to communicate:
  - the number of SMS/MMS contracted by 10% year on year to an average of 117 SMS/MMS per user per month.
  - average monthly voice traffic was down 7.5% in the first nine months, to around 3.5 hours a month per active user.

Mobile telephony players in France

The Group's main competitors in the French mobile telephony market are:

- the other three mobile network operators: Orange, SFR and Bouygues Telecom;
- MVNOs, such as La Poste Mobile. However, now that several of these operators have been acquired by two of the three MNOs, their market share is clearly shrinking, to 7.1% of the residential market by volume at end-2022 in Metropolitan France from 8.3% a year earlier.

1.2.1.3 The mobile telephony market in Poland

— **GENERAL INFORMATION ABOUT THE POLISH MOBILE TELEPHONY MARKET**

	2021	2020	2019
Revenues *(mobile telephony & data, in PLN billions)*	**13.4**	**12.5**	**11.0**
Number of SIM cards *(in millions, excluding M2M)*	50.6	49.4	48.4
Number of SIM cards *(in millions, M2M only)*	6.0	4.8	3.8
Total number of SIM cards *(in millions)*	**56.6**	**54.1**	**52.2**
• *Of which plans*	*72.7%*	*73.0%*	*72.4%*
• *Of which prepaid cards*	*27.3%*	*27.0%*	*27.6%*
Mobile telephony penetration rate	**148.7%**	**141.6%**	**136.0%**

Source: UKE (Polish national telecoms regulator).

As the Annual Report for the Polish telecoms market is published by the national regulator in September of the following year, the information currently available for the Polish market as a whole dates from 2021. In 2021, the Polish mobile telephony market counted 56.6 million subscribers (including M2M), representing a 12-month increase of 4.6%. The penetration rate stood at 148.7% at end-2021, up 7.1 points.

After bottoming out in 2019, the market returned to pre-pandemic conditions in 2021. Operator revenues rose by 7.2% year-on-year, to PLN 13.4 billion, while M2M services saw a more than 30% increase in revenues for the year. The steady growth in the mobile segment by value attests to its importance in the Polish telecommunications market, where mobile accounted for one third of total revenues.

Mobile telephony players in Poland

The Group's main competitors in the Polish mobile telephony market are:

- The other three mobile network operators: Orange Polska, Polkomtel and T-Mobile, which together with Play accounted for over 96% of mobile subscriptions in 2021.
- MVNOs such as Lycamobile, Cyfrowy Polsat Group subsidiaries Netia and Premium, Canal+, Vectra, Mobile Vikings and others. In August 2020, Play acquired Virgin Mobile, one of the market's largest MVNOs, with some 400,000 subscribers. In April 2022, Play completed the acquisition of UPC Polska, which had around 120,000 mobile subscribers at end-2021.

1.2.1.4 The Broadband and Ultra-Fast Broadband market in Poland

— GENERAL INFORMATION ABOUT THE POLISH BROADBAND AND ULTRA-FAST BROADBAND MARKET

	2021	2020	2019
Penetration rate for fixed Internet in Poland	**59.8%**	**56.7%**	**54.8%**
Fixed broadband and ultra-broadband Internet market[(1)] *(in PLN billions)*	**4.9**	**4.5**	**4.3**
Cable	22%	23%	23%
xDSL	21%	26%	28%
FTTH	34%	27%	21%
WLAN	8%	9%	9%
LAN-Ethernet	**6%**	**7%**	**8%**
Other	**9%**	**9%**	**11%**
Fixed Internet ARPU *(in PLN per month)*		**45.4**	**45.4**
Number of Fixed Internet subscriptions *(in millions)*		**8.2**	**7.8**

(1) Source: UKE, 2020 Annual Report – calculations excluding mobile access.

The Polish fixed Broadband and Ultra-Fast Broadband market represented around PLN 4.9 billion in 2021. Compared to the European average, the household penetration rate is relatively low, at 60%. The penetration rate per 100 inhabitants is the lowest in the EU, at 22% versus the European average of 35%. This reflects the frequent use of mobile technology for fixed Internet connections in Poland, where fixed infrastructure has very low coverage. The three main fixed technologies, FTTH, cable and xDSL, respectively account for 34%, 22% and 21% of the market in terms of revenue and 33%, 34% and 17% in terms of volume. The number of fiber users is growing rapidly, from 5% at end-2017 to 33% at end-2021.

Players in the Fixed Broadband and Ultra-Fast Broadband market in Poland

According to telecoms regulator UKE's latest Annual Report (figures at end-2021), Orange Polska is the dominant operator in the xDSL market with an almost 80% market share. Between them, UPC Polska and Vectra account for around 65% of the cable market. The fiber market is more fragmented, with three operators (Orange Polska, Inea and Netia) respectively holding 32%, 7% and 6%.

1.2.1.5 The mobile telephony market in Italy

— GENERAL INFORMATION ABOUT THE ITALIAN MOBILE TELEPHONY MARKET

	2022 (at Sept. 30, 2022)	2021	2020
Revenues *(in € billions)*	**N/A**	**12.44**	**13.05**
Number of SIM cards (in millions) – excluding M2M[(1)]	**78.5**	**78.0**	**77.6**
• *Of which prepaid cards*	*70.0*	*69.2*	*68.0*
• *Of which plans*	*8.5*	*8.8*	*9.7*
SIM cards with Internet access *(in millions)*	**56.9**	**57.4**	**56.3**
Average revenue per user *(in euros)*	**N/A**	**200**	**207**

(1) Machine to machine communications.

Source: AGCOM. (2022: at September 30, 2022 from the Osservatorio Agcom; 2021 and 2020: data from the last Relazione annuale Agcom and Osservatorio Agcom updated at December 31).

At September 30, 2022, the mobile telephony market in Italy counted 78.5 million users (corresponding to SIM cards in use excluding M2M), a 0.5 million year-on-year increase that confirmed the trend reversal following several years of decline in SIM card volumes in the country. The mobile phone penetration rate in Italy was 133%[(1)].

The key facts and figures for the mobile networks services market in Italy in 2022[(2)] were as follows:

- 0.8 million increase in prepaid cards, while rate plans declined by 0.3 million. The share of prepaid cards was up slightly, at 89.1% of the market excluding M2M;
- a slight 0.5 million year-on-year decline in the number of data SIM cards in third-quarter 2022;
- a slowdown of the rise in mobile data usage: in the first three quarters of 2022, average monthly data usage per subscriber was 18.1 GB per SIM card, up 28.0% year on year.

At end-September 2022, iliad Italia already held 11.9% of the non-M2M market[(3)].

Mobile telephony players in Italy

The Group's main competitors in the Italian mobile telephony market are:

- the other four mobile operators: Telecom Italia (TIM), Vodafone, Wind Tre and Fastweb. In Q3 2022 they represented 60.5 million SIM cards[(3)(4)] and a 77.0% market share (including their second brands Kena for TIM, Ho for Vodafone and Very Mobile for WindTre);
- Mobile virtual network operators (MVNOs), such as Poste Mobile, Lycamobile, Coop Voce and Tiscali. Together, they represented 8.7 million SIM cards and 11.1% of the market in third-quarter 2022, with the market leader, Poste Mobile, alone accounting for 5.7%.

1.2.1.6 Fixed Internet access market in Italy

— GENERAL INFORMATION ABOUT THE ITALIAN MARKET

	2022 (at Sept. 30, 2022)	2021	2020
Revenues *(in € billions)*	**N/A**	**15.40**	**15.60**
Total number of subscriptions *(in millions)*	**18.68**	**18.69**	**18.18**
• *Of which copper access*	*3.30*	*4.10*	*5.50*
• *Of which Fixed Wireless Access (FWA)*	*1.75*	*1.70*	*1.54*
• *Of which FTTC*[(1)]	*10.35*	*10.22*	*9.27*
• *Of which FTTH*[(2)]	*3.26*	*2.65*	*1.85*

(1) Fiber To The Cabinet.
(2) Fiber To The Home.

Source: AGCOM (Principali serie storiche de l'Osservatorio Agcom, September 30, 2022).

(1) Data obtained from the AGCOM database (updated at September 30, 2021) and ISTAT.
(2) AGCOM data updated at September 30, 2022.
(3) AGCOM data updated at September 30, 2022.
(4) Only taking into account SIM cards in service excluding M2M (data published by Swisscom for Fastweb).

With a total of 18.7 million subscribers at September 30, 2022, the penetration rate for fixed Internet services in the Italian population was 73% [(1)].

Like in other Western European countries, during the first decade of 2000, ADSL was the technology of choice in Italy, led by the fast pace of unbundling. However, increasingly intense subscriber usage and the growing popularity of streaming platforms are driving a faster transition to fiber and other network upgrades.

Over the 12 months to September 2022, the total number of subscriptions rose by just 54,000 lines. At the same time, access via higher-quality technologies increased considerably, with FTTC up by 0.35 million year on year, FTTH by 0.81 million and FWA by 0.1 million. This momentum has pushed up the connection speeds on offer. As of end-June 2022 (the most recent data available), lines with speeds of 100 Mbps or more (defined in France as Ultra-Fast Broadband) represented 65% of the total residential access market (versus 57% a year earlier).

Players in the fixed Internet access market in Italy

The Group's competitors in the Italian fixed Internet access market are Italy's main fixed network operators, which in third-quarter 2022 held the following market shares [(2)]:

- Telecom Italia (TIM): 40.3%
- Vodafone: 16.8%
- Fastweb: 14.4%
- Wind Tre: 14.3%;
- Tiscali/Linkem: 4.8%;
- Eolo: 3.3%.

There are two main network access providers in Italy: (i) Telecom Italia (TIM), the vertically integrated incumbent operator, which has spun off its Fiber infrastructure wholesale business into a dedicated structure – FiberCop, which is 58% owned by TIM, 37.5% by KKR and 4.5% by Fastweb, and (ii) Open Fiber, a wholesale-only operator which, since 2016, has offered Ultra-Fast Broadband services (using FTTH technology).

Launched in January 2022, iliad Italia's fixed Internet access offering was based solely on Open Fiber's FTTH network during the year, ending the period with coverage of some eight million homes. To expand the addressable market, agreements have been signed with FiberCop and FiberCop minority shareholder Fastweb. At the year-end, iliad Italia had 109,000 FTTH subscribers, representing just over 3% of the FTTH market with a market share of less than 1%.

1.2.1.7 Basis for statements made by the Group regarding its competitive position

The statements made in this Annual Report in relation to the Group's competitive position are primarily based on market analyses published by ARCEP in France, AGCOM in Italy, and the national telecoms regulator (UKE) in Poland.

1.2.2 Competitive advantages

The Group believes that it has a number of competitive advantages which should enable it to sustain its profitable growth in France, continue developing its operations in Italy and envisage targeted external growth in domains that are complementary to its existing businesses.

Strong brands in each host country

Led by the success of its retail fixed and mobile offerings since its creation in 1999, Free has positioned itself in France as a major player in the Internet access market and mobile telephony. The brand is clearly associated with the concepts of freedom, cutting-edge technology, innovation, quality and attractive prices.

In Italy, less than a year after its launch in May 2018, iliad Italia had ridden the market success of its retail mobile plans to become a recognized brand, with a more than 90% awareness rate. Today, four years after launch, the iliad brand is still appreciated for its value-for-money, transparency and ease of use and is often cited as the most popular telecommunications brand among Italians.

In Poland, over the years, Play has steadily grown into the market's most recognized brand (number one for spontaneous awareness), thanks to a strategy of constant communication over time, backed up by high-impact advertising campaigns.

Technically sophisticated and attractively priced retail offerings

The Group's fixed and mobile networks enable it to design sustainable service offerings that are straightforward, technically sophisticated and attractively priced. Its fixed and mobile Broadband and Ultra-Fast Broadband offerings are among the most competitively priced in their respective markets, while providing best-in-class service.

An ultra-fast integrated national network suited to the needs of both the Fixed and Mobile businesses

In order to be able to offer high-performing and innovative services to its subscribers and to guarantee the profitability of its operations, the Group has always placed importance on rolling out its own electronic communications network, so it can control the technical aspects and pricing of its services for the routing of both data (Internet) and voice (over IP or circuit-switched). The skills and experience built up by the Group's network teams now mean that it is able to operate and maintain its networks and guarantee its subscribers high quality services and fast connection speeds. The specific technical features of the network and its high density are key factors for the success of the Group's offerings as well as its profitability, in both its Fixed and Mobile businesses. The size, design and scalable architecture of the Group's network make it capable of serving all potential subscribers.

(1) *Only taking into account SIM cards in service excluding M2M (data published by Swisscom for Fastweb).*

(2) *Based on the total number of subscriptions.*

Research and development capabilities serving retail and B2B customers

The Group's investment in research and development of both hardware and software has enabled it to position itself as a front runner in implementing innovative technological solutions for the retail market. The success of this policy stems primarily from Management's commitment to using high-quality technical equipment and retaining flexibility in its choice of hardware. This in turn has resulted in the design of hardware and software specifically suited to the Group's offerings and using cutting-edge technologies (such as the Freebox modem/DSLAMs), as well as in the development of innovative software solutions (such as billing software, the subscriber management system, interconnect software and IPTV interfaces such as OQEE). Another example of the Group's innovation capabilities is its launch in France and Italy of the first self-service kiosks for mobile subscriptions with integrated SIM-card dispensers. By relying largely on internal resources, the Group has been able to optimize its capital expenditure from the outset.

The Group is also very actively investing in research and development in the B2B segment. In launching its Free Pro solution in France in March 2021, the Group unveiled the Freebox Pro, which was entirely designed and manufactured for business use. It offers the ability to support intense usage, operate in an industrial environment, and withstand vibrations and high temperatures. In the public cloud market, Scaleway has developed sovereign solutions and facilitates multi-cloud in order to guarantee end-users security and confidentiality of their data according to their geographical zone.

Simplicity as a watchword

In a sector well known for its complexity, the Group proposes straightforward, comprehensive plans that meet the market's expectations. These plans are essentially distributed online. In addition, the Group has an organizational structure that is simple, horizontal, centralized and reactive. As a result, its objective of achieving simplicity can be seen at all levels of the organization and is one of the keys to the Group's success.

Control over services

Throughout its growth trajectory, the iliad Group has followed a strategy of directly controlling all of the active equipment it needs to transmit and carry data, manage its networks and supply its services (voice, audiovisual, etc.) as well as controlling its interconnections with third-party networks and its relations with Internet operators. The Group can freely develop and modify its services, improve them, enrich them and anticipate new usages. Thanks to its investments in its fixed and mobile networks, the Group is in full control of its services, which gives it all of the capacity and resources it needs to react to changes in usages and the competitive environment.

Control over distribution

The Group is one of the rare ISPs in Europe to have established itself in the fixed-line market without relying on a physical distribution network, and it has long-standing, unique know-how in online distribution. Since the launch of its Mobile business in France and Italy, it has also been developing a physical distribution network through its directly owned stores – Free Centers in France and iliad Stores in Italy – as well as SIM-card dispensers. In Poland, Play was already a mobile telephony market leader prior to its acquisition by the Group, with a major presence in physical distribution through a network of more than 700 stores. The Group has maintained this network, while adding an additional 30 or so UPC Polska outlets. Consequently, the Group has direct control over the distribution of its services, which enables it to meet the needs both of online subscribers (and adapt to changes in the e-commerce environment) and of subscribers seeking the more conventional physical store.

Control over subscriber relations

In France, the iliad Group mainly manages its subscriber relations via a range of methods including online assistance on its portal, direct contact with advisors over the telephone, chat or video call, or face-to-face in its Free Centers. It designs and develops all of its internal tools and systems for managing subscriber relations and communicating with subscribers.

A Company entirely owned by its managers

iliad's managers own all of the Company's capital. This gives the Group the independence to deliver on its long-term vision, which is sometimes radically different to that of its competitors. It also enables it to be highly reactive when taking decisions and putting them into action. The management and results of the Group's projects are a daily reminder of the competitive advantage that this ownership structure gives it.

A more international management team

In 2020, the Group changed its management team by bringing in executives from Italy and Poland to add a European vision to its strategy.

1.2.3 Strategy

Ever since its formation, and notably since the launch of its Mobile business, the iliad Group has always placed network rollouts – and therefore regional digital development – at the heart of its strategy.

Whenever it has entered a market – the French fixed-line market in 1999, the French mobile market in 2012, and then the Italian mobile market in 2018 – the Group's competitors have always been well established operators or players with far more resources than its own. The acquisition of Play in Poland was another major milestone for the Group, as it was its largest-ever acquisition and marked its entry into a new country. The subsequent acquisition of UPC Polska, which closed on April 1, 2022, was a further demonstration of the Group's firm foothold in Poland. In order to win subscribers and carve out long-term positions in its markets, the Group adopts an assertive competitive strategy based on innovation and differentiation through its pricing and services. To reach its objectives, the Group must be independent and therefore keep the highest possible level of control over its networks.

For these reasons, iliad has structured its business strategy around three pillars, which have been the keys to its success:

Control over networks

In both the fixed and mobile sectors, being in control of the network and related costs is essential for maintaining commercial autonomy and therefore being able to propose differentiated service offerings and effectively manage the profitability of those offerings. This in turn boosts margins and cash flows. For all these reasons, the Group is still actively working on unbundling the copper local loop, participating in the rollout of Ultra-Fast Broadband access, mainly in France and Poland, and deploying its proprietary mobile networks in France, Poland and Italy.

Unbundling (in France only)

The Group unbundled its first distribution frame in 2002 and now covers over 90% of the population. This unbundling strategy is not just directed at the most densely populated – and therefore the most profitable – areas. Instead, the Group has unbundled the loop right up to the smallest frames, enabling less populated areas to have triple-play services and fast Internet access via VDSL. Through this strategy, the Group has demonstrated its long-term commitment to regional development and bridging the digital divide.

Fixed Ultra-Fast Broadband

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 therefore 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.

iliad's FTTH rollout is a logical extension of its strategy of investing in the deployment of its own infrastructure with the aim of raising margins and profitability. The regulatory framework applicable to rolling out the optical fiber local loop differs depending on the geographic areas concerned.

Mobile

Just as in the fixed-line market, being in control of the mobile network is a sure way of achieving differentiation and longevity. It enables a player to be independent, directly manage its offerings and service quality, and be innovative and reactive.

In France, Free Mobile kept up the pace of its mobile rollouts in 2022, adding almost 2,200 new sites, which brought its total network to over 23,800 sites at the year end, giving 3G coverage to over 99.4% of the French population and 4G coverage to 99.2%.

In Italy, iliad Italia continued its deployments and finalized its network sharing agreement with WindTre in early 2023. Including the latter, iliad Italia's mobile network comprised 16,240 active sites as of January 3, 2023.

In Poland, Play continued to expand its geographic coverage, adding 804 new active sites and exceeding 10,000 active sites in the country (10,571).

Convergence

In 2022, the Group became convergent in each of its countries. When the Group launched its Mobile business in France in 2012, it leveraged synergies between its fixed network (particularly thanks to unbundling) and its mobile network, to create shared backhaul for the two networks, with the mobile sites connected to the copper network for traffic backhauling purposes. The rapid development of mobile Internet use via 4G, and the launch of 5G in late 2020 have rendered obsolete the backhaul of mobile traffic via wired links or terrestrial microwave links, as the bandwidth available is insufficient to provide a proper 4G service. As early as 2014, the Group started to connect up its antennae using dedicated fiber links between its mobile sites, and over 90% of its sites in very densely populated areas are now connected up to the fiber network. This strategy of combining the deployment of optical fiber (own network and/or co-financing) and the improvement of our mobile network capacity also applies in Italy and Poland.

Innovation

Innovation is deeply embedded in the iliad Group's corporate DNA. Since launching its very first fixed-line offer in France, it has stood out for its innovation capabilities.

Technical innovation

In France, the Group's first innovation was to choose to develop its own equipment for carrying and transmitting data (e.g., DSLAMs), as well as its own software and its own boxes. No other operator in the country has made this choice, which is radically different from the general model of using third-party OEMs for all types of equipment.

Thanks to this strategy, the Group has control over the technological solutions it uses and is free to change and develop them in line with the commercial and technical choices it makes. In France, control over its equipment enabled the iliad Group to integrate VDSL2 at no extra cost to subscribers and to equip all its DSLAMs with VDSL2 within a few months in 2013. And in 2018, Free was able to independently integrate 10G fiber technology into the Freebox Delta in France. The Group has also regularly incorporated new services into its fixed and mobile offerings (4G, FreeWifi, Femtocells, and more).

The Group's most visible and emblematic innovation is the triple-play box, which iliad invented. The Freebox not only enables the Group to develop its offering of added-value services and meet demand for new usages but also helps it stand out from the competition and foster subscriber loyalty.

In France in 2020, the Group launched the Freebox Pop, the eighth triple-play box since the first generation was launched in 2003. This box is aimed at optimizing the quality of connectivity within subscribers' households. Designed by iliad's R&D teams, the Freebox Pop offers a maximum theoretical download speed of 5 Gbps, fast, reliable, secure and highly user-friendly WiFi, plus a repeater (provided on request), which was also designed in-house and is extremely simple to configure. The launch of this box also boosted the appeal of the Freebox Delta, as Freebox Delta subscribers can have the Freebox Pop TV box at no extra cost (apart from the shipping costs for the box). With the Freebox Pop and the Freebox Delta, the Group has clearly demonstrated how it is staying ahead of the game in terms of product innovation, offering two of the boxes with the fastest speeds in the market. To develop synergies between countries, the same Freebox Pop was used to launch our Fiber offering in Italy, under the name iliadbox.

Sales and marketing innovation

The Group's second innovation is its sales and marketing model which allowed it to enter and become a major player in the fixed market in France. The Group has gained both fixed and mobile subscribers by offering straightforward, no-commitment plans that it constantly enriches with new services, a model that served as the basis for the launch of our operations in Italy.

In the Fixed Internet business, the Group regularly proposes new television services in its basic offering, has integrated VDSL2 and Fiber at no extra cost, includes calls to certain destinations and much more. And in the Mobile business, it has broken away from the standard practice of the incumbent operators who make their plans more expensive whenever they add a new service. In France, the Group integrated 4G and 5G capabilities into its offerings at no extra cost, unlimited texts into the €2.00/month plan and roaming into the Free Mobile Plan. This same mindset enabled the Group to rapidly gain market share in Italy as a new entrant. The Group has also innovated in how it sells its mobile plans by launching the first SIM-card dispensers in France and Italy, which make it easy for subscribers to sign up and immediately receive the right SIM card for their phone.

Capital expenditure

The Group is leading a proactive capital expenditure strategy in every host community, with a focus on (i) strengthening its telecommunications operator capabilities (unbundling, building and co-financing FTTH networks, rolling out mobile networks in France, Italy and Poland and purchasing frequencies); (ii) deepening its commercial presence (through physical stores and SIM-card dispensers); (iii) improving its subscriber relations (by communicating through a variety of media including video calls and online support); and (iv) developing new products and services (such as the Freebox Delta and the iliadbox).

Thanks to this strategy, the Group:

- has one of the largest IP networks in France, both in terms of coverage and traffic volumes;
- is the leading alternative Fiber operator in France, with some 31 million connectible sockets at end-2022 and 4.6 million FTTH subscribers;
- has accelerated its rollout in Italy on the back of resounding commercial success since it entered the market;
- acquired UPC Polska and integrated an ambitious plan to roll out Fiber access and upgrade the coaxial cable network, to give Play all the resources it needs to become a leader in fixed/mobile convergence in Poland.

Always on the lookout for acquisition opportunities to drive growth

Although internal growth remains at the heart of its strategy, the Group also has a targeted external expansion policy that it puts into action if opportunities arise in areas that are a strong fit with its existing business or would result in improved use of its network and/or expertise. In line with this approach, having made its formal entry into the Polish market with the completion of the acquisition of Play in 2020, the Group seized the opportunity to acquire one of Poland's major fixed Internet players, UPC Polska.

1.3 THE GROUP'S BUSINESSES

1.3.1 The Fixed business in France

1.3.1.1 Presentation of the Group's offerings

B2C offerings

At December 31, 2022, the Group offered three main fixed plans: the Freebox Revolution (€19.99/month for the first year, €44.99 thereafter), the Freebox Pop (5G-EPON connectivity, €29.99/month for the first year, €39.99 thereafter) and the Freebox Delta (10G-EPON connectivity, €39.99/month for the first year, €49.99 thereafter).

Depending on the eligibility of the subscriber's line, Free's offers are compatible with the various Broadband and Ultra-Fast Broadband delivery technologies, including FTTH, ADSL, VDSL2 and a 4G+ Box (€29.99/month). 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 ten times faster speeds than when using ADSL alone.

B2B offerings

The Group currently addresses the French B2B market through two business segments: Corporate Telecommunications Services (for very small businesses, SMEs and large corporations) and Cloud 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, which consist of providing physical space in a data center, as well as the associated electric capacity, in order to house bays and servers, and (iii) Public Cloud, which gives convenient, on-demand network access to a shared pool of configurable computing resources.

Since March 2021, the Group has served the B2B market under the dedicated Free Pro brand, with a Freebox Pro designed specifically to meet the needs of professionals and small and very small businesses at highly competitive fixed and mobile rates.

1.3.1.2 Manufacturing operations for the Fixed business

Freebox

The Group has chosen to develop its own Broadband and Ultra-Fast Broadband Internet upload and download equipment in-house in order to win as many new subscribers as possible in a competitive and growing market by providing differentiated service offerings. As a result of the technological resources of the development team at Freebox S.A.S. combined with an extremely selective purchasing policy, the Group has been able to optimize the cost of designing DSLAMs and a modem capable of meeting the high bandwidth requirements necessary to offer high value-added services. The use of both DSLAMs and modems developed by the Group's in-house teams enables iliad to provide its subscribers with a first-rate technical service offering, capable of transmitting bandwidth-intensive voice, data and audiovisual content simultaneously and over long distances.

Freebox DSLAMs

Freebox S.A.S has developed various transmission devices (DSLAMs) used by the Group for the ADSL, VDSL and fiber technologies that it proposes. These DSLAMs were designed to leverage the Free network, which uses only IP protocol, and accommodate the high bandwidth requirements of audiovisual services.

The Freebox modem

In 2001, the iliad Group invented the concept of the "box" – a multi-service modem box offering Internet access as well as telephony (VOIP) and television services (IPTV). Developed by iliad's in-house teams, the Freebox is an easy-to-install scalable modem with multiple functions that enables householders to converge their multimedia requirements.

Designed and developed by the Group's research and development teams, the Freebox modem includes components acquired from third-party suppliers and assembled by companies which are not part of the Group.

The Freebox is now in its eighth version and boasts a host of functions, some of which are exclusive to Free.

1.3.2 The Mobile business in France

1.3.2.1 Presentation of the Group's offerings

In 2022, 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 an intermediate plan, which offers a discounted price for 12 months and then automatically switches to the unlimited 4G/5G Free Mobile Plan. The price of this intermediate plan varies depending on the period concerned, and for the 12 months of 2022 it ranged between €9.99 and €14.99 per month. At the same time, the Group pursued its proactive campaigns to migrate subscribers on the €2 plan to the unlimited 4G/5G Free Mobile Plan.

Mobile phones

The Group offers 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. Subscribers who prefer to get a phone can either (i) buy it outright; or (ii) lease it with an option to buy using the Free Flex solution. In all cases, the Group recognizes the corresponding revenue when the phone is received by the subscriber.

1.3.2.2 Mobile network rollout operations

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

After being allocated 2 x 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 December 31, 2020, 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, in 2021, the Group was allocated an additional 3.7 MHz in the 900 MHz 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-2022	Frequency portfolio as from February 9, 2025	License expiration dates
700 MHz	2 x 10 MHz	2 x 10 MHz	December 7, 2035
900 MHz	2 x 7.6 MHz	2 x 8.7 MHz	January 11, 2030 (5 MHz) March 24, 2031 (2.6 MHz) December 8, 2034 (1.1 MHz)
1,800 MHz	2 x 15 MHz	2 x 15 MHz	October 11, 2031
2.1 GHz	2 x 14.8 MHz	2 x 14.8 MHz	January 11, 2030 (5 MHz) August 20, 2031 (9.8 MHz)
2.6 GHz	2 x 20 MHz	2 x 20 MHz	October 10, 2031
3.5 GHz	70 MHz	70 MHz	November 17, 2035
TOTAL	**2 X 67.4 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 2022, we continued our major rollout drive across all technologies. In Metropolitan France we switched on an additional 2,159 3G sites and 2,206 4G sites, and rendered technically operational 2,946 new 5G sites, which has resulted in very high population coverage rates (99.4% for 3G, 99.2% for 4G, and close to 88% for 5G). In the French overseas departments and territories (DOM-TOM), Free's mobile network, which was launched commercially in May 2022, comprised 110 active 3G/4G sites at end-2022.

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

- General equipment: 10 years;
- Mobile technical equipment: 6 and 18 years;
- Other equipment: 3 to 5 years;
- Other assets: 2 to 10 years.

Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed. Licenses other than the 3.5 GHz license in France are being amortized on a straight-line basis over a period of 18 years on average. The 3.5 GHz license is being amortized over 15 years as from December 15, 2020.

1.3.3 The Mobile business in Poland

1.3.3.1 Presentation of the Group's offerings

Since its acquisition of Play in November 2020, the iliad Group has been a major operator in the Polish telecom market. While primarily positioned in the B2C mobile market, with over 12 million active subscribers, Play has also been a fixed ISP since early 2020 through a white-label agreement with a cable operator. Since the acquisition, the Group has been providing mobile voice, SMS/MMS and data services in Poland to individuals, SMEs and other businesses via postpaid plans or prepaid cards. Its target subscribers are users on postpaid plans, which generate higher ARPU and lower churn than prepaid subscribers. The Group uses the "Play" brand in Poland for all its services, the "UPC Polska" brand for certain broadband Internet and TV services, and the Virgin Mobile brand for other market segments (Prepaid).

The Group constantly broadens its offerings in order to provide its customers with the highest quality services, solutions and devices,

In May 2022, the Group expanded its convergent offering with new options for Play and UPC customers. It also prepared new bundles that allow subscribers to pick and choose among telecom services to craft just the right solution at an attractive price.

1.3.3.2 Presentation of the Group's operations

Since Play launched its business in Poland in 2007, it has expanded its frequency portfolio, which comprised the following at end-2022:

	Frequency portfolio at end-2022	License expiration date
800 MHz	2 x 5 MHz	June 23, 2031
900 MHz	2 x 5 MHz	December 31, 2023
1,800 MHz	2 x 15 MHz	December 31, 2027
2.1 GHz	2 x 14.8 MHz + 2 x 200 KHz	December 31, 2037
2.6 GHz	2 x 20 MHz	January 25, 2031
TOTAL	**2 X 59.8 MHZ + 2 X 200 KHZ**	

Expansion of the mobile network in Poland

The Group continued to assertively roll out its own network throughout 2022 and by year-end had 10,571 base stations or 804 more than the year before. This gave it population coverage of 99.7% for 2G/3G and 99.5% and 96.0% respectively for 4G LTE and 4G LTE Ultra. Play's own-network 2G/3G/4G coverage has been broadened by roaming services provided under an agreement with Orange (which was extended in 2021 until 2025).

In 2022, the network was upgraded to the 5G standard, operating on the current 2,100 MHz frequency resources in the dynamic frequency sharing model (the so-called 5G Legacy). At year-end, 4,408 base stations located in several hundreds of towns in 16 provinces were equipped for the 5G Legacy standard, giving almost 52% of people living in Poland access to the latest technologies offered by Play.

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

- General equipment: 10 years;
- Mobile technical equipment: 6 and 18 years;
- Other equipment: 3 to 5 years;
- Other assets: 2 to 10 years.

Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed.

1.3.4 The Fixed business in Poland

1.3.4.1 Presentation of the Group's offerings

After becoming a major player in the Polish mobile market with the acquisition of Play in November 2020, the iliad Group is now a fully convergent operator following the acquisition of UPC Polska in April 2022. Since then, the Group has extended its fixed Internet services, built around three plans offering different download speeds (up to 300 Mbits/s, up to 600 Mbits/s and up to 1 Gbits/s) and different content (from 137 to 191 channels, access to Viaplay, 4K box, etc.).

1.3.4.2 Presentation of the Group's operations

At end-2022, the iliad Group addressed almost 5.2 million Polish households with its Broadband and Ultra-Fast Broadband Internet services. Of these, 3.8 million were addressed by UPC Polska's own network and 1.4 million through the Operational Program Digital Poland, which is supporting Poland's digital transformation by funding the rollout of a fiber-to-the-subscriber access network in medium and low-density areas.

On June 30, 2022, the iliad Group acquired a 92.5% stake in Warsaw-based Redge Technologies sp. z o.o., a leading provider of video distribution solutions in Eastern Europe, including Poland, since 2007. One of its flagship solutions is a technology platform that enables partners to create a wide range of streaming services, including OTT and IPTV solutions. The company also offers cybersecurity solutions.

1.3.5 The Mobile business in Italy

1.3.5.1 Presentation of the Group's offerings

The Group has enjoyed resounding commercial success in Italy since launching its mobile business there on May 29, 2018. It ended 2022 with some 9.6 million subscribers, representing more than 12% of the Italian mobile market (excluding M2M).

In May 2018, iliad Italia originally launched a single plan costing €5.99 a month (unlimited calls and text messages, with 30 GB/month of data in Italy and 2 GB/month in Europe) plus a €9.99 SIM card activation fee. Since then the company has developed its offering and at end-December 2022 it had four mobile plans (not including promotions) ranging from €4.99/month for 40 MB of data and unlimited calls and text messages to €13.99/month for 300 GB of data (5G included, data offer only) and unlimited calls and text messages.

The Group's Italian offering also includes a selection of the latest Apple iPhones (iPhone 14, 14 Plus, 14 Pro and 14 Pro Max 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.

1.3.5.2 Presentation of the Group's operations

In November 2016, the Italian authorities authorized the transfer of the various frequencies covered by the agreement. This gave iliad a balanced portfolio of 35 MHz duplex frequencies in Italy, comprising:

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

The purchase price of this portfolio of frequencies was set at €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 will pay €300 million to the Italian government in eight annual installments for extending the licenses for 900 MHz and 2,100 MHz frequencies until 2029. In October 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 and the Group was allocated the following (for a total of €1,193 million):
  - 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.

These frequency purchases were in line with iliad Italia's aim of strengthening its portfolio in order to pursue its innovation drive, rapidly develop a 5G offering and meet the rising demand for bandwidth in Italy.

	Frequency portfolio at end-2022	License expiration date
700 MHz	2 x 10 MHz	December 31, 2037
900 MHz	2 x 5 MHz	December 31, 2029
1,800 MHz	2 x 10 MHz	December 31, 2029
2.1 GHz	2 x 10 MHz	December 31, 2029
2.6 GHz	2 x 10 MHz	December 31, 2029
3.6-3.8 GHz	1 x 20 MHz	December 31, 2037
26.5-27.5 GHz	1 x 200 MHz	December 31, 2037
TOTAL	**2 X 45 MHZ + 220 MHZ**	

In accordance with the rules set for the spectrum auction and pursuant to Italy's 2018 Finance Act (L. 205/2017), the purchase price for the 5G 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

In 2016, following the signature of the agreement with the Hutchison and VimpelCom groups, iliad began rolling out its own mobile network in Italy. On January 3, 2023, the Group completed the creation of a 50/50 joint venture with Wind Tre, aimed mainly at covering non-densely populated areas that are home to 26.8% of Italy's population.

At January 3, 2023, following completion of the network-sharing agreement with WindTre, iliad Italia's network comprised a total of some 16,200 active mobile sites. This network includes (i) an own-network of over 9,470 active mobile sites rolled out in densely and averagely densely populated areas which are home to 73.2% of the population, and (ii) over 6,700 mobile sites in non-densely populated areas operated through RAN sharing via a joint venture (Zefiro Net s.r.l.) that is 50/50 owned by iliad Italia and WindTre. This sharing network covers more than 6,700 mobile sites located in non-densely populated areas.

In addition to its own network, since 2016 iliad Italia's traffic has also been carried under a Multi-Operator Core Network (MOCN) agreement with WindTre. This technical solution for connecting up WindTre mobile equipment to iliad Italia's core network creates a more effective and optimal flow of traffic between the two networks compared with a "conventional" roaming solution. The original agreement offered nationwide coverage, but since January 3, 2023, it only applies to areas outside the scope of the RAN-sharing agreement.

At end-2022, iliad Italia's service coverage provided 4G/4G+ connectivity to more than 99% of Italy's population. In addition, iliad Italia has deployed 5G technology on its network via the 3.6 GHz and 700 MHz frequency bands it purchased during the 5G spectrum auctions in September 2018. The 700 MHz frequencies have been available since July 1, 2022. At end-2022, iliad Italia's 5G network was available in over 3,000 municipalities (including all municipalities with over 90,000 inhabitants).

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

- General equipment: 10 years;
- Mobile technical equipment: 6 and 18 years;
- Other equipment: 3 to 5 years;
- Other assets: 2 to 10 years.

Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed.

1.3.6 The Fixed business in Italy

1.3.6.1 Presentation of the Group's offerings

On January 25, 2022, iliad Italia launched its entirely FTTH-delivered B2C solution based, as in France, on attractive, simple, transparent pricing. At launch, the solution was offered at €23.99/month for speeds of up to 5 Gbps download and up to 700 Mbps upload, with a special €15.99/month offer for iliad Italia mobile subscribers. It included a fixed phone line offering unlimited calls to fixed-line and mobile numbers in Italy and to fixed numbers in more than 60 countries. At end-2022, the price of iliad Italia's Fiber plan was €24.99/month, or €19.99/month subscribers to iliad Italia mobile's €9.99-per-month offer.

1.3.6.2 Presentation of the Group's operations

iliad Italia decided to offer only FTTH connections based on its wholesale access agreement with Open Fiber (OF), which enabled it to install its own equipment, where possible, in the passive network's optical node to offer 5 Gbps download.

The FTTH solution is supported by an iliadbox, the Italian version of the Freebox router developed entirely in-house and WiFi 6-enabled. In January 2023, 8.1 million households were addressed by iliad's fixed-line network. At the beginning of 2023, the company launched its commercial offers on FiberCop's network and iliad Italia is currently working on the implementation of its other commercial agreement with Fastweb. iliad Italia expects to reach a total coverage of more than 10 million households during 2023.

1.3.7 Subscriber relations and physical distribution network in France

1.3.7.1 Support services and subscriber relations

The Group's fixed-line and mobile subscribers in France are provided with technical support and after-sales services through a telephone helpdesk platform run by iliad subsidiaries. iliad constantly focuses on strengthening and training its technical and after-sales support teams, developing new systems to optimize the services provided to subscribers, and enhancing subscriber relations.

Subscribers can contact the Group through a 7/7 phone service for help and support with sales or technical issues, or by email, fax, chat and regular mail, as well as via social media, forums and newsgroups, by video call using the Face to Free app, or in person at a Free Center or through the Free Proxi service (see below). Our video call assistance service is also available in sign language. In addition, subscriber requests can be submitted via the support pages and online help module on the Assistance website, where new FAQs, videos and tutorials are posted on a daily basis. Similarly, we have set up a YouTube channel with regularly updated video tutorials.

As well as these services, the SRD provides an online support service through the Free and Free Mobile websites, showing replies to user FAQs and via which subscribers can address questions directly to the support team via email or chat.

To assist subscribers across France, Free created Free Proxi, a support service delivered by small, locally based teams of eight to ten Free advisors, who are readily available online to answer any questions about Freebox and Free Mobile plans. Thanks to their local presence, the Free Proxi teams have detailed knowledge of their region's fixed and mobile network infrastructure. They can easily troubleshoot possible incidents, and even go directly to the subscriber's home to restore service or replace a device. In this way, subscriber issues can be handled from start to finish by the same team, and sometimes by the same advisor. Free Proxi is included in all the Free plans. As soon as they are eligible, subscribers contacting support are put in touch directly with their Free Proxi team. They can directly access their advisors in their subscriber area via the mobile app or online, or else by phone at 3244. Available seven days a week from 8 am to 9 pm, Free Proxi teams are committed to offering subscribers a solution within 15 minutes. Launched in late 2019, Free Proxi is already staffed with 67 local teams based throughout France, covering 25% of its 21 million fixed-line and mobile subscribers. The goal is to have 150 local teams in place by the end of 2023, covering 50% of the subscriber base.

1.3.7.2 The Free Center retail network

At December 31, 2022, the Group had a network of 189 Free stores (Free Centers) located throughout France.

The Free Centers have four 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 showcase the Free brand by bringing it physically closer to subscribers and promoting the benefits of its offerings;
- to sell and lease devices;
- to provide after-sales services to subscribers and reassurance through one-on-one contact.

1.3.7.3 Self-service kiosks with SIM-card dispensers

The Group's research and development teams have devised self-service kiosks for mobile subscriptions with integrated SIM card dispensers. The kiosks, which are fully automated and can be used to take out a subscription or change a SIM card in minutes, are enabling the Group to expand its physical presence throughout France. They are being deployed in partnership with the Maison de la Presse, Mag Presse and Fnac-Darty network. At December 31, 2022, the Group had nearly 2,000 such kiosks in Metropolitan and overseas France.

1.3.8 Subscriber relations and physical distribution network in Poland

1.3.8.1 Support services and subscriber relations

The overriding objective of the subscriber support services is to reduce churn by fostering the most satisfying customer experience possible. Our priorities are to process subscriber requests quickly, to ensure that our subscriber relationship employees have the right skills, to resolve problems at first contact whenever possible and to make our services easy to use. We have a 7/7 hotline that subscribers can call for business or technical issues, staffed with employees based in several different regions.

We offer multi-channel access, enabling subscribers to contact us by phone, email or regular mail, as well as via our directly managed app and social media.

1.3.8.2 Physical distribution network

The physical distribution network in Poland comprises 717 Play stores and 38 UPC stores dedicated exclusively to the Group's plans and products. Comprising directly owned stores and third-party dealers, the network covers a large area of Poland, including all the city centers and busiest catchment areas in 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.

1.3.9 Subscriber relations and physical distribution network in Italy

1.3.9.1 Support services and subscriber relations

The Group's mobile subscribers in Italy are provided with technical support and after-sales services through a telephone helpdesk platform run by Group service providers. iliad Italia constantly focuses on strengthening and training its technical and after-sales support teams, developing new systems to optimize the services provided to subscribers, and enhancing subscriber relations. The main objectives of the Subscriber Relations Department (SRD) are to ensure best-in-class service quality and high subscriber satisfaction rates, effectively and efficiently manage the number and length of calls as well as repeat calls, optimize the call handling process, strengthen career development measures for staff and apply them consistently across the various subscriber support sites, and lastly, launch new projects and concepts.

Subscribers can contact iliad Italia via a 7/7 phone service for help and support with either sales or technical issues, and an online support service is also available on iliad's website. This service provides responses to user FAQs and allows subscribers to address questions directly to the support team.

iliad's Subscriber Relations Department can be contacted by phone or regular mail or via social media (Facebook, Twitter and Instagram). Social media contacts are managed entirely in-house in almost real time with the aim of giving subscribers fast, competent answers to technical and sales queries. The Social Media team operates via a technological platform that agents can use to track and classify each query handled in order to improve self-assistance functions and automated processes and therefore enhance subscriber satisfaction. Service quality is assessed by subscribers themselves via questionnaires sent out at the end of each call or other form of contact with the Subscriber Relations Department. Maintaining high quality services is the support service's primary objective and is a means for iliad to stand out from its competitors in the Italian telecommunications market in terms of customer satisfaction and recommendations. Each query handled by the SRD is regarded as a way of creating close subscriber relations and enhancing the processes and services delivered.

All of the above measures contribute to the Group's overall objective of continuously building on the services offered to subscribers in order to effectively meet their current requirements while anticipating what they might need in the future. With the same aims in mind, the Group's internal processes (related to subscriber recruitment, incident tracking, service utilization, etc.) are regularly reviewed in order to make sure they are always straightforward and easy to use for subscribers.

1.3.9.2 Physical distribution network

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

Physical distribution:

- a network of 31 stores in Italy's main towns and cities;
- a network of over 2,000 SIM card dispensers («Simboxes») located in almost 1,500 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 mobile plans;
- a network of partner shops (cafés, tobacconists, newsagents, etc.) where subscriptions can be taken out in just a few minutes.

Digital distribution:

- Online distribution accessible via mobile phone, tablet or computer, through which users can take out their mobile plan online and receive their SIM card at home by mail.

1.4 A NETWORK SERVING THE GROUP'S INTERNET AND TELEPHONY OPERATIONS

In line with the strategy described in Section 1.2.3 above, the Group has a focused, proactive policy of investing in its own networks in France, Poland and Italy, in order to offer subscribers optimal connectivity.

The Group's networks are based on:

- backbone transmission infrastructure in all of its host countries;
- local fixed loops obtained through unbundling and the fiber rollout (only in France at this stage);
- rollouts of mobile networks in all of its host countries.

1.4.1 Backbone transmission infrastructure

1.4.1.1 Backbone transmission network technology

France

The Group's backbone transmission network is entirely built with optical fiber. Its optical communications technology is based on the Dense Wavelength Division Multiplexing (DWDM) technique which enables several wavelengths to be carried on the same optical fiber. Using the optical transmission equipment set up by the Group, every wave carries a signal at a very high speed (10 Gbps and 100 Gbps), and at least 32 different waves can be carried on the same optical fiber. This means that each link has a capacity of several hundred Gbps, which can be considered as practically an "infinite" transmission capacity.

The Group has full control over its transmission capacities as it has built or leased the sections of dark optical fiber it requires (see below) and operates its transmission equipment itself thanks to its investments in multiplexers.

Italy

As part of its business development project in Italy, the Group has rolled out an optical fiber backbone network that connects up Italy's main towns and cities between themselves and to the Group's principal mobile network centers located in Milan and Rome. The network set up in Italy is interconnected at different points to the Group's long-standing backbone network in France.

Poland

Play's transmission network is based on high-capacity (100GE/10GE/1GE) redundant IP/MPLS connections, which offer fast speeds, low latency and high network stability. The link aggregation comprises four regional networks, with each regional network carrying voice traffic, text messages and data across two inter-connection points. Each main town or city has its own metropolitan network which uses redundant dark fiber networks to ensure it can handle peaks in traffic flows.

1.4.1.2 Ownership of the network

In the Group's three host countries, the network is partly owned under IRU (Indefeasible Rights of Use) contracts. Under these long-term agreements, the Group has acquired the indefeasible right to use the fibers for a given period, without having to obtain any right-of-way easements. The sections of the network that are not covered by such agreements can be either leased or owned outright, notably following joint construction projects undertaken with private operators or local authorities.

1.4.2 Fixed-line networks and local loops

1.4.2.1 Interconnection architecture between the Group's network and the incumbent operator's network in France

In order to interconnect to the incumbent operator's network in a given trunk exchange area, the Alternative operator must install a physical connection from a point-of-presence (POP) to a switch located in one of the incumbent operator's 18 digital main switching units.

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

In turn, each user of the incumbent operator's fixed-line telephone services is connected to a digital local exchange by means of a local concentrator.

In view of the high density of the Group's network, it is directly connected to almost all of the incumbent operator's digital local exchanges in Metropolitan France.

1.4.2.2 Local loop unbundling in France

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

The incumbent operator must, upon request, provide any Other Licensed Operator (OLO) with direct access to the local loop. This access, which is referred to as unbundling, allows the OLOs to control access to their subscribers by operating their own equipment.

In an unbundled system, the copper pair (the part of the subscriber's line which connects the subscriber to the closest digital local exchange) is not connected directly to the equipment managed by the incumbent operator, but rather to an ADSL/VDSL line concentrator (also called a DSLAM) installed in colocation facilities or dedicated spaces provided for this purpose in the incumbent operator's exchanges and managed by the operator chosen by the subscriber.

Local loop unbundling enables OLOs to become largely independent from the incumbent operator's network. The recurring charges payable to the incumbent operator relate primarily to the rental of the copper pair, the splitter (only for partial unbundling) and the copper tie cable linking the subscriber's modem to the operator's DSLAM.

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. It is continuing to extend its unbundled covering by opening new subscriber connection nodes across France. All of the network equipment (Freebox DSLAMs) installed in the subscriber connection nodes is compatible with VDSL2 technology, which means eligible subscribers have access to the fastest possible speeds on the copper local 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.

Operating costs and capital expenditure by subscriber

Both operating costs and capital expenditure differ significantly between Option 1 and Option 5.

The main costs that the Group capitalizes for Option 1 relate to the following:

- the boxes provided to subscribers;
- fees billed by the incumbent operator for access to unbundling services (also known as cabling costs or access fees);
- 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.

1.4.2.3 Rollout of Ultra-Fast fixed networks in France

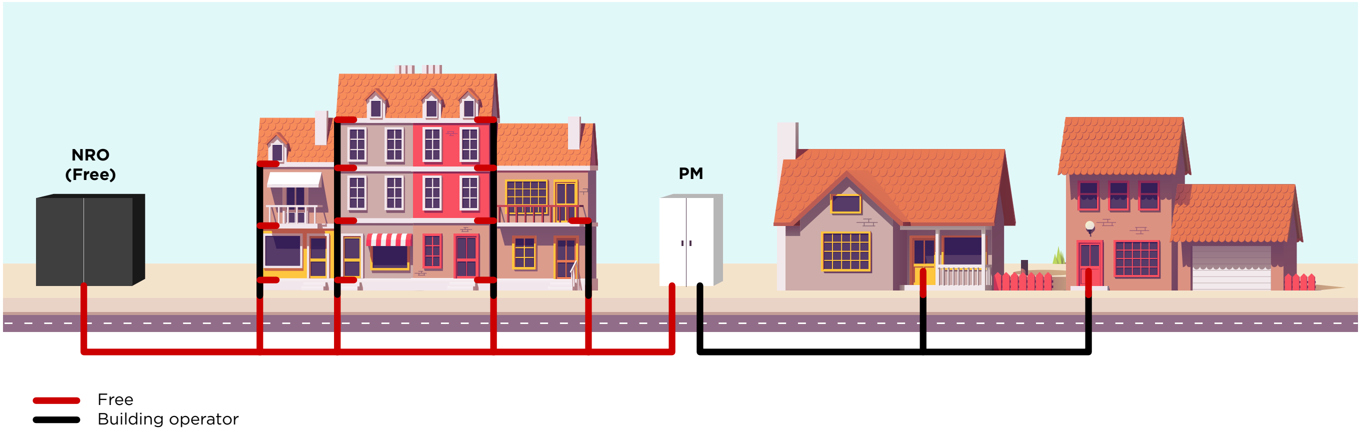
Optical fiber – which has long been used by electronic communications operators for long-distance links – has established itself as the fastest, most reliable and most powerful transmission technology available. It enables data to be transmitted at the speed of the light signal passing through the fiber and consequently offers speeds of several hundred Mbps or 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.

Rollout of optical fiber local loops in very densely populated areas (approximately 7.7 million lines)

In decision 2013-1475 dated December 10, 2013, ARCEP 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.



In view of the above ARCEP decision, the Group is rolling out its own Fiber infrastructure in very densely populated areas, which involves:

- acquiring and fitting out premises to house optical nodes (ONs);
- carrying out horizontal rollouts, which consist of laying optical fiber cables between the ONs and the shared access points. The Group's horizontal rollout phase is being undertaken using (i) the accessible galleries of the underground wastewater network in Paris, and (ii) the incumbent operator's access offer under which third parties can access its existing cable ducts in other areas of France;
- connecting the horizontal network to the shared access points;
- carrying out the final connection phase, which entails fitting an optical fiber socket in the subscriber's home and connecting it to the building's vertical fiber cables through the floor distribution box.

By rolling out its own optical fiber local loop, the Group directly owns all of its fiber-to-the-home infrastructure and is therefore totally independent from the incumbent operator. This means that it has complete control over its service quality and subscriber relations, and can provide its subscribers with access to a technology that fully meets their growing bandwidth requirements.

Rollout of optical fiber local loops 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 2010-1312 dated December 14, 2010), provides for more extensive infrastructure sharing as it requires the operator that is rolling out the network 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 18.3 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) in the rest of France

FTTH networks are rolled out in PIN areas in a number of ways, which may require entering into agreements with the public bodies in charge of rolling out the networks or with the private entities that market them.

Strategic partnership with InfraVia

The Group was the first operator, as of August 2012, to (i) take up the incumbent operator's third-party operator access offer for its FTTH lines outside very densely populated areas and (ii) undertake to co-finance the FTTH network in certain urban areas proposed by the incumbent operator. Since 2017, it has also entered into several framework agreements in areas covered by PINs, with the operators marketing FTTH lines in those areas (Axione, Orange and Covage, for example) as well as directly with a number of public bodies (including Auvergne Très Haut Débit, Vendée Numérique and many others).

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 fiber 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.

Fiber progress report at December 31, 2022

As in 2021, the Group's volume of fiber rollouts was very high, both in terms of new connectible sockets and new subscribers connected up to FTTH:

- The number of connectible sockets increased by 5.8 million over 12 months, totaling 31.3 million at end-December 2022. The Group's Fiber plans are now available in more than 22,000 municipalities, compared with 14,200 at end-2021.
- The FTTH subscriber base grew by 23% over the year, reaching 4.66 million at December 31, 2022, corresponding to 885,000 net adds. This steady rise in the fiber penetration rate (up 10 points in the space of a year to 65% at end-2022) is due to French households' growing appetite for FTTH technology and to Free's frequent launches of its FTTH offerings in new non-densely populated areas.

The Group maintained its position as France's leading alternative FTTH operator in 2022.

1.4.2.4 Rollout of Ultra-Fast fixed networks in Poland

At end-2022, the iliad Group addressed almost 5.2 million Polish households with its Broadband and Ultra-Fast Broadband Internet services. Of these, 3.8 million were addressed by UPC Polska's own network and 1.4 million through the Operational Program Digital Poland (POPC), which is supporting Poland's digital transformation by funding the rollout of a fiber-to-the-subscriber access network in medium and low-density areas.

On June 19, 2022, iliad Group and InfraVia Capital Partners, an independent private equity firm specializing in infrastructure and technology investments, signed an agreement paving the way for providing access to high-speed connectivity to several million homes in Poland, using existing infrastructure and through further significant investments. The network will be available to all telecommunication operators in a wholesale, open-access model. Under the preliminary agreement, which is subject to regulatory approval, InfraVia Capital Partners will acquire 50% of the shares in the Play Group's operating subsidiary. The subsidiary will seek to build more than two million additional fiber optic connections and make its network infrastructure available to other telecommunications operators (including Play and UPC) in an open and non-discriminatory access model, to maximize take up of the built infrastructure by consumers.

1.4.2.5 Rollout of Ultra-Fast fixed networks in Italy

In Italy, 2022 was shaped by the January launch of iliad's B2C fiber-to-the-home offerings. iliad decided to offer only FTTH connections based on its wholesale access agreement with Open, which enabled iliad Italia to install its own equipment, where possible, in the passive network's optical node. At end-2022, 8.1 million households were covered by iliad's fixed-line network. At the beginning of 2023, the company launched its commercial offers on FiberCop's network and iliad Italia is currently working on the implementation of its other commercial agreement with Fastweb. iliad Italia expects to reach a total coverage of more than 10 million households during 2023.

1.4.3 Rollout of 3G/4G/5G mobile networks

1.4.3.1 France

Free Mobile's Mobile network is built on a backbone that is shared with the Group's Fixed network. This backbone is a national network of optical fibers lit by transmission equipment. This physical layer is the basis of iliad's national IP network in France.

The majority of Free Mobile's mobile masts are fiber-connected in order to minimize data flow capacity constraints and maximize the speeds offered to subscribers.

Free Mobile launched its first 3G plans in 2012 and now 4G has been widely deployed across all of its mobile sites, giving it 4G population coverage of 99%. The Group began marketing 5G in December 2020 and it has been activated on the vast majority of its mobile sites, giving the Group the largest 5G network in France.

Free Mobile's 5G network is initially being grafted onto its 4G network via a Non Stand Alone ("NSA") architecture, enabling the rapid rollout of 5G but with functions that continue to be 4G driven. 5G technology is being deployed using several different frequency bands to provide ultra-high speeds and wide coverage. In the second phase, when the equipment is ready and the 5G mobile network is sufficiently deployed and adopted, the architecture will be upgraded to a Stand Alone ("SA") structure so that it can offer all the functionalities of 5G technology.

In the second half of 2021, Free Mobile opened the Voice over 4G service, also known as VoLTE, which improves voice quality and reduces call connection times. In first-half 2022, it opened the voice over WiFi service.

Pursuant to the roaming agreement signed with France's incumbent operator, the Free Mobile network is interconnected with the Orange mobile network at four points for voice and two points for data. These interconnections between the Free Mobile and Orange France networks are necessary for carrying traffic (data, voice, text messages, etc.) of subscribers in the remaining areas where the Free Mobile network rollout has not yet been completed. So that Free Mobile's 4G subscribers only have to make minimal use of roaming, the Group is continuing to roll out a large number of new mobile sites. Also, up until February 2020 it deployed functionalities allowing a 4G/5G mobile to re-select Free Mobile's network as soon as the Free Mobile 4G/5G coverage was available.

These efforts helped to drive steady performance improvements in the Free Mobile network, as evidenced in ARCEP's 2022 quality of service survey and the 2022 NPERF mobile Internet survey, which ranked Free Mobile as the leading alternative mobile operator.

1.4.3.2 Italy

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

- deploying the core network and interconnections with Wind/Tre to manage traffic under the selected Multi-Operator Core Network (MOCN) solution. 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;

- putting in place a local team for overseeing the deployment of the network of mobile sites, using (i) sites that Wind Tre is scheduled to transfer to iliad Italia under agreements signed in July 2016, and (ii) sites made available by major tower companies and other lessors in Italy;
- in addition to 5G coverage on 700 MHz using the 3.6 GHz frequency band, with the deployment of several hundred sites despite the difficulties caused by the legal limits on electromagnetic emissions in Italy;
- leveraging synergies with the iliad Group by involving the French technical and operations teams (notably for network management and information systems) and drawing on the infrastructure and platforms already deployed in France that can be shared with the Italian business;
- building the operational skills of the teams in Italy so they can operate the network with the support of the Group's teams.

1.4.3.3 Poland

The Group continued to assertively roll out its own network throughout 2022 and by year-end had 10,571 base stations or 804 more than the year before. This gave it population coverage of 99.7% for 2G/3G and 99.5% and 96.0% respectively for 4G LTE and 4G LTE Ultra. Play's own-network 2G/3G/4G coverage has been broadened by the roaming services provided under an agreement with Orange (which was extended in 2021 until 2025).

In 2022, the network was upgraded to the 5G standard, operating on the current 2,100 MHz frequency resources in the dynamic frequency sharing model (the so-called 5G Legacy). At end-2022, 4,408 base stations located in several hundreds of towns in 16 provinces were equipped for the 5G Legacy standard, giving almost 52% of people living in Poland access to the latest technologies offered by Play.

1.4.4 Real estate

For the purpose of its FTTH rollouts in France, the Group acquires, either directly or under finance leases, premises to house optical nodes (ONs). The majority of the premises used by the Group are occupied under long-term lease agreements entered into with third parties, and are principally located in the Paris area.

For further details on the Group's real estate see Note 19 to the 2022 consolidated financial statements in Chapter 6 of this Annual Report.

1.5 RESEARCH AND DEVELOPMENT

1.5.1 Research and development

The Group devotes significant resources to creating innovative products and services within the information and communication technologies sector. Its research & development ("R&D") policy is structured around two main objectives: (i) offering differentiated services to subscribers thanks to dedicated equipment, and (ii) reducing costs relating to the construction and operation of its network.

It is with these objectives in mind that the Group develops new generations of Freeboxes that incorporate the latest technical innovations, and is deploying innovative xDSL, fiber and mobile network equipment.

The Group also intends to continue its in-house development for the architecture of the equipment used both in the operation of its networks and the provision of services to its subscribers, as well as for the Linux-based software applications that are used by all Group companies.

1.5.2 Intellectual property

Patents

At the date of this Annual Report, the Group had filed 43 patent families in the areas of optical fiber, multimedia flow distribution, PLC data transmission, femtocell boxes and hosting servers.

1.6 REGULATORY FRAMEWORK

The Group's business activities are subject to legislation and regulations governing the electronic communications sector and the information society in France, Italy and Poland and the European Union as a whole.

1.6.1 Regulation of electronic communications networks and services in France

The regulatory framework for electronic communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are contained in the French Postal and Electronic Communications Code (CPCE). This Code sets out the applicable formal legal framework and transposes the related European Union (EU) Directives into French law. The European Electronic Communications Code [(1)] was transposed into French law by Act No. 2020-1508 of December 3, 2020 [(2)] and government order no. 2021-650 of May 26, 2021, supplemented by regulatory provisions.

In 2022, Regulation (EU) 2022/612 on roaming on public mobile communications networks within the European Union extended for ten years both the abolition of the retail roaming charges rule (also known as the "roam like at home" rule) and the wholesale price cap mechanism (while further lowering the caps). The regulation also adds provisions aimed at maintaining the quality of roaming services and various obligations concerning transparency and information for roaming customers with regard to emergency and value-added services.

Asymmetric regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. *Ex-ante* asymmetric regulation is focused on market segments – mainly wholesale markets – in which distortion of competition and dominant market positions have been identified. ARCEP is required, under the supervision of the European Commission and on the recommendation of the French antitrust authorities, to (i) define the relevant markets applicable in France, (ii) analyze the relevant markets and identify companies which have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

Descriptions of each market analyzed during each phase of the process, along with a table tracking market developments, can be found on ARCEP's website. The main ARCEP decisions currently in force that are relevant to the iliad Group are the following:

- The regulation of fixed and mobile call termination: since July 1, 2021, fixed and mobile call termination charges have been regulated by the European Commission with the same rules applying to all EU operators. The Commission sets the applicable price caps based on recommendations issued by the Body of European Regulators for Electronic Communications (BEREC).
- The regulation of wholesale Broadband and Ultra-Fast Broadband markets: unbundling in these markets is now regulated by ARCEP decision 20-1446 dated December 15, 2020 concerning (i) the definition of the relevant market for wholesale access provided at a fixed location; (ii) the designation of an operator that exercises significant power within this market; and (iii) the obligations imposed on said operator in this market. Bitstream offerings are regulated by decision 2020-1447 dated December 15, 2020 concerning (i) the definition of the relevant market for wholesale bitstream access offers for Broadband and Ultra-Fast Broadband delivered at the sub-national level; (ii) the designation of an operator that exercises significant power within this market; and (iii) the obligations imposed on said operator in this market.
- Two public consultations were opened by ARCEP in the first quarter of 2022: the first concerned the formalization of the Orange "copper local loop switch-off" plan and the second a possible increase in the copper local loop access price cap (unbundling fee) over the next few years. Both consultations stemmed from the decisions issued based on the current market analysis cycle. In its 2020-1446 market analysis, for example, ARCEP included a review clause allowing for "an upward revision of prices if the incumbent operator presented a clear, tangible plan to switch off the copper network, and depending on the guarantees that it could provide regarding the speed of transition from copper to fiber". In the wake of this second consultation, ARCEP submitted additional questions to Orange concerning its switch-off plan, requesting details and supplementary information on its initial plan. In addition, the regulator decided not to increase the unbundling fee for the 2022-2023 period. In decision 2020-1493, ARCEP capped the price for the rental of copper pairs from the incumbent operator at €9.65 per month for the period from 2021 to 2023. A new public consultation on unbundling fees will be held in 2023 to set the future price cap.
- The regulation of the wholesale Broadband and Ultra-Broadband markets and the regulation of the wholesale access to physical civil engineering infrastructure for the deployment of electronic communications networks: in 2022, ARCEP launched the process to review regulatory changes to its asymmetric market analysis decisions (2020-1445, 2020-1446 and 2020-1447). A "Scorecard and Outlook" public consultation held over the summer may result in an adjustment to the current price cap framework. Stakeholder responses will be used to prepare the Authority's decisions over the next regulatory cycle, which will last five years. The Authority has identified several objectives in the coming cycle for the copper loop and civil engineering infrastructure: (i) maintaining satisfactory quality of service on the copper network until switch off; (ii) ensuring that professionals and businesses can switch to fiber under the right technical and pricing conditions;

(1) Directive (EU) 2018/1972 of the European Parliament and of the Council of December 11, 2018 establishing the European Electronic Communications Code.

(2) Act no. 2020-1508 of December 3, 2020 containing various provisions for adapting to European Union law in economic and financial matters.

and (ii) guaranteeing access to civil engineering infrastructure and related resources, so that the final stages of fiber deployment can be successfully completed. To date, there is no indication in ARCEP's filings to suggest a significant change in the existing asymmetric obligations and their scope of application. Draft decisions will be submitted for public consultation in early 2023. A referral to the French Competition Authority and the European Commission will follow later in the year ahead of probable adoption at year-end. Until the new decisions are issued, the current framework remains in effect.

- In October 2021, Bouygues Telecom requested that ARCEP settle a dispute with Orange over the rules governing the refund of contributions to FTTH end-point connection set-up fees in very high-density areas. On April 23, 2022 (2022-0682-RDPI), the regulator ruled in favor of Bouygues Telecom and ordered Orange to amend its contract so that the contributions are refunded when the line is canceled by the "outgoing" commercial operator and not when the line is taken over by the "incoming" commercial operator. However, ARCEP did not agree with Bouygues Telecom on the requested refund calculation method, which will need to be determined by negotiations between the parties. This decision, whose application is limited to very high density areas, will have a major impact on the economics of FTTH end-point connections and could set a precedent for resale right refunding procedures in other areas of the country. Given the financial stakes involved, it is likely that the decision will lead to litigation in other administrative jurisdictions in 2023.
- Note that iliad Group subsidiary Free was a party in a dispute that was settled by ARCEP in 2020.

By way of decision 2020-1498-RDPI (published on the ARCEP website), ARCEP settled a dispute between Free and SFR FTTH concerning certain aspects of the co-financing agreement between the two parties relating to FTTH lines deployed by SFR FTTH in medium-populated areas of France ("AMII areas"). The dispute involved the security of the rights granted to Free in return for its co-financing obligations, tariffs, and changes in pricing over time. ARCEP's decision was mainly in Free's favor, but it was appealed by SFR FTTH. The appeal was heard in November 2022 by the Court of Appeals, which is expected to issue its ruling in late May 2023.

Symmetric regulation

ARCEP also regulates in a "symmetric" way, i.e., by imposing the same obligations on all operators, using the regulatory powers vested in it by law. The decisions it makes in terms of symmetric regulation are approved by the French Minister for Electronic Communications. FTTH networks are regulated in a symmetric way.

For the optical fiber networks located in France's 148 most densely populated municipalities, ARCEP decision 2009-1106 regulates access to the terminal section of networks installed by operators in the risers of buildings. If they so wish, operators can co-invest in networks installed by other operators and can ask to have access to a dedicated fiber. ARCEP decision 2013-1475 dated December 10, 2013 amended the list of very densely populated municipalities that was originally defined in decision 2009-1106, reducing their number to 106. On January 11, 2014, ARCEP issued a recommendation concerning fiber rollouts for small buildings with fewer than 12 premises in very densely populated areas. For these buildings ARCEP recommends rollouts from shared access points comprising around 100 single-fiber lines located outside the private property line, using a point-to-point architecture.

ARCEP decision 2010-1312 of December 14, 2010 sets out the terms and conditions for access to ultra-fast optical fiber electronic communications lines in those parts of France other than very densely populated areas. Under this decision, operators are required to establish shared access points that are sufficiently large to enable other operators to gain access at reasonable prices. It also requires operators rolling out a network to store the active or passive network devices of other operators (such as street units, shelters, etc.) at those shared access points.

In 2015, ARCEP adopted decision 2015-0776 of July 2, 2015 related to the technical and operational processes for sharing ultra-fast optical fiber electronic communications networks. The aim of this decision is to create a regulatory framework for and to standardize the processes concerning (i) the provision of information prior to fiber rollouts (relating to rollout plans, which buildings are included in the rollouts, eligible premises, etc.) and (ii) the delivery of optical routes by building operators. The provisions of the decision came into effect in three phases, with the last phase taking place in mid-2017.

By way of decision 2020-1163 of October 22, 2020, ARCEP set the rate of return on capital employed to be used for calculating the costs and controlling the pricing of regulated fixed and mobile operations. This rate has been 4.8% (pre-tax) since 2021.

On June 24, 2018, ARCEP published a recommendation on the consistency of FTTH network rollouts and the completeness of the rollouts in the operators' coverage areas. In late 2018 ARCEP launched legal procedures against several operators, including the iliad Group, on the basis of Article L. 36-11 of the French Postal and Electronic Communications Code, relating to the non-completeness of their FTTH rollouts outside very densely populated areas. The procedure against the iliad Group concerns rollouts launched in all or some of a dozen municipalities outside very densely populated areas. On September 13, 2019, ARCEP issued decision 2019-0939-RDPI which gave notice to Free Infrastructure to comply with its obligations in terms of the completeness of FTTH rollouts outside very densely populated areas, and providing information to third-party operators about the fiber connections up to and around certain buildings.

Lastly, as part of its 2020-2023 market analysis cycle, on December 8, 2020, ARCEP issued decision 2020-1432, which consolidates ARCEP's various recommendations and makes all building operators subject to obligations of non-discrimination for operational and technical issues. The decision also introduces restoration time guarantees for FTTH networks and sets out accounting disclosure requirements for operators.

As part of the aforementioned market analysis review cycle, ARCEP also consulted industry stakeholders on the current symmetric FTTH regulatory framework. For ARCEP, the main challenge for the symmetric framework is to ensure that FTTH networks "are capable of fulfilling their function as the standard fixed line infrastructure." It therefore questioned the effective ability of fiber networks to take over from Orange's copper network. The Authority believes that migrating users from one network to the other is a core issue and can be carried out smoothly only if Orange provides other stakeholders visibility on the process of switching off the copper network. At a time of massive capital expenditure committed to co-finance the very long-term use of FTTH networks, the iliad Group's contribution to the public consultation defended the benefits for the industry of a stable, predictable symmetric regulatory framework. In 2023, ARPEC will therefore have to clarify whether it plans to change its symmetrical framework or whether it prefers to maintain it over the coming cycle. Pending this decision, the regulatory framework remains unchanged.

Roaming and shared use of mobile networks

In Opinion 13-A-08 relating to the terms and conditions of mobile network-sharing and roaming, the French antitrust authorities recommended that the national roaming agreement between Orange and Free Mobile should not be extended beyond a reasonable timeframe. It also provided for a framework for sharing mobile networks (RAN sharing). This Opinion was opened up to consultation.

In early 2014, Bouygues Telecom and SFR signed a mobile network-sharing agreement for an area covering 57% of the mainland French population. Orange referred this agreement to the French antitrust authorities, challenging its content and applying for interim protective measures. The application for interim protective measures was rejected.

In accordance with France's economic reform law (the "Macron Act"), ARCEP was assigned the power to analyze the mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. Pursuant to this Act, in June 2016 ARCEP adopted a set of guidelines on roaming and mobile network-sharing, following which the operators made amendments to their agreements in force. Free Mobile stated that it would gradually reduce the peak speed for its roaming subscribers from 1 Mbps in 2017 to 384 Kbps in 2020. In 2020, it extended its roaming agreement until end-2022. To date, ARCEP has not itself amended any of the operators' network-sharing or roaming agreements, including after the extension of Free Mobile's roaming agreement. Following appeals by the operators SFR and Bouygues Telecom, in late-2021, ARCEP's decision not to require amendments to the roaming agreement between Free Mobile and Orange was upheld by the French Supreme Court (*Conseil d'État*).

In 2022, Free Mobile and Orange agreed to extend the roaming sunset period to 2025. In December 2022, the extension was approved by ARCEP in an opinion that may be appealed by other operators to the French Supreme Court.

In 2016, Free Mobile joined a program for mobile operators to provide 2G and 3G coverage in white spots, which gave Free Mobile 2G roaming and 3G and 4G RAN-sharing for the 2,400 legacy sites in white spots.

This program was replaced in early 2018 by a new governmental action plan called the "New Deal", under which France's four mobile operators undertook, among other things, to deploy 2,000 new sites in white spots and 3,000 sites in "gray spots" (areas only covered by certain operators). The aim of building the new sites in gray spots is to bring in the services of all operators. The operators have also undertaken to (i) provide better information to subscribers about sites with technical failures and (ii) to market a 4G fixed-line offering in areas where the fixed network is insufficient, and market a multi-operator indoor coverage offering. Free Mobile has published a list of its sites that are undergoing maintenance and has also published a fixed 4G offering.

These undertakings have been turned into binding commitments that are contained in the frequency licenses currently in force in Metropolitan France and will be included in the new licenses recently awarded and applicable until 2030. The new licenses were granted following a reallocation process carried out by ARCEP aimed at creating a more balanced split of frequencies between France's operators. The additional 3.8 MHz in the 900 MHz frequency band and 10 MHz in the 2.1 GHz band allocated to Free Mobile will become available on a gradual basis between 2021 and 2024.

In parallel with the launch of the New Deal, ARCEP's powers to impose sanctions, as provided in Article L. 36-11 of the French Postal and Electronic Communications Code, were strengthened under Act no. 2018-1021 of November 23, 2018, notably in relation to financial sanctions that can be imposed if operators do not comply with their coverage obligations.

During 2019, ARCEP launched legal procedures against several operators, including the iliad Group, on the basis of Article L. 36-11 of the French Postal and Electronic Communications Code, concerning compliance with their obligations under the New Deal.

Lastly, in June 2020, the iliad Group announced that it had formed a joint venture with the Digicel Group whose purpose is to hold the mobile network, i.e. infrastructure and active equipment, on behalf of the two groups in the Caribbean zone (Martinique, Guadeloupe, Saint-Martin and Saint-Barthélémy) and in French Guiana. ARCEP decided not to require any amendments to this agreement. This decision was appealed by Outremer Telecom to the French Supreme Court, which rejected it in June 2022.

Licenses to use frequencies in France

Licenses to use radio frequencies have been issued to the following Group subsidiaries:

- Free Mobile for 5 MHz in the 900 MHz band and 5 MHz in the 2,100 MHz band (ARCEP decision 2010-0043 dated January 12, 2010, amended by decision 2018-068 dated July 3, 2018).
- Free Mobile for 20 MHz in the 2,600 MHz band (ARCEP decision 2011-1169 dated October 11, 2011).
- Free Mobile for 15 MHz in the 1,800 MHz band (ARCEP decision 2014-1542 dated December 16, 2014, amended by decision 2015-1080 dated September 8, 2015 and further amended by decision 2018-068 of July 3, 2018).
- Free Mobile for an additional 3.7 MHz in the 900 MHz band and an additional 9.8 MHz in the 2.1 GHz band, which will gradually be made available between 2021 and 2024 (ARCEP decision 2018-1391 dated November 15, 2018).
- Free Mobile for 70 MHz in the 3.5GHz band (ARCEP decision 2020-1255 dated November 12, 2020).
- Free Caraïbe for 10 MHz in the 800 MHz band, 20 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision 2016-1520 dated November 22, 2016) in Guadeloupe and Martinique.
- Free Caraïbe for 10 MHz in the 800 MHz band, 4 MHz in the 900 MHz band, 20 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision 2016-1520 dated November 22, 2016) in Saint-Barthélémy and Saint-Martin.
- Free Caraïbe for 15 MHz in the 1,800 MHz band, 14.8 MHz in the 2,100 MHz band and 20 MHz in the 2,600 MHz band (ARCEP decision 2016-1520 dated November 22, 2016) in French Guiana.
- Telco OI for 10 MHz in the 800 MHz band, 10 MHz in the 1,800 MHz band, 9.8 MHz in the 2,100 MHz band and 15 MHz in the 2,600 MHz band (ARCEP decision 2016-1526 dated November 22, 2016) and 9.8 MHz in the 900 MHz band (ARCEP decision 2015-0661 dated June 25, 2015) in Reunion Island.
- Telco OI for 10 MHz in the 800 MHz band, 11.2 MHz in the 1,800 MHz band, 9.8 MHz in the 2,100 MHz band, and 20 MHz in the 2,600 MHz band (ARCEP decision 2016-1526 dated November 22, 2016) and 8.8 MHz in the 900 MHz band (ARCEP decision 2015-0661 dated June 25, 2015) in Mayotte.

- Telco OI for 10 MHz in the 700 MHz band, 100 MHz in the 3.4-3.8 GHz band (ARCEP decision 2022-0878 dated May 24, 2022) on Reunion Island; Telco OI for 10 MHz in the 700 MHz band and 1 MHz in the 900 MHz band (ARCEP decision 2022-0883 dated May 24, 2022) in Mayotte.
- These licenses all carry obligations, including requirements related to population coverage and site deployments. Free Mobile has undertaken to roll out (i) a 3G network covering at least 90% of the French population (target achieved) and (ii) a 4G network covering 60% of the population by 2018 (target achieved), 75% by 2023 (target achieved five years ahead of schedule), 98% by 2027 and 99.6% by 2030. Free Caraïbe and Telco OI have not met the coverage obligations provided for in their licenses and ARCEP has therefore launched legal proceedings against them on the basis of Article L. 36-11 of the French Postal and Electronic Communications Code. By way of decision 2020-1455-RDPI dated December 9, 2020, ARCEP gave Free Caraïbe official notice to respect its population coverage obligations in the French West Indies and French Guiana by December 31, 2021. Pursuant to that notice, Free Caraïbe was fined €300,000 in application of Article L. 36-11 in ARCEP decision 2022-1840-FR dated September 26, 2022.

Following the auction carried out by the French government for frequencies in the 3.5 GHz band, in late 2020 Free Mobile was allocated licenses to use 70 MHz out of the total 310 MHz available. As is the case with its competitors, under these licenses the Group has undertaken to roll out up to 10,500 sites using the 3.5 GHz band frequencies for 5G by 2025 and ensure harmonized 5G performance on its network by 2030. It has also agreed to several obligations related to improving (i) the competitiveness of businesses in France (provision of differentiating services, offers for vertical markets, access offers for MVNOs), (ii) indoor coverage (small-cell and DAS sharing, (iii) transparency (about network rollouts and network faults), and (iv) national coverage (coverage for roads and highways, and retail and wholesale fixed access offerings). These obligations are described in detail in the above-mentioned ARCEP decision. In 2021, ARCEP launched legal proceedings against Free Mobile on the basis of Article L. 36-11 of the French Postal and Electronic Communications Code concerning the implementation of IPV6 in connection with said decision.

An appeal against the procedure for inviting bidders for frequency attribution was filed with the French Supreme Court by a number of non-profit organizations and an Orange trade union but was rejected. At the end of the bidding procedure and after the allocation decisions had been published, further appeals were lodged with the Supreme Court by non-profit organizations, which were also rejected.

Lastly, licenses for the 3.5 GHz and 700 MHz frequencies used for 5G will be allocated in 2023 in the French West Indies, following spectrum auctions in which the iliad Group will be a bidder.

Other regulatory provisions

Interconnection

The applicable regulations provide that any operator of a network open to the public must enable any other operator that so wishes to interconnect with its voice network. Interconnection agreements are subject to private law but the main tariffs are set by the European Commission. Free, Free Mobile and Free Caraïbe have entered into interconnection agreements with France's three incumbent mobile operators and the main national fixed-line operators. These interconnections are gradually being switched from TDM mode to IP mode.

Free Mobile and Free Caraïbe have also signed reciprocal SMS and MMS interconnection agreements with France's three incumbent mobile operators as well as with several international operators and operators in the French overseas departments. SMS and MMS messages to operators that are not directly interconnected are carried through the BICS international transit platform. SMS and MMS prices are not regulated and the flows exchanged between operators are generally more or less symmetrical.

Free also has access to Internet interconnections provided through (i) free peering agreements (for operators with symmetrical flows of traffic), (ii) paid peering agreements (for content suppliers with more outbound than inbound traffic), and (iii) international transit agreements enabling traffic to be exchanged with all Internet users. Internet interconnection is not regulated but in accordance with French government order 2011-1012 dated August 24, 2011, ARCEP has the power to arbitrate any disputes. Additionally, by way of decision 2012-0366 dated March 29, 2012, as amended by decisions 2014-0433-RDPI and 2017-1492-RDPI, ARCEP introduced a process whereby at six-monthly intervals, it can collect information on Internet connections from ISPs and the main providers of public online communication services.

Portability

Number portability is a symmetric obligation that applies to all operators connecting end-subscribers. Free, Free Mobile and Free Caraïbe are members of three organizations – the APNF, the GIE EGP and the GPMAG – that bring together all of France's leading operators and organize the data flows required for users to retain their fixed and mobile numbers. Following its decision adopted in 2012, which strengthened the regulatory framework applicable to mobile number portability, on June 25, 2013 ARCEP issued a similar decision concerning fixed-line number portability. One of the key provisions was to extend the use of the operator identity statement (RIO) system, which had already been tried and tested in the mobile market. This decision was approved by a government order dated October 23, 2013 and took full effect in October 2015. Free amended its commercial processes to ensure that it complies with this regulatory framework.

Directories and provision of subscriber lists

All fixed and mobile operators that connect end-subscribers are required to supply their subscriber lists for the purpose of publishing directories and/or providing information services. The terms and conditions governing whether or not subscribers are included in these lists depend on the type of service concerned: fixed-line subscribers have to opt out if they do not wish their details to be published whereas mobile subscribers need to opt in. ARCEP decision 06-0639 – which was approved by a government order dated March 8, 2007 – sets out the technical and pricing terms and conditions applicable to supplying subscriber lists.

The Group has an electronic directory business operated under the "ANNU" brand and has entered into agreements with France's main fixed and mobile operators under which they provide their subscriber lists for the purpose of publishing universal directories and/or providing universal information services. Likewise, Free and Free Mobile have signed an agreement with the main players operating in the universal directory and/or information service markets under which Free and Free Mobile supply a list of their subscribers (subject to any restrictive options chosen by subscribers).

Contribution to universal service funding

The operator or operators required to guarantee the provision of the universal service are designated on the basis of calls for tender. Following a tender process carried out during 2017, on November 27, 2017 a government order was issued stating that Orange had been selected as the operator to provide – for a three-year period – the components of the universal service in France, namely connection to the telephone network and service.

When this three-year period expired Orange decided not to bid again for the role, and since then no operator has been in charge of the universal service.

In accordance with the applicable law, the cost of the universal service is shared between operators pro rata to their revenues derived from electronic communication services "excluding revenues from interconnection and access services subject to the agreements defined in paragraph I of Article L. 34-8 of the French Postal and Electronic Communications Code, and other services provided or billed on behalf of third party operators".

Following the transposition into French law of the European Electronic Communications Code, a new universal service obligation is scheduled to come into effect in 2023 in France in order to guarantee that everyone has access to broadband.

Broadcasting of audiovisual services

Pursuant to the French online anti-piracy Act (Act 2021-1382 of October 25, 2021 on the "regulation and protection of access to cultural works in the digital age"), the French broadcasting watchdog, the *Conseil supérieur de l'audiovisuel*, has been replaced by ARCOM (*Autorité de régulation de la communication audiovisuelle et numérique* – the Audiovisual and Digital Communication Regulatory Authority), which is now in charge of regulating all radio and television services. In its capacity as a provider of audiovisual services via electronic communications networks, Free is subject to the regulatory "must-carry" provisions, which involve two legal requirements: (i) the service provider (which includes Free) has to carry certain public channels, including free-to-air national and local terrestrial channels, the TV5 channel and local public channels that provide information on local activities, and (ii) the must-carry channels have to agree to be carried by the service provider, except if they consider that the service provider's service offering is incompatible with their public service objective. This must-carry obligation also requires service providers to bear the technical costs of broadcasting the channels concerned.

The online anti-piracy Act of October 25, 2021 also strengthens the powers of the new regulatory authority in relation to dispute resolution and conciliation between the various market players, particularly between audiovisual service providers and publishers. ARCOM will therefore have the power to make decisions on issues concerning access to viewing data.

Under French Act no. 2007-309, like all television distributors, broadcasters of television channels via electronic communications networks are required to pay contributions to the *Compte de Soutien à l'Industrie de Programmes Audiovisuels* ("COSIP") – via the television services tax (see above) – which is calculated based on the revenue generated by broadcasting television services. In addition, a law reforming the public audiovisual sector has set a new development framework for public service television channels in France and created a regulatory framework for new audiovisual services such as video on demand. This law also provides for a number of taxes to offset the impact of the phased ban on advertising on public channels, including a tax on electronic communications operators such as Free.

Providers of audiovisual services on demand, such as Free, are also required to pay a tax on these services, corresponding to 2% of the related revenues net of tax (10% for adult-content programs).

1.6.2 Regulation of electronic communications content and personal data in France

Content of online services and liability provisions for Internet market players

In French law, the liability provisions applicable to intermediary ISPs are set out in Act no. 2004-575 dated June 21, 2004 and the French Postal and Electronic Communications Code. They include the following:

- Providers of online communication services must identify themselves, directly or indirectly. Access and hosting providers must keep data that could identify persons having participated in the creation of the content of the services which they provide, in order to be able to pass on such data to the legal authorities, if required.
- Hosting providers can only be held civilly liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances making this unlawful nature obvious, or if, as soon as they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it. Publishers of websites whose content has been created without authorization and/or illegally are notified by email that such content is unacceptable and must rectified or removed.
- Access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances where either they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or selected and/or modified the transmitted content.
- Electronic communications operators are required to store certain information and personal data, including (i) information on the user's identity, (ii) the information provided by the user when they sign up to a contract, (iii) payment-related information, (iv) the technical data enabling the user's connection source to be identified or data concerning the end-equipment used, and (v) other traffic- and location-related data necessary for preventing terrorism or pursuing serious criminal charges, or for the *Autorité Nationale de la Sécurité des Systèmes d'Information* (ANSSI) or the *Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur Internet* (HADOPI – now merged into ARCOM) to carry out their regulatory duties. In addition, French governmental decree no. 2021-1362 of October 20, 2021 – implementing section II of Article 6 of Act no. 2004-575 dated June 21, 2004 on confidence in the digital economy – requires operators to store data that permits the identification of any person that has contributed to the creation of content published online. Apart from these specific data storage requirements, the general principle is that an operator must delete data after a communication has been made. Act no. 2009-669, adopted on June 12, 2009 promotes the dissemination and protection of online creative works and introduced a "graduated response" system in the aim of combating illegal downloads. The first stage in this system is an email sent to any Internet subscriber whose connection is used to illegally download a protected work, which informs the subscriber that they have breached the applicable law and warns them that they need to protect their Internet access to ensure it does not happen again.
- These emails are managed and issued by HADOPI, a French government agency created for this purpose and since merged into the ARCOM regulatory authority. A further Act was adopted on October 29, 2009, which protects online literary and artistic property and rounds out the graduated response system by providing that in the event of repeat offenses a judge can impose a fine or even suspend the subscriber's Internet access.

These statutory provisions have been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (Decree 2010-536 of March 5, 2010), (ii) the obligation for ISPs to act as a vector for the recommendations issued by the HADOPI (Decree 2010-1202 of October 12, 2010), (iii) the terms and conditions for providing compensation for the identifiable and specific additional costs borne by electronic communications operators in order to comply with the HADOPI's requirements (Decree 2017-313 of March 9, 2017), and (iv) the amount of compensation to be awarded for each identified and specific additional cost borne by electronic communications operators in order to comply with the HADOPI's requirements (governmental order dated March 23, 2017).

Lastly, the online anti-piracy Act no. 2021-1382 of October 25, 2021 provided for the CSA and HADOPI to be merged in order to create the new regulator, ARCOM. The Act has kept the above-mentioned graduated response system and has strengthened the regulator's resources for combating artistic piracy by giving it new powers to require both ISPs and online publishers to block mirror sites and sites infringing sports rights.

Statutory provisions have also been introduced in France concerning requirements for ISPs to block access to certain websites and online content (such as illegal gaming sites and child pornography), where ordered by ARJEL (France's online gaming regulator) or the Ministry of the Interior (Act no. 2010-476 of May 13, 2010 on online betting and gaming and Act no. 2011-267 of March 14, 2011 on internal security).

French Act no. 2016-1321 dated October 7, 2016 (the "French Digital Republic Act") requires providers of electronic communications services to make their services accessible to end-customers who are deaf, hard of hearing, blind or aphasic, by providing a written and visual simultaneous translation service for calls made and received. An implementing decree is scheduled to be issued to set the terms and conditions for applying this requirement. The French Digital Republic Act also introduces the right for disadvantaged people to temporarily keep their Internet connection if they fail to pay for the service. In such a case, the connection must be maintained by the provider for the time it takes for the person's application to the local authorities for financial assistance to be processed. In 2020, ARCEP launched proceedings on the basis of Article L. 36-11 of the French Postal and Electronic Communications Code (created by the French Digital Republic Act) alleging breaches of Articles L. 33-1 and D. 98-14 of said Code by Free and Free Mobile.

Processing of personal data and protection of individuals

Act no. 2004-801 of August 6, 2004 on the protection of individuals with respect to the processing of personal data, amending Act no. 78-17 of January 6, 1978 relating to information technology, computer files and civil liberties, transposed the Framework Directive of October 24, 1995 and certain provisions of the Directive of July 12, 2002 into French law. Act no. 2004-575 of June 21, 2004 on confidence in the digital economy and Act no. 2004-669 of July 9, 2004 on electronic communications and audiovisual communication services also transposed into French law certain provisions of Directive 2002/58/EC dated July 12, 2002. Lastly, French government order 2011-1012 of August 24, 2011 transposed into French law the EU Directives adopted in November 2009.

With respect to data relating to the use of its services, the Group is required to store the following: (i) information on the user's identity, (ii) the information provided by the user when they sign up to a contract, (iii) payment-related information, (iv) the technical data enabling the user's connection source to be identified or relating to the end-equipment used, and (v) other traffic- and location-related data necessary for pursuing serious criminal charges, preventing terrorism, and/or for the regulatory authorities to carry out investigations. Apart from the information specified in decree no. 2021-1361 of October 20, 2021 – issued in implementation of Article L. 34-1 of the Postal and Electronic Communications Code – concerning the categories of data that must be stored by electronic communications operators, the principle is that operators must delete the data after one year.

The Group may be required to pass on data it has in its possession on the identification, location and connection of a user of its services but such data may only be provided to duly authorized national, legal and administrative authorities. The information passed on does not include any data concerning the content of any communications or information consulted.

In accordance with Article 100 of the French Criminal Procedure Code (*Code de procédure pénale*) and Chapter IV of the French National Security Code (*Code de la sécurité intérieure*), the Group may also be required to carry out legal interceptions of the electronic communications transmitted over its fixed and mobile networks where required by the duly authorized legal and administrative authorities. This type of interception is carried out in accordance with a strict supervisory framework by qualified professionals using equipment that is duly authorized and controlled by the relevant authorities.

The French Digital Republic Act (Act no. 2016-1321 dated October 7, 2016) (i) created new rights for individuals (confirmation of the right to control the use of personal data, confidentiality of electronic correspondence, the "right to be forgotten" for minors, the possibility for data users to determine what will happen to their personal data after their death, and the possibility for individuals to exercise their rights electronically), (ii) increased the information that electronic communications service providers have to disclose in relation to their service contracts (neutrality, information on protecting individuals' private lives and personal data and the consequences on the quality of Internet access of any limitations in terms of volume, speeds or other factors), and (iii) strengthened the responsibilities and enforcement powers of the CNIL (the French data protection authority).

Certain provisions of the Digital Republic Act were an early adoption of the requirements of EU Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation, or "GDPR", which came into force on May 25, 2018). The GDPR, which repeals Directive 95/46/EC, extends the scope of the regulatory framework for personal data protection, strengthens privacy rights and increases the maximum amount of the fine that may be imposed for non-compliance to 4% of global revenue.

Subsequent to the GDPR coming into force, French Act no. 2018-493 on personal data protection and decree 2018-687 were introduced in order to amend France's previous Data Protection Act (Act no. 78-17 of January 6, 1978) and bring France's legislation into compliance with the GDPR and EU Directive 2016/680 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offenses or the execution of criminal penalties, and on the free movement of such data. This Personal Data Protection Act also gave additional powers to the CNIL and removed the existing system of prior declaration to and authorization from the CNIL for personal data processing.

Following the introduction of the new French Personal Data Protection Act, on December 12, 2018 (law no. 2018-493), a government order (order no. 2018-1125) was issued to clarify the provisions of the previous Data Protection Act (Act no. 78-17) related to information technology, computer files and civil liberties. And on June 1, 2019, a decree dated May 29, 2019 came into force implementing the new French Personal Data Protection Act. This decree was the final stage of the process to bring French national law into line with the GDPR.

Its main aims were to clarify France's legal framework in this area and ensure that national regulatory provisions are consistent with EU law and the French legislation introduced in application of EU law.

In order to take into account the specific characteristics of the electronic communications sector, another EU Regulation concerning privacy and personal data protection in electronic communications (the "e-Privacy Regulation") is currently being drafted, which will repeal Directive 2002/58/EC.

Domain names

Domain names are assigned to the digital addresses of the servers connected to the Internet and constitute Internet addresses. The Group has registered a certain number of domain names in France, which have been recognized as assets. The French courts have taken measures to strengthen the protection of domain names as they consider that improper use of a domain name can infringe trademark rights.

Digital carbon footprint

Act no. 2021-1485 of November 15, 2021, aimed at reducing the digital carbon footprint in France, and Act no. 2021-1755 of December 23, 2021 intended to strengthen ARCEP's environmental regulatory powers, have created new obligations for the telecom sector regarding environmental impacts, including:

- the creation of a digital carbon footprint observatory, under the aegis of ARCEP and ADEME;
- the launch of a national campaign for collecting used devices, with a "returns incentive";
- the introduction of a lower-rate private copy levy for reconditioned goods;
- the obligation for operators to inform their subscribers about offers including reconditioned products;
- recovery of waste heat in data centers.

The obligation for operators to publish a certain number of environmental indicators.

1.6.3 Regulation of electronic communications in Italy

On July 1, 2016, iliad S.A. entered into an agreement with the companies that control Wind Telecomunicazioni S.p.A. (VimpelCom Amsterdam B.V.) and H3G S.p.A. (Hutchison Europe Telecommunications S.A.R.L. and Hutchison 3G Italy Investments S.A.R.L.) in order to set out the terms and conditions applicable to (i) the implementation of the roaming and Multi-Operator Core Network (MOCN) services to be provided by Wind and H3G to iliad Italia and (ii) the transfer of sites and frequency usage licenses to iliad Italia. An addendum to this agreement was signed on July 18, 2016. The aim of the agreement was to enable iliad Italia to provide mobile services in Italy following the merger of the two Italian operators, Wind and Tre. The agreement was approved by the European Commission in its decision issued on September 1, 2016 concerning Concentration Case M.7758 – Hutchison 3G Italy/Wind/JV. Fastweb, a telecom operator, initially appealed this European Commission decision but withdrew its appeal on July 2, 2019.

On July 29, 2016, iliad was authorized by the Italian Ministry of Economic Development (MiSE) to be a mobile network operator (MNO) and therefore to provide mobile electronic communications services in Italy. This authorization was subsequently transferred to iliad Italia S.p.A., which was then registered in the register of communications operators (*Registro degli Operatori di Comunicazione*) of the Italian telecommunications regulatory authority (*Autorità per le Garanzie nelle Comunicazioni*, or "AGCOM") on September 29, 2016.

On November 4, 2016 the MiSE granted an authorization for the frequency usage licenses held by Wind and H3G to be transferred to iliad Italia S.p.A. These frequencies became available in line with the timeframe specified in the above-mentioned July 1, 2016 agreement and all of the licenses had been transferred by December 31, 2019. Consequently, iliad Italia S.p.A. now holds the licenses for the following frequencies:

- 5 MHz duplex in the 900 MHz band: this license originally expired on December 31, 2021 but in accordance with the applicable Italian regulations, the relevant authorities have granted iliad Italia an extension until December 31, 2029. The extension process is under way;
- 10 MHz duplex in the 1,800 MHz band, expiring on December 31, 2029;
- 10 MHz duplex in the 2,100 MHz band, expiring on December 31, 2029. The authorities have already set the fees for extending this license from January 1, 2022 to December 31, 2029. The price set for the 2,100 MHz frequencies could be revised, as a revision process has been launched by AGCOM, which has been appealed by iliad Italia and other operators;
- 10 MHz duplex in the 2,600 MHz band, expiring on December 31, 2029.

Taking into account the allocation by the MiSe in October 2018 of the frequencies used for 5G, iliad Italia S.p.A. now holds the licenses for the following frequencies:

- 10 MHz duplex in the 700 MHz band. These frequencies have been available since July 1, 2022 and the license expires on December 31, 2037;
- 20 MHz in the 3.6-3.8 GHz band, expiring on December 31, 2037;
- 200 MHz in the 26.5-27.5 GHz band, expiring on December 31, 2037;
- On April 20, 2020, the MiSE authorized iliad to be a fixed network operator in Italy. The fixed FTTH offerings were launched on January 25, 2022, following the signing of two partnership agreements, one in July 2020 with Open Fiber, an Italian wholesale operator, and the other in August 2021 with the TIM Group via FiberCop, a TIM Group company that is building the secondary FTTH network. An agreement was also signed in October 2022 with Fastweb, which will enable iliad to extend the geographical availability of its offerings.

FiberCop's co-investment offer pursuant to Articles 76 and 79 of the European Electronic Communications Code

FiberCop is controlled as follows: 58% by TIM, 37.5% by KKR Infrastructure and 4.5% by Fastweb. Its objective is to digitalize Italy by increasing the number of FTTH connections. FiberCop operates on the basis of a co-investment model and is the first case in Europe of nationwide application of the new European Electronic Communications Code. The company provides operators with passive access to the fiber network and advanced services. FiberCop has an active network that already offers ultra-fast connections to over 93% of Italy's fixed lines, via FTTC and FTTH technologies, and it will continue to increase its FTTH coverage, with connection speeds of over 1 Gbps. The aim is to cover 80% of households in "black" and "gray" areas by 2030.

TIM (FiberCop) submitted proposed commitments in relation to a co-investment offer pursuant to Articles 76 and 79 of the European Electronic Communications Code. Following a public consultation and certain requests from AGCOM, TIM submitted a new version of the offer, which was the subject of a new public consultation and a draft decision by AGCOM on lifting the regulation of FiberCop's secondary network (apart from the 29 cities that have Flash Fiber infrastructure). On April 7, 2022, AGCOM ruled that TIM's December 21, 2021 offer complied with Articles 76 and 79 of the Code and notified the European Commission of its draft decision to this effect. Subsequently, in May 2022, TIM informed AGCOM of its unilateral decision to amend its co-investment offer by including an inflation-based price escalation mechanism. Deeming this to be a substantial change in the offer, AGCOM opened a new procedure to review the amended offer's compliance with Articles 76 and 79 of the Code. This new procedure is still ongoing.

Separately, Italian competition authority AGCM had opened proceedings into whether the agreements setting up FiberCop infringed Article 101 of the Treaty on the Functioning of the European Union (TFEU). In response, commitments were submitted by the parties involved (Telecom Italia, Fastweb, Teemo Bidco, FiberCop and Tiscali Italia). By decision no. 30002, AGCM closed the proceedings by accepting the commitments, considering them capable of removing the competition concerns by allowing more operators to provide high-capacity services.

The regulatory framework for electronic communications

The majority of the regulatory provisions applicable in Italy to the telecommunications sector are set out in the Italian and Electronic Communications Code ("ECC" – legislative decree 259/2003 and its successive amendments).

The decree transposing the European Electronic Communications Code of December 2018 into Italian law was approved and published on December 9, 2021 and entered into force on December 24, 2021. As Italy did not meet the transposition deadline, on February 3, 2021, the European Commission launched an infringement procedure (no. 2021_0056) pursuant to Articles 258 and 260 of the TFEU.

Government aid and national development plans for ultra-fast networks

National recovery and resilience plan (NRRP)

In response to the Covid crisis, the European Union has put in place a set of measures covering all member states in order to help them through the crisis and create a joint platform for economic and social recovery. The national recovery and resilience plan (NRRP) presented by Italy provides for substantial investment and a set of reforms representing approximately €250 billion in total, which will be funded both at EU level and nationally.

The plan is based on three strategic pillars, which are aligned with the priorities defined by the EU: digitalization and innovation, the green transition and social cohesion. One of the plan's main objectives is the digital modernization of Italy's communication infrastructure – both in public administration and the country's production system – in order to ensure that all residents, businesses, schools and hospitals throughout the country have access to broadband. The plan therefore comprises a wide range of measures to boost the creation of high-performance networks – notably fiber and 5G as well as satellite technologies – while simplifying the regulatory framework for their rollout.

Detailed mapping of national 4G and 5G network coverage and the "Italia 5G" public intervention plan

The Italia 5G Plan is designed to encourage the rollout of 5G mobile networks capable of delivering a significant enhancement in the quality of mobile radio connectivity through the fiber backhauling of radio base stations (RBSs) and the densification of network infrastructure to ensure speeds of at least 150 Mbps downlink and 30 Mbps uplink in areas where a network capable of providing 30 Mbps in typical peak traffic conditions does not currently exist nor is likely to be deployed in the next five years.

After the mapping was completed, in November 2021, the Italian Ministry for Technological Innovation and Digital Transition (MITD) published a public consultation on the "Italia 5G" public intervention plan and AGCOM published a public consultation on the guidelines concerning the conditions for wholesale access to the funded infrastructure.

The plan was then submitted to the European Commission for approval under EU state aid rules. On March 21, 2022, the two tenders for the development of 5G networks in Italy were issued. The two contracts, totaling €3.7 billion, concern (i) the connection of more than 10,000 existing mobile RBSs and (ii) the construction of new 5G mobile RBSs in more than 2,000 Italian communities. State funding will cover up to 90% of the total cost of the works. The first tender, divided into six lots covering all the regions, included investment incentives for the fiber optic backhauling of the more than 11,000 mobile RBSs to be connected by fiber by 2026. It was won by TIM for €725 million on June 13, 2022. The second tender, to build new 5G networks in regions lacking fast mobile Internet, was awarded on June 28, 2022 to the consortium formed by Inwit, Vodafone and TIM, with contracts worth around €346 million.

The "Italia a 1 Giga" public intervention plan, provided for in the "Italian strategy for ultra-fast networks – Towards a Gigabit society"

The "Italia a 1 Giga" public intervention plan calls for the allocation of around €3.8 billion. The plan's objectives are (i) to build ultra-fast infrastructure guaranteeing connectivity of at least 1 Gbps across the whole of Italy by 2026 by connecting homes that do not currently have such coverage, and (ii) in the coming five years to create a network capable of providing stable connectivity with a download speed of at least 300 Mbps. To this end, first of all Italy's fixed networks were mapped in order to identify the areas where there has been market failure and which are therefore eligible for government aid. Based on the information provided by the operators, there are around 6.2 million households requiring public intervention.

Following its approval by the European Commission, the call for bids was issued by Infratel Italia, a company that is part of the Ministry of Economic Development. Unlike the white spots plan, the "Italia a 1 Giga" plan has been designed to incentivize, with public funding covering up to 70% of the incurred expenses, leaving at least 30% to be paid by the tender winner. In accordance with AGCOM guidelines, the successful bidder will have to guarantee wholesale access to the funded infrastructure for all market operators. The first tender was issued on January 15, 2022, for a project to connect an additional seven million street addresses to high-speed broadband in 15 geographical areas (lots) across Italy. Of the lots, 14 were awarded on May 24, 2022 and the 15th on June 28, for a total of €3.4 billion. The winners were wholesale only operator Open Fiber s.p.a. and a consortium comprising TIM and FiberCop.

Mobile and fixed networks and services

5G frequencies

In application of the Italian Finance Act (Act no. 205) dated December 27, 2017, on February 26, 2018, AGCOM issued Resolution 89/18/CONS, launching a public consultation on the procedures and rules for the allocation and use of frequencies available in the 700 MHz, 3,600-3,800 GHz and 26-27 GHz bands for terrestrial electronic communication systems in order to facilitate transition to 5G technology. On May 8, 2018, AGCOM adopted its final Resolution (231/18/CONS). This Resolution provided for a block of spectrum (corresponding to 10 MHz duplex) in the 700 MHz band to be reserved and pre-auctioned to new entrants and the remedy taker.

In July 2018, the Italian Ministry of Economic Development published a notice of calls for tender and the rules concerning the allocation of the above frequencies. The auction ran from September 10, 2018 to October 2, 2018 and iliad was allocated a block in each frequency band and the corresponding licenses:

- a block of 10 MHz duplex in the 700 MHz band, available since July 1, 2022 with a license expiring on December 31, 2037;
- a 20 MHz block in the 3,600-3,800 GHz band and a 200 MHz block in the 26-27 GHz band. These frequencies have been available to iliad since January 1, 2019 and their license expires on December 31, 2037.

Analysis of the mobile markets

On January 22, 2019, following a public consultation, AGCOM issued Resolution 599/18/CONS concerning the sixth cycle of analysis of the market for mobile network voice termination services. In this Resolution, AGCOM confirmed:

- the identification of 12 operators that supply or will supply voice termination services on their mobile networks;
- the obligation for the 12 identified operators to provide a Reference Interconnection Offer ("RIO") for their networks;
- the use of the cost model prescribed in Resolution 60/11/CONS for setting the prices of termination services for the years 2018 to 2021, using symmetric pricing for all identified operators;
- the obligation to control prices for the supply of interconnection kits, and the removal of the cost accounting obligation imposed on Telecom Italia, Vodafone and Wind Tre as a result of AGCOM Resolution 497/15/CONS;
- the imposition of a price control obligation only for calls from the European Economic Area according to the following plan:
  - 2018: €0.98 cents/minute,
  - 2019: €0.90 cents/minute,
  - 2020: €0.76 cents/minute,
  - 2021: €0.67 cents/minute;
- for calls from non-European countries that have regulated prices, the obligation for the identified operators to use those regulated prices as the caps for the prices of their services.

Voice call termination charges in the EU (Eurorates)

On December 18, 2020, the European Commission adopted a Delegated Regulation setting single maximum Union-wide voice termination rates (Eurorates) in line with the European Electronic Communications Code and in time for its transposition.

The Regulation (which has been in force since July 1, 2021) sets the maximum termination rates that operators are allowed to charge each other for mobile and fixed termination services respectively. Having single maximum Union-wide rates is intended to reduce fragmentation and ensure a more competitive, cross-border environment, which will ultimately benefit European consumers through lower prices and more varied offers for fixed and mobile calls.

For mobile calls, the single maximum termination rate is €0.2 cents per minute which will be reached by 2024 via a plan under which the maximum rates will be gradually decreased (the "glide path"). During the interim period of 2021-2023, operators from the Member States subject to the glide path may apply different rates than the single maximum Union-wide mobile termination rate. In 2024, all European Union operators should apply the same single maximum rate, i.e. €0.2 cents per minute. The applicable rates under the glide path for Italy are as follows:

- 2022: €0.55 cents/minute;
- 2023: €0.4 cents/minute;
- 2024: €0.2 cents/minute.

For fixed calls, the single maximum EU-wide termination rate is €0.07 cents per minute. Due to the considerable differences between the current fixed termination rates and the final rate, 2021 was set as a transitional period in the Regulation in order to allow for a gradual adjustment. As from 2022, all fixed operators are subject to a maximum fixed termination rate of €0.07 cents per minute. The current rate in Italy (€0.041 cents/minute) is lower than the Eurorate. Consequently, Italian operators will be free to raise their fixed termination rates up to the same level as the Eurorate (although there is no obligation to do so in view of the fact that the Eurorate is a maximum rate). However, almost all of Italy's fixed operators stated that they would be applying the Eurorate as from July 2021.

The Eurorates apply to calls to and from numbers in the European Union, i.e., numbers from national numbering plans corresponding to country codes E.164 for geographic zones within the European Union. The rates do not therefore apply to calls whose numbers originate from third countries (i.e., countries outside the European Union), except if the calls originate from (i) a third country operator that applies termination charges for mobile and/or fixed-line calls made to its network from EU numbers which are equal to or lower than those set by the Delegated Act, or (ii) a number originating from a third country which is listed in the Annex to the Delegated Regulation and when its termination rates are set based on the same cost model standards as those set out in Article 75 and Annex III of the EECC.

AGCOM: Public consultation on TIM's 2022-2023 wholesale access pricing

In resolution 337/22/CONS, AGCOM opened a procedure and public consultation regarding the 2022 and 2023 fees for wholesale access to TIM's fixed network. The prices for the services under review include access to TIM's civil engineering infrastructure and its copper, FTTCAB and FTTH networks, i.e. all the services governed by AGCOM decision 348/19/CONS (Market analysis and remedies for local and central access – mass market products (Mkts 3a and 3b/2014)), and AGCOM decision 333/20/CONS (market analysis and remedies for high-quality access (Mkt 4/2014)), for which wholesale prices had been defined until the end of 2021. The related procedures are currently in process.

Amendment to the mobile number portability procedure

To combat fraudulent SIM swapping (i.e. changing ownership of the SIM card to an unauthorized third party), AGCOM resolution 86/21/CIR amended the mobile number portability procedure so that number porting can only be requested by the original subscriber, who must provide a copy of the physical SIM card and his or her tax code. These measures were appealed by iliad, which felt that they made existing procedures considerably more complex, were disproportionate and could have anti-competitive effects. The settlement is currently in progress.

The other measures introduced by AGCOM, which have not been appealed, are aimed at preventing fraud and include pre-approval of number porting requests by a one-time password.

European regulation on net neutrality

In application of EU Regulation 2120/2015, laying down protection measures concerning open Internet access (net neutrality), in August 2018 AGCOM adopted Resolution 348/18/CONS. This resolution establishes the right for users to freely choose the terminals they wish to use to access the Internet via fixed networks, by imposing specific obligations on operators. Consequently, operators may not (i) refuse to connect a terminal to their network if the equipment chosen by the user meets the basic requirements set down in EU law, (ii) impose additional costs on the user, or subject the user to unjustified delays, or discriminate the service quality included in their offering if the user uses a terminal of their own choice.

On March 4, 2020, AGCOM adopted Resolution 34/20/CONS in application of a ruling handed down by the Lazio regional administrative court (*TAR Lazio*). This new Resolution amends Resolution 348/18/CONS by stating that even if operators offer an Internet access device free of charge, they must also have a corresponding Internet access offer without a device, or make it optional to have the device (to ensure that users have the right to freely choose the devices they wish to use to access the Internet via a fixed network).

1.6.4 Regulation of electronic communications in Poland

The regulatory framework for electronic communications in Poland is largely based on EU regulations and directives adapted for the specific characteristics of the Polish telecoms market and the policies of the country's telecoms regulator (UKE).

At the national level, telecoms activities in Poland are primarily governed by the Telecommunications Act of July 16, 2004 (and its implementing regulations). This Act sets the framework for competition in the telecommunications market and reinforces consumer protection. In addition, the Law of May 7, 2010 on support for the development of telecommunications services and networks defines the forms and rules of support for investment in telecommunications, as well as the rules governing access to technical infrastructure and telecommunications infrastructure.

Telecom activities conducted in Poland are regulated and operators have to register with the regulatory authority in the Register of Telecommunications Companies. Play is registered under number 92.

A new regulatory framework came into force in January 2013, introducing various new requirements relating to issues including information provided to consumers, timeframes for number portability, access to infrastructure and the management of spectrum.

Regulatory powers are shared between the Ministry of Digital Affairs and the UKE. In its role as Poland's telecoms regulator, the UKE is vested with regulatory powers (spectrum management, numbering, market analysis, inspections and investigations, settling disputes, imposing sanctions and publishing market reports).

Powers concerning competition issues (anti-competitive practices, market concentration, etc.) and consumer protection are exercised by the UOKiK (the Office of Competition and Consumer Protection). In accordance with the Telecommunications Act, the UKE is required to cooperate with the UOKiK and vice versa, and there are systems in place for reciprocal requests for opinions in certain situations.

Polish telecoms legislation is currently undergoing in-depth revision as part of the process of transposing into Polish law the European Electronic Communications Code of December 11, 2018 (EU Directive 2018/1972).

Mobile and fixed call terminations

In accordance with the European regulatory framework, in December 2021, Play, like Poland's other mobile network operators, was classified as an operator with significant power in the market for mobile network voice termination services. It is therefore subject to a number of obligations related to issues such as non-discrimination and access. The wholesale market for text message termination has been deregulated since a decision issued by the UKE on January 31, 2017.

Mobile and fixed call termination rates were set in European Commission Delegated Regulation 2021/654 of December 18, 2020, setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate. As a result, from January 1, 2023:

- the mobile voice termination rate is €0.4 cents a minute;
- the fixed voice termination rate is €0.07 cents a minute.

Management of frequencies

The Polish strategy for frequency utilization is set by the UKE, taking into account national and social requirements as well as international agreements. Various different procedures are used for allocating frequencies depending on the rarity of the frequencies (calls for bids, beauty contests, auctions, etc.).

Frequency licenses are currently granted for fixed terms of up to 15 years (historically the terms have generally been 15 years but there has been some variation). Between four years and one year before the licenses are due to expire, the operator concerned may request that they be renewed for an additional period.

On December 20, 2022, UKE launched public consultation for the upcoming auction of the 3.4-3.8 GHz frequency bands for 5G mobile services. The auction will allocate four blocks of 80 MHz, with certain coverage obligations for each winning operator. Participation will be open to operators that have invested at least PLN 1 billion in infrastructure in Poland over the 2016-2021 period and hold a license for frequencies in at least one of the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz or 2600 MHz bands. The consultation was scheduled to close on January 31, 2023.

Net neutrality

Regulation (EU) 2015/2120 of the European Parliament and of the Council dated November 25, 2015 laying down measures concerning open Internet access came into force in Poland on January 1, 2017 (later than in the rest of the European Union due to derogations).

Anti-terrorism legislation

The Polish Anti-Terrorist Operations (ATO) Act came into force in July 2016. This law amended the Telecommunications Act, introducing the requirement that prepaid phone cards can no longer be anonymized.

Protection of personal data and telecommunications secrets

The Polish Telecommunications Act provides for the protection of "telecommunications secrets" (users' data, content of individual messages, transmission data, location data and data related to attempted calls).

In 2009, the Telecommunications Act was amended in order to implement the obligation to retain connection-related data introduced in the EU Data Retention Directive. This obligation applies to several categories of data necessary for establishing a connection to or from a mobile network: (i) the source of the connection; (ii) the outgoing call number; (iii) the date and time; (iv) the duration of the call; (v) the telecommunications equipment used; and (vi) the place where the connection was made. The length of time that the data must be retained varies between the EU States from six months to two years. The applicable period under Polish law is 12 months.

The GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council dated April 27, 2016) entered into force in Poland in May 2018.

Environmental protection

Waste electrical and electronic equipment

Polish telecoms operators are required to comply with environmental regulations for certain aspects of their business operations. This particularly relates to:

- packaging waste: the Polish Act of June 13, 2012 on packaging and packaging waste management sets rates for reusing and recycling packaging waste that companies are required to reach each year. If this rate is not achieved, taxes are levied;
- batteries: the Polish Act on batteries and accumulators dated April 24, 2009 sets out a number of obligations related to marketing and recycling batteries and accumulators;
- electrical and electronic equipment: the Polish Act dated September 11, 2015 – which transposes into Polish law the EU Directive on waste electrical and electronic equipment (WEEE) dated July 4, 2012 – states that companies are required to organize and finance collections from WEEE drop-off points as well as the processing of electronic waste. This obligation can be carried out by specialist third parties on behalf of the companies concerned.

Protection against electromagnetic fields

The environmental protection rules concerning electromagnetic fields are governed by the Polish Environmental Protection Act dated April 27, 2001. The maximum permissible levels of exposure to electromagnetic fields in the environment are defined in regulations issued by the Polish Health Ministry on December 17, 2019. These regulations align the limits applicable in Poland with those set in the European Council Recommendation of July 12, 1999 on the limitation of exposure of the public to electromagnetic fields. The measurement methods are regulated by the Regulation of the Minister of Climate and Environment issued on February 17, 2020 regarding the methods for tracking compliance with the permissible levels of electromagnetic fields in the environment.

SCHEDULE 2

Risk factors

The analysis below sets out the main risk factors that could, at the date of this Annual Report, have an adverse impact on the Group, its business, financial position, earnings and ability to meet its objectives. These risk factors are specific to iliad and are grouped into five categories. Within these categories, the risks are ranked in decreasing order of net criticality. The net criticality of the risk factors is determined based on a combination of the probability of the risks actually occurring and their severity level, after taking into account the risk management measures put in place by the Group. iliad's assessment of this order of importance may be changed at any time, notably if any new facts or circumstances arise (either external or specific to the Group).

The risks presented are not the only ones to which the Group is exposed. Other risks of which the Group is not currently aware or which it does not consider as being significant or specific at the date of this Annual Report, could also have an unfavorable effect on its business, financial position, earnings and/or ability to meet its objectives. Investors are advised to give careful consideration to all of the risks set out below as well as all of the information contained in this Annual Report.

— SUMMARY TABLE

Risks	Probability of occurrence	Severity level	Net criticality
Risks related to the Group's operations			
Cyber-security and service interruption risks	high	moderate	high
Risks related to network rollout delays	low	moderate	moderate
Fraud risks	moderate	low	moderate
Risks related to network failure, saturation or interruption	high	moderate	moderate
Risks related to total network unavailability	low	high	moderate
Risks related to investments outside France	moderate	low	moderate
Risks related to increases in energy prices	high	moderate	moderate
Risks related to a health crisis	moderate	moderate	moderate
Risks related to dependence on main suppliers	moderate	moderate	moderate
Risks related to public health and the effect of electromagnetic waves	low	low	low
Risks related to the Group's industry			
Competition risks	high	high	high
Risks related to dependence on the incumbent operator	moderate	high	high
Risks related to rights of use and resale rights	high	moderate	moderate
Risks related to the Group's organizational structure			
Risks related to dependence on iliad's principal shareholder	high	moderate	moderate
Risks related to retaining key personnel	moderate	moderate	moderate
Financial risks			
Liquidity and financing risks	moderate	high	moderate
Risks related to asset impairment and provisions	low	moderate	moderate
Legal risks			
Regulatory compliance risks	high	high	high
Data protection risks	high	high	high
Risks related to the loss of Huawei as a supplier	moderate	high	high
Risks related to disputes	high	moderate	moderate
Risks related to electronic communications legislation and new laws (Poland)	high	moderate	moderate
Risks related to liability for illicit content	high	low	moderate

2.1 RISKS RELATED TO THE GROUP'S OPERATIONS

2.1.1 Cyber-security and service interruption risks

Interruptions of services provided to subscribers may occur as a result of (i) cyber-attacks (on the Group's networks or information systems), such as hacking, viruses or any other form of intrusion, (ii) hardware or software failures, (iii) human error, (iv) sabotage of critical hardware or software, or (v) performance failure by a critical supplier. Out of these interruption risks, telecommunications operators are particularly exposed to malicious acts and cyber-attacks due to their visibility and the vital role that telecommunications play in how an economy functions.

Cyber-attacks can affect the Group directly, i.e., if its own systems are attacked, or indirectly through attacks on the Group's corporate clients, service providers, suppliers or government agencies. For example, some Internet service providers have suffered denial of service attacks, with vast numbers of information requests sent to their websites in the aim of overloading their servers.

Such incidents, which have a high probability of occurrence, could result in several impacts including:

- the interruption, or even unavailability, of services: e.g., subscriber network connections, subscriber sign-ups, or subscriber relations services;
- the interruption of creation of new connections or migration to fiber;
- the disclosure of sensitive information, such as competitive information and/or the personal data of subscribers (see Section 2.5.2, "Data protection risks");
- intrusion and manipulation of the Group's information systems which can lead to fraud (see Section 2.1.3, "Fraud risks"), or to the interruption of invoicing processes.

In order to protect itself against this risk – which has a severity level deemed as moderate – the Group has put in place an IT security policy based on internal control over developing and operating information systems and managing access authorizations to those systems, as well as an anti-DDoS system and monitoring processes designed to detect any incidents. It has also made, and will continue to make, the investments required to ensure the reliability of its security system and minimize any problems that could be caused by a security failure or a breach of the security system.

Despite the measures taken by the Group to protect the security of its systems, the number of cyber-attacks is constantly rising and they are becoming increasingly sophisticated, with ever-greater impacts and a higher risk of service interruption. In addition, as the Group's network is so streamlined, with all-IP and fully dematerialized technologies, and in view of the larger size of service platforms and the fact that equipment is grouped together in a small number of buildings, in the future, service interruptions could affect a greater number of subscribers. The Group ensures that the networks it operates in each of its host countries are independent so that an incident affecting the network in one country does not impact the network in another one.

Although the impact of such attacks is difficult to quantify, if they were to occur they could severely damage the Group's reputation and image and could result in liability claims as well as financial losses. They could also adversely affect the Group's competitive position and result in a loss of subscriber confidence, which could lead to a decrease in its network traffic and revenues, and therefore negatively impact its earnings and outlook. Consequently, the Group could be required to increase its expenditure and its efforts to protect itself against these risks or to alleviate their consequences, which could have a significant adverse effect on its business, financial position, earnings and/or ability to meet its objectives.

In Poland, a draft law is currently being discussed to amend legislation on cybersecurity, with the corresponding amendments relating to liability, business continuity, the business environment, free competition and the rollout of 5G technology in Poland. These amendments could have a significant impact on operators and suppliers. Any ensuing introduction of new assessment criteria for suppliers and service providers could also:

- limit operators' choice of their suppliers of hardware and software, which could negatively impact their business and affect the investments they have already made, therefore leading to higher operating costs;
- introduce a new frequency allocation procedure and a cybersecurity certification scheme;
- require telecommunication service providers to set up a department specifically dedicated to IT security, which would undoubtedly increase ICT security expenditure.

All of these regulatory changes could therefore lead to additional compliance costs for Polish operators.

2.1.2 Risks related to network rollout delays

The Group's strategy has always been focused on rolling out its own fixed and mobile networks and developing its regional coverage, which it has done in France, Italy and Poland.

For fixed networks in France, the Group rolls out its own fiber local loop in some locations (very densely populated areas), co-finances the fiber local loop in the rest of the country, deploys part of the backhaul network of fiber local loops and uses the existing copper local loop across the whole country.

In the mobile segment, the Group is rolling out its own network made up of directly-owned or directly-operated sites as well as sites shared with other operators.

The rollouts of the fiber-to-the-home (FTTH) network and 3G, 4G and 5G mobile networks are contingent on three main factors. First, obtaining (i) the authorizations required to roll out and operate the networks, which are granted by various entities, including local and regional authorities, site owners and property managers (occupancy of public property, urban planning permits, right of entry into buildings, connections to homes etc.) and (ii) licenses to operate mobile masts, which are granted by the competent frequency regulatory authorities. Second, that the work entrusted to third-party service providers is properly completed. And third, reaching agreements with various partners in order to increase the Group's access to infrastructure, such as co-financing agreements for access to fiber networks, agreements with public or private bodies, or roaming agreements for the mobile network.

Any delays in obtaining the requisite authorizations or completing the necessary work (e.g., due to performance failures by third-party service providers, or delays or problems in rolling out the co-financed fiber local loop), or any delays or problems relating to (i) implementing network-sharing agreements or roaming agreements (particularly in Italy), or (ii) entering into co-financing or other agreements, or the Group's ability to obtain such agreements, could slow down its network rollout plans and prevent it from successfully executing its strategy. This in turn could adversely affect the Group's competitive position, business, revenues, financial position, earnings, outlook and/or expansion.

In addition, any rollout delays in the Mobile business could result in the Group not being able to meet its regulatory coverage requirements, its contractual obligations with its main partners, and/or its service quality commitments to subscribers. The financial sustainability of the Group's Mobile business depends on it having the frequencies it needs, as well as a high direct coverage rate and network density in order to ensure appropriate quality of service on its 3G, 4G and 5G networks.

Lastly, if a network is rolled out as part of a project to increase capacity, any "out of the ordinary" delay could result in network saturation and consequently an alteration of some services offered.

The probability of this risk occurring is low and depends on rollout hazards. However, its severity level is moderate.

To prevent any such incidents, the Group has developed in-house expertise in rolling out its own networks. Its network teams – which as of December 31, 2022 included over 3,500 people working on the fiber rollout – have built up high-level skills in all stages of the process for putting the Group's own infrastructure in place, and have developed – in conjunction with the business lines concerned – specific expertise in managing and overseeing these projects. The Group has also established close partnerships with selected partners and providers in order to reinforce its infrastructure and extend its coverage.

If the rollouts of the Group's FTTH network and its own mobile networks were to slow down due to the occurrence of any of the above-described risks, it could particularly affect the Group's ability to act fully independently and to offer its own, differentiated services in all of the regions where it operates. This could then adversely impact the quality of its services, offerings, number of new subscribers, operations, profitability, financial position, ability to meet its objectives, business development and/or outlook.

2.1.3 Fraud risks

The interconnection of the telecommunications networks operated by the Group, as well as the expansion of its business activities, expose it to various types of fraud.

The Group's B2B hosting business and its financial services activity, in which it acts as a payment establishment, also expose it to the risk of fraud, which may be targeted at the Group directly or at its customers.

The use of roaming services exposes the Group to a risk of non-recovery of amounts due from subscribers who use their plan internationally. In such cases, the Group would be dependent on third-party operators located in the place of use and the related risk would depend on the amount of data used. Differences in rates between European countries could also give rise to misuse of the services offered by the Group, therefore impacting its financial margins, and potentially leading to bad debt.

In addition, any fraud committed by a Group employee, customer or third party could impact its business and/or earnings. The probability of this risk occurring is deemed to be moderate.

If a significant case of fraud were to occur it could adversely affect the Group's revenues, margins, service quality and reputation. However, the severity of this risk is considered moderate.

Through its internal control system, the Group ensures that it complies with all the applicable laws and regulations, that its operations adhere to the instructions and guidelines given by Management, that internal processes are run smoothly, particularly in terms of preventing anomalies or fraud, and that the financial information produced and disclosed is reliable.

Nevertheless, in today's environment of increasingly complex technologies, more virtual networks, and faster implementation of new services and new applications, cases of fraud may arise that are more difficult to detect or control. One reason for this is the development of big data, which has enlarged the scope of possible attacks, and particularly cyber-attacks.

In view of the large number of invoices it issues and the volume of its payment transactions, such fraud could represent heavy financial losses for the Group. One of the main types of fraud risk that the Group faces is people attempting to use its services or goods without paying for them.

2.1.4 Risks related to network failure, saturation or interruption

These risks relate to the occurrence of any incident impacting all or part of the Group's infrastructure (such as masts and fiber) such that the infrastructure concerned is prevented from operating either in full or in part.

A network interruption is deemed to be involuntary when it occurs following work on civil engineering infrastructure carried out in the vicinity of the existing infrastructure, whether that infrastructure is shared or not, or following a malicious act perpetrated with the intention of destabilizing the network that the infrastructure supports.

A network failure may also arise due to a lack of spectrum (for example, the Group cannot be sure that it will be allocated the requisite additional frequencies – or re-allocated its existing frequencies – that it needs in order to operate its 2G, 3G, 4G and/or 5G networks). If such a failure arises it could directly affect the Group's operations.

This risk is specific to the telecommunications sector, as its occurrence would prevent subscribers from using, in full or in part, fixed and/or mobile services.

The probability of occurrence of this risk is high, given that it exists throughout the year, but peaks during periods of intense infrastructure work (April/May and October/November).

The severity of this risk is considered moderate. although in practice it depends on the network link impacted by the failures, ranging from the most sensitive to the least sensitive:

- Core network to Core network link:
  - Standard situation: back-up links that can continue to work despite an incident,
  - Deteriorated situation (ongoing standard situation): non-duplicated services not available in the service zones that are not directly served;
- Core network to POP link (regional):
  - Standard situation: back-up links that can continue to work despite an incident,
  - Deteriorated situation (ongoing standard situation): total discontinuity of service;
- POP link (regional) to Optical Node (small town or district optical nodes/subscriber connection nodes):
  - Standard situation: back-up links that can continue to work despite an incident with a slight risk of saturation,
  - Deteriorated situation (ongoing standard situation): total discontinuity of service;
- Technical Site to Subscriber or Mast:
  - Total service discontinuity.

If any of these events were to occur, they could reduce the quality of the services provided to Group subscribers or even cause network interruption. This could adversely impact numbers of new subscribers, as well as the Group's image, reputation, financial position and/or ability to meet its objectives.

The Group takes the following steps before works begin by a third party that has sent the Group a Declaration of Intent to Commence Work, or DICT (a requirement in France whereby third parties working within the vicinity of a service or utility network have to inform the network operator concerned of the planned works):

1. systematically responding to the DICT, in particular when the works are near the Group's networks;
2. co-ordinating the works if they are very close;
3. marking and logoing all of the Group's network components in the area (to minimize the risk of accidental damage);
4. forward-planning maintenance works by pre-identifying relevant contacts.

Despite the above measure, service interruptions due to human error may still occur, whether intentional or not. For example, services that rely on this infrastructure could be damaged or cut off due to saturation of back-up links, or due to there being no back-up links at all.

2.1.5 Risks related to total network unavailability

The Group's networks or services could become totally unavailable as a result of (i) a technical fault or breakdown, (ii) a network or IT incident at a site caused by a natural disaster, accidental events, or rolling power blackouts, or (iii) intentional damage (e.g., as a result of war, terrorism or industrial action).

This risk is significant for the Group as such incidents could result in an interruption of the services provided to its subscribers as well as in high repair costs, even after any amounts received from its insurers. This could adversely impact the Group's continuity of services, as well as its number of new subscribers, image, reputation, earnings, financial position and/or ability to meet its objectives.

The probability of occurrence for this risk is low, but the level of impact if it were to occur would be high.

In order to address these risks the Group:

- monitors security at its main sites and for its network equipment;
- has a business continuity plan for its critical systems and software;
- ensures that it has network redundancy, especially for its core network (see Chapter 1, Section 1.4.3.1 of this Annual Report).

The Group has put in place specific procedures, protocols and systems and strengthened its network links in order to guarantee service continuity in the event of a crisis (core network redundancy and critical links, high-level security and surveillance of critical equipment, priority service restoration in the event of a power outage, self-sufficient power for several days if power supplies are cut off or sabotaged, etc.). In practice, the Group has a transmission network based on secure IP technologies, structured in a chain architecture with network redundancy and which serves several operating centers spread across several geographic regions in France. The Group is also working with the French government to prepare for any rolling blackouts.

2.1.6 Risks related to investments outside France

Changes in the Group's geographic footprint involve a considerable number of risks. These include the risk that changes in the political, economic, regulatory, tax and/or social environment could jeopardize profit forecasts drawn up by the Group when it originally made the investment decision, which would therefore adversely affect its earnings and financial position. In certain countries in which the Group may carry out investment projects, risks related to corruption and business ethics could potentially expose it to international sanctions, which could affect its image and reputation.

One of the Group's main investment goals is to build up broader and deeper geographic coverage of its services and networks and grow its business internationally. In line with this objective, in 2018, it entered the Italian market, in 2020, it acquired Play – Poland's second-largest mobile operator – and in 2022 it acquired UPC Polska, one of Poland's leading cable-operators.

Any of these transactions could have a significant effect on its financial position and/or results of operations. The probability of occurrence of this risk is deemed moderate.

However, its severity level is low as the only main impact on the Group's business would be that a debt situation would arise. Future acquisitions or divestments could give rise to debt, contingent liabilities, amortization/depreciation expenses, goodwill write-offs, and/or integration expenses, each of which could have an adverse effect on the Group's business, financial position and/or results of operations.

The Group has set up a governance structure enabling it to monitor and oversee business development carried out by its foreign subsidiaries and therefore assess the potential risk of these investments becoming impaired. In particular, this structure includes a process for approving the investment amounts agreed to by the Group's executives in the countries concerned.

Nevertheless, the Group cannot guarantee that it will be able to develop its business in these markets in line with its plans or that it will be able to fully recover the amounts invested to develop its networks and services or to acquire other operators. Similarly, it can give no assurance that the deployment of its services in new markets will be successful, in view of the competition from other operators or players already present in those countries.

If the Group is unable to extend its networks and service offering to such new markets, the value and/or sustainability of its investments could be affected, which could have an adverse impact on its business, financial position, earnings and/or outlook.

2.1.7 Risks related to increases in energy prices

A significant rise in electricity prices could affect the Group's ability to achieve its objectives and implement its strategy, and could have a significant adverse effect on its business, revenues, earnings and/or financial position.

For almost 20 years, the Group has pursued a policy of pro-actively investing in its fixed and mobile networks in all of its geographies (France, Italy and Poland), underpinned by an approach focused on innovation, quality control and efficient cost management. At December 31, 2022, it had more than 42,000 mobile sites in its three geographies. In order for its network equipment to operate, the Group has to use a large amount of electricity.

The probability of occurrence of this risk is high, but its severity level is low.

This is due to the fact that, depending on the country, the Group has set up hedging arrangements with energy producers, and it uses financial hedges covering a period of one-to-two years for its direct supplies.

A process is also underway to gain medium-term visibility for the Group's indirect scope, namely the energy rebilled by its subcontractors/partners/co-contractors that are "Tower Companies" or other operators.

In order to reduce the impact of the rise in energy prices and to meet its climate pledges, since 2021 the Group has been working on setting up Power Purchase Agreements (PPAs), under which it purchases electricity directly from the producer at a contained price in its three geographies. In 2022, the Group signed its first off-site PPA in France with Engie, its historical energy supplier and the leading developer of solar and wind power in France. Under this agreement, for 15 years the Group will purchase from Engie the electricity and guarantees of origin that will be produced by the Labrit solar farm located in the Landes region of France.

In addition, the Group has undertaken energy-saving measures by switching off some frequencies during certain time periods and investing in energy-efficient equipment. Similarly, a number of the Group's entities carry out load-shedding, which entails not using electricity when the network is under strain, which therefore also helps to save energy.

However, the Group remains exposed on a yearly basis to the risk of price volatility in the European electricity market and to the risk of supply shortages.

2.1.8 Risks related to a health crisis

The years 2020, 2021 and 2022 were marked by the worldwide health emergency caused by the Covid-19 pandemic. With the rapid spread of the virus across the globe, many governments imposed lockdowns and other restrictive measures.

The specific risk that the iliad Group faces is that some of its business activities are not particularly compatible with homeworking, or they require working in premises that are open to the public. Typically, these concern jobs carried out by Free Center advisors, rollout engineers, and maintenance and support services staff.

In view of the recent developments relating to the pandemic, and thanks to vaccination coverage, the probability of occurrence of this risk is receding and is now deemed to be moderate.

Its severity level is also moderate as the Group has taken all the necessary measures to first and foremost protect its employees in France, Italy and Poland, and at the same time ensure business continuity.

Despite the uncertainties caused by Covid-19 and the impact of the pandemic, the Group's solid fundamentals are still in place. As of the publication date of this Annual Report, in view of the measures taken to ensure its business continuity, combined with the worldwide vaccination campaigns, the Group is confident in its ability to achieve its objectives.

Nevertheless, any resurgence of Covid-19 or the outbreak of a new health crisis could impact the Group and a number of its objectives.

This would particularly be the case if the restrictions imposed were to include one or more lockdown(s), as besides the impact they have on people, lockdowns can trigger economic slowdowns in some regions.

2.1.9 Risks related to dependence on main suppliers

In order to be able to offer its products and services and meet demand fueled by the growth in its subscriber base, the Group has entered into strategic partnership agreements in relation to its network infrastructure and equipment, mobile phones and SIM cards, and Internet/TV boxes.

These agreements provide for:

- indefeasible rights of use for the dark optical fiber used by the Group, especially for its backbone network;
- access and information services for co-financed fiber sockets;
- access to Orange's civil engineering infrastructure;
- access to ultra-fast broadband local loops via agreements signed with infrastructure operators (Altitude, Axione, Covage, Orange, SFR);
- interconnection and unbundling, giving the Group access to the local loops – particularly ultra-fast broadband loops – of the operator concerned;
- access to the Tower Companies' passive mobile infrastructures, e.g., the agreements with Cellnex and TDF;
- supply of mobile communications equipment (Nokia, Huawei and Ericsson);
- roaming, enabling the Group to provide mobile services in areas where its own network has not yet been deployed;
- carrying data traffic generated by the Group's subscribers, signed with international players such as Telia and Cogent;
- the supply of mobile phones and SIM cards;
- the supply of Internet/TV boxes and electronic components;
- the assembly of Freeboxes.

If any of these strategic partnership agreements were to be terminated, there could be a significant adverse effect on sales of the Group's products and/or services and therefore on its business, earnings, financial position, outlook, and/or ability to meet its objectives. The Group cannot guarantee that it will be able to renew all of its contracts with its main suppliers, or that the financial terms of the contract renewals will be similar to the previous ones, or acceptable, or that it will be able to find replacement suppliers.

Other factors may increase the probability of supplier dependency risks. These include the risk of shortages of certain components, a significant rise in the price of those components, and/or potential sanctions or sale bans. These risks could affect the Group's procurement processes and production capacities. They could therefore jeopardize its ability to provide its subscribers on a timely basis with the equipment and devices they need in order to access the Group's services, and could also hinder the capacity of the Group's networks.

If one or more of the Group's suppliers were unable to provide the products and/or services concerned this could affect its ability to fully control its networks, offer high quality services and conduct its operations, or could give rise to additional costs that would have an unfavorable impact on its business, earnings and outlook.

From 2020 to 2022, the combination of several crises (Covid crisis, semiconductor crisis, and more recently the war in Ukraine) have put a strain on the semiconductor supply chain and caused a sharp increase in supply delays. This in turn has led to a steep rise in the prices of semiconductors as well as to a disruption of the supply chain. Between 2020 and 2022, Freebox experienced increases of up to 40% in the price of semiconductors, and it has also suffered from rising raw material prices (cardboard, plastics, metals) and soaring inflation (higher salaries, higher overheads – especially for buildings – and higher energy costs).

Currently, however, the semiconductor and memory market is becoming less strained. Freebox is therefore moving swiftly to renegotiate all its contracts. Likewise, supply lead times are getting much shorter, which is enabling the Group to rebuild safety stocks for its various set-top boxes and network equipment and give its sales and marketing teams room for maneuver again.

The Group's Purchasing Department incorporates supplier dependency risks in its controls and actively seeks to vary its supply sources. Furthermore, the Group's procurement policy includes building up a minimum target inventory level so that it can be production self-sufficient for at least three months.

The Freebox teams are actively working to maximize multi-sourcing of electronic components in order to reduce the risks of dependency and supply disruptions that they experienced during the Covid crisis.

Although the Group considers that its procurement policy allows it to anticipate growth in demand for Internet access (fixed and mobile Broadband and Ultra-Fast Broadband), if any new major health crisis or geopolitical event were to occur, its business could be affected, which could adversely impact its earnings, image and/or reputation.

2.1.10 Risks related to public health and the effect of electromagnetic waves

An item of wireless telecommunication equipment in operation generates an electromagnetic field that travels through the environment in the form of waves.

Although the health authorities largely agree that there is no proven health risk for exposures that are below certain limits, the general public is concerned about potential health risks from exposure to such electromagnetic fields.

The allocation of the frequencies required for rolling out and operating 5G networks have heightened the public debate and concerns about this issue. These 5G-related concerns were alleviated in 2022 following the publication of the results of scientific studies on 5G that factor in updated opinions issued by a number of national health authorities which state that, based on current knowledge, no new risks have arisen.

However, this context could hinder the rollout of wireless networks and may result in the population reducing its use of mobile electronic communication services.

The iliad Group holds mobile communications licenses under which it has obligations to deploy wireless telecommunication equipment nationwide. This deployment is intended to meet the growing needs of the Group's subscribers within their working and private lives and also enable them to contact the emergency services if needed.

These risks would increase if tighter laws and regulations were to be introduced, as such a situation would reduce the Group's national coverage and would erode network service quality which would subsequently make it impossible for the iliad Group to fulfill the population coverage and network service quality obligations under the licenses or network operation permits it has been granted.

The health authorities, in particular the World Health Organization, largely agree that there is no proven health risk for exposures that are below the exposure limits recommended by the International Commission for Non-Ionizing Radiation Protection (ICNIRP), which are regularly reassessed on the basis of many scientific publications in this area. The reassessment conducted by ICNIRP in 2020 with the arrival of 5G resulted in the same finding.

The public authorities have adopted restrictive regulations taking into account these exposure limits.

The Group strictly complies with all these regulations, but it cannot predict the future findings of scientific research conducted by the various mandated organizations, nor can it foresee regulatory changes that may be introduced in the future.

The public's heightened perception of health risks could lead to a decrease in the number of the Group's subscribers, less subscriber usage or potential liability claims, and could affect network rollouts and/or generate additional costs or investment.

Ever since iliad entered the mobile telephony market and began rolling out its networks, it has applied a proactive policy regarding electromagnetic waves.

This policy is focused on the following key areas:

- rigorously and continuously complying with regulations;
- providing transparent information, backed by scientifically proven facts;
- setting up constructive and transparent partnerships with the local authorities;
- setting up a national and international regulatory watch unit to monitor regulations relating to electromagnetic waves;
- putting in place and regularly updating a database on magnetic waves, which is shared with the Group's in-house teams, particularly those in charge of relations with local authorities;
- regularly holding in-house seminars to share knowledge about magnetic waves as well as feedback from operations teams;
- participating in meetings organized by local councilors prior to installing new mobile masts;
- participating in discussion with public authorities at national, regional and local level, and more broadly, in discussion committees set up by the public authorities and health agencies.

If it were to be established in the future that electromagnetic waves do have a harmful effect on health, or if the applicable laws and regulations were to become stricter, this could adversely impact the Group's business, image, earnings, financial position and/or outlook.

2.2 RISKS RELATED TO THE GROUP'S INDUSTRY

2.2.1 Competition risks

The markets in which the Group conducts the majority of its business are mature markets (the French fixed and mobile markets and the Italian and Polish mobile markets). It therefore faces fierce competition from other Internet access providers and operators, or from new players. This is especially the case in the retail market, in terms of prices and the ability to swiftly offer the latest technologies, as well as the ability to propose data-rich offerings with network and content convergence (fixed and mobile Ultra-Fast Broadband). There is also a high level of subscriber volatility as most offerings on the market come with no commitment and there are frequent launches of promotional deals.

The fixed and mobile access services market is characterized by fast-changing technologies and technical access methods (switched access, ADSL, VDSL, FTTH, broadband, ultra-fast broadband, 2G, HSPA, 3G, H+, 4G, 4G+, 5G, etc.). This means that there are similarly rapid changes in the types of services and functions offered to subscribers as well as in pricing structures (unlimited offers, free offers, promotional deals, European roaming). The competitiveness of an electronic communications operator therefore depends on its ability to swiftly offer the latest technologies at the best price. Competitive pressure can render the Group's offers less attractive than those of its competitors and lead to a decrease in the number of its fixed and/or mobile subscribers. It can also push down prices, thus affecting the profitability of the Group's services.

In the mobile market, the arrival of Free Mobile in France, iliad Italia in Italy and Play in Poland, combined with their rapid growth, heightened competition in these already mature markets and prompted market operators (both incumbent and virtual (Mobile Virtual Network Operators or MVNOs)) that had greater financial resources than those of the Group, to launch marketing counter-offensives. The Group's success in the mobile market depends on its ability to ensure (i) that its offers and services are and remain sufficiently attractive compared with those of its competitors and (ii) that it can offer its services to the widest number of subscribers through the extension and rollout of its own mobile network.

In the fixed market, competition for access services is fierce and the Group expects it to intensify significantly in the future due to the fact that (i) gaining market share is becoming difficult as the market is mature, (ii) the number of strategic and capital alliances between the Group's competitors could increase, (iii) multinationals with more financial resources than the Group have entered the market, such as the GAFA companies (Google, Apple, Facebook and Amazon) and other OTT (over-the-top) [1] service providers, whose investment capacity, particularly for advertising, constitutes a considerable competitive advantage, and (iv) new, and notably global, competitors could enter the market.

Competition is also strong, and is expected to further intensify, for television and video services via fixed electronic communications networks. In this sector, several of the Group's competitors are implementing strategies involving the convergence of electronic communications networks and media, which has resulted in some competitors gaining greater power and control over access to, and the broadcast of, premium content (TV channels and programs). Consequently, exclusive content distribution rights for particular operators have started to develop in the market, notably for premium content (such as premium TV channels). In addition, some TV channel owners have made access to their free channels contingent on also having access to their pay-TV channels, which has a harmful effect on the appeal of the Group's audiovisual offering and could therefore impact its earnings. Although the Group considers that it has competitive advantages in this market, notably through the use of its Freeboxes (Delta, Pop, Revolution and mini 4K), which provide secure transmission of content, it cannot guarantee that it will be able to maintain or develop its audiovisual operations in line with its plans.

The aforementioned risks are relatively contained in France in the mobile, fixed and audiovisual segments due to the competitive maturity of those markets.

In Italy's mobile market, price competition will in all likelihood remain fierce during 2023.

In the audiovisual segment in Poland, the risk of changes in regulations concerning broadcasting/distribution obligations are likely to alter the balance of power between the channels (and their groups) and the distributors and Internet service providers owned by the Group, leading to potential renegotiations of broadcasting or content distribution contracts.

The probability of this risk occurring is high.

In the mobile segment, if the Group is unable to grow, notably if it does not manage to propose sufficiently appealing offerings or rapidly develop its 4G/5G network, this could directly impact its ability to retain its subscribers, adversely affect its revenues and delay return on the investments made in rolling out its own networks.

In the fixed segment, if the Group is unable to manage these subscriber and/or network risks, this could adversely impact its earnings.

In the audiovisual segment, if it is unable to reach agreements on the distribution of certain content, and if certain premium channels and content start being distributed on an almost exclusive basis by the owners of the channels or its competitors, the Group could be unable to provide similar TV offerings, which would prevent it from competing.

The severity level of this risk is therefore high.

In order to counter such competitive pressure and be technically and commercially self-sufficient, the Group has made rolling out its own networks a strategic priority. It also has a very pro-active capital expenditure strategy, focused on innovation and R&D, in order to stay at the cutting-edge of innovative solutions and be able to roll out new-generation networks. The strong brand recognition of the "Free", "iliad" and "Play" names, allied with the Group's differentiating sales strategy, are also major competitive strengths. To remain competitive, the Group must be agile, while constantly developing new functions and features for its products and services – which may require significant investments – and must continue to propose new and attractive offerings for users.

(1) The supply of content over the Internet without the involvement of an operator or its set-top box.

In order to invest in networks, innovate and remain competitive in the fixed and mobile segments, the market is clearly showing a fundamental trend towards divesting telecom network infrastructure, or financial arrangements offering the same advantages as divestment, i.e., freeing up and preserving investment capacity.

All operators have had to sell their network assets (towers, fiber, indefeasible rights of use) for the purpose of financing the deployment of FTTH. For example, in France, the Group has sold its mobile masts and 50% of its fixed-line indefeasible rights of use and therefore now has fewer of these assets that it is able to sell.

This fiercely competitive situation could have a significant adverse impact on the Group and its ability to retain subscribers and win new ones, as well as on its market share, margins, earnings, return on investment, financial position, ability to meet all or some of its objectives, business development and outlook.

2.2.2 Risks related to dependence on the incumbent operator

Despite the legal and regulatory framework applicable in France, which requires the incumbent operator to permit the development of local loop unbundling and to grant the Group access to its installations, the Group could be confronted by situations where there is a conflict of interest with the incumbent operator as its dominant competitor and principal supplier. The incumbent operator could therefore exercise significant influence over the Group's operations and strategy, with potentially adverse effects, and could also restrict its capacity for growth.

Regarding the pricing applied for access to the unbundled local loop, ARCEP included a review clause in its 2020-1446 market analysis allowing for "an upward revision of prices if the incumbent operator presented a clear, tangible plan to switch off the copper network, and depending on the guarantees that it could provide regarding the speed of transition from copper to fiber". Following this public consultation, on the one hand, ARCEP addressed to Orange additional questions about its "Switch-off Plan" inviting it to provide clarifications and additional information about its initial plan, but on the other hand, the regulator decided not to revise the unbundling price for 2022-2023 following the public consultation.

Orange has announced and given details on its "Plan to switch off Orange's copper local loop network" which provides for the complete shutdown by 2030 of the technical operation of all of its copper local loop infrastructure that is currently unbundled by Alternative operators.

In 2022, ARCEP launched the process to review regulatory changes to its asymmetric market analysis decisions (2020-1445, 2020-1446 and 2020-1447). A "Scorecard and Outlook" public consultation held over the summer may result in an adjustment to the current price cap framework. The possibility of remedies for the unbundling price appears to have been confirmed in the draft market analysis Decision 1 published in a working document for public consultation by ARCEP on February 20, 2023. According to this document, ARCEP proposes to ease price regulations for copper local loop access:

- restrictions may be relaxed entirely for lines where a total commercial switch-off has been announced and a technical switch-off is likely to be implemented rapidly;
- for copper lines at addresses that have been switched off commercially, pricing changes will be on a "non-excessive" basis, although this notion remains unclear;
- other lines would continue to be regulated on a cost-oriented pricing basis, with an unchanged methodology in principle based on a FTTH network reconstruction model.

This draft decision remains provisional and further input is still being sought from the sector's stakeholders. Any amended drafts will subsequently be referred to the French Competition Authority and the European Commission during 2023 prior to publication of the final decision and the related pricing remedies for enforcement in late 2023 or early 2024.

In Opinion 13-A-08 relating to the terms and conditions of mobile network-sharing and roaming, the French antitrust authorities recommended that the national roaming agreement between Orange and Free Mobile should not be extended beyond a reasonable timeframe. It also provided for a framework for sharing mobile networks (RAN sharing). This Opinion was opened up to consultation.

In accordance with France's economic reform law (the "Macron Act"), ARCEP was assigned the power to analyze the mobile network-sharing and roaming agreements in place in France, and to require amendments to be made to such agreements where necessary (i) in order to achieve regulatory objectives, or (ii) for the parties to the agreement to respect the terms and conditions of their licenses. Pursuant to this Act, in June 2016 ARCEP adopted a set of guidelines on roaming and mobile network-sharing,

The Group has entered into interconnection and unbundling agreements to give the Group access to the incumbent operator's local loop. The Group's profitability depends partly on (i) the pricing and technical conditions established by the incumbent operator, notably in its Reference Interconnect Offer (revised each year) and in its Reference Unbundling Offer (revised from time to time) and (ii) non-discrimination undertakings given for the FTTH[1] wholesale market by the incumbent operator. For example, any significant increase in the prices or change in the technical conditions set out in the Reference Interconnect Offer or the Reference Unbundling Offer, as approved by ARCEP, could have a significant adverse effect on the Group's business, results of operations and financial position as well as on its ability to meet its objectives.

Regarding unbundled access pricing, in decision 2020-1493, ARCEP capped the price for the rental of copper pairs from the incumbent operator at €9.65 per month for the period from 2021 to 2023. A new public consultation will be held in 2023 on setting the unbundled access price for beyond 2023.

Regarding the copper switch-off, following experiments in several municipalities, Orange has announced that it will be phasing its Switch-off Plan, with two initial batches of shutdowns by 2024/2025 (with batch 1 representing some 200 thousand homes and batch 2 approximately 1.2 million). The overall switch-off has to be carried out under the best possible conditions for subscribers (migration to fiber) and for the Group, in particular with regard to the related services used by iliad in the incumbent operator's infrastructures (dark fiber backhaul, hosting, etc.).

(1) Fiber To The Home: technology used to directly connect subscribers' homes to an optical fiber network.

The Group's exposure to the risk of copper shutdowns in 2023 is low because no shutdown is scheduled for 2023.

For mobile roaming, the operators concerned have made amendments to their agreements in force. Free Mobile stated that it would gradually reduce the peak speed for its roaming subscribers from 1 Mbps in 2017 to 384 Kbps in 2020. In 2020, it extended its roaming agreement until end-2022. To date, ARCEP has not itself amended any of the operators' network-sharing or roaming agreements, including after the extension of Free Mobile's roaming agreement. Following appeals by the operators SFR and Bouygues Telecom, in late-2021, ARCEP's decision not to require amendments to the roaming agreement between Free Mobile and Orange was upheld by the French Supreme Court *(Conseil d'État)*. In 2022, Free Mobile and Orange extended the roaming termination period to 2025. ARCEP issued an opinion in December 2022 approving this extension but this could be appealed by operators before the French Supreme Court *(Conseil d'État)*.

The probability of occurrence of this risk is deemed moderate.

At December 31, 2022, the Group had 2.5 million fixed subscribers on the incumbent operator's ADSL network. Consequently, a €10 euro cent increase in the unbundling tariff would represent an additional annual cost of around €3 million for the Group. The severity level of this risk is therefore considered to be high.

In the event that ARCEP revises its decision and introduces remedies for unbundling prices in certain areas (deregulation or non-excessive pricing instead of cost-oriented pricing), increases in unbundling prices would be likely beginning from the enforcement date of the decision and at the initiative of the incumbent operator. These increases would exceed the levels used in regulatory pricing models up to now.

As part of the FTTH network rollout – which is being carried out in accordance with the regulatory framework set by ARCEP – the Group has entered into numerous network-sharing and co-financing agreements with the incumbent operator. These agreements cover areas that are classified by ARCEP as "very densely populated" as well as other areas (which have privately co-financed networks or public initiative networks ("PINs")). One of the main objectives of the agreements is for the Group to participate in co-financing Orange's rollouts of FTTH lines in return for access to all of the deployed lines for an initial period of between 20 and 30 years (renewable for periods ranging from 20 to 40 years). The terms and conditions applicable to (i) cabling buildings in non-densely populated areas, and (ii) the renewal of the right to use the deployed FTTH lines could have an adverse effect on the Group's business, results of operations, financial position and/or its ability to meet its objectives.

In order to free itself from this dependence on the incumbent operator's network, the Group has made it a strategic priority to roll out its own networks and control all of its infrastructure, so that it can have the highest possible degree of technical and commercial independence.

Furthermore, as part of its commercial operations, the Group is rapidly and efficiently migrating to FTTH networks (for which the Group has indefeasible rights of use) subscribers who are connected *via* the incumbent operator's copper infrastructure.

As the unbundling price is set by the regulator, it applies to all copper lines leased by the Group from the incumbent operator.

In view of the recently published draft market analysis Decision 1, there is a possibility that pricing remedies and ex ante rules may be relaxed. Competition law (*ex-post* regulation) would then apply to the areas of operations covered by the relaxed regulations.

In view of the uncertainty over unbundling pricing arrangements over the next fixed market analysis cycle, changes in the regulatory environment relating to the charges applied by the incumbent operator for providing the Group with access to its fixed infrastructure will be examined carefully during 2023.

2.2.3 Risks related to rights of use and resale rights

To provide Ultra-Fast Broadband services to newly-eligible subscribers, it is necessary to build the terminal section of FTTH networks – known as the end-point connection – using optical fiber cables to connect the optical splitter deployed in the immediate vicinity of the premises to the terminal outlet inside the premises.

This segment of the network represents between a quarter and a third of the total cost of the network and is complex to deploy within multiple privately-owned properties. It is also where a large part of maintenance operations are concentrated.

Because end-point connection deployment requires contact and effective dialog with end users (ISP subscribers), this segment is mostly built by the commercial operator acting as subcontractor for the infrastructure operator.

Once complete, the end-point connection becomes part of the FTTH infrastructure operator's assets, and the commercial operator (ISP) then pays a license fee to use this segment for as long as the end user subscribes to these services. The FTTH regulatory framework has set this license fee at an amount equal or close to the cost of building the end-point connection (i.e., between €250 and €300 per end-point connection).

If the commercial operator loses the subscriber, the "incoming" commercial operator then pays the amortized license fee to the infrastructure operator, who then pays it over to the "outgoing" commercial operator: this arrangement is known as "resale right".

This situation exposes the Group to operational and regulatory risks, the severity of which is deemed to be medium.

On an operational level, "resale right" arrangements have not yet become standard practice between different operators and they have become the subject of numerous disputes between them. The Group is therefore exposed to a risk of loss in the event of non-repayment or partial repayment of these "resale rights".

The probability of occurrence of this risk is deemed to be high given the absence of standard practices between operators to collect these fees and the discrepancies noted between amounts accrued and amounts actually collected.

In terms of regulations, ARCEP consulted operators in early 2023 with a view to publishing a recommendation to reduce end-point connection fees and resale rights in particular. In brief, ARCEP's recommendation may result in impairment of the value of end-point connections already paid for by the commercial operators and by Free (the amount of future "resale rights" would be lower than the amount of "resale rights" paid in the past).

To mitigate these risks, the Group deploys tools to identify and track "resale rights". Although the Group uses its best efforts to collect fees due from its partners, it has no assurance that it will be able to collect all such amounts. This situation has already led to a dispute taken before the Regulator between Orange (infrastructure operator) and Bouygues Telecom (commercial operator) concerning a very densely populated area. The dispute is still ongoing and an appeal is currently pending.

2.3 RISKS RELATED TO THE GROUP'S ORGANIZATIONAL STRUCTURE

2.3.1 Risks related to dependence on iliad's principal shareholder

The Group is exposed to the risk of dependence on its main shareholder. At December 31, 2022, Xavier Niel – the Company's main shareholder – held 98.08% of the Company's capital. Xavier Niel is also a director of the Company and Chairman of its Board of Directors. He is therefore in a position to have a decisive influence over most of the Group's strategic decision. Consequently, the Group's success depends on maintaining its relationship with Xavier Niel.

This risk is specific to the Group's organization and governance given the fact that Xavier Niel is the main shareholder of the Company and is also a director and Chairman of the Company's Board of Directors.

The probability of occurrence of this risk is high. However, its severity level is moderate.

The Group has implemented measures to control this risk. In particular, iliad is structured around a strong executive team. The fact that the roles of the Chief Executive Officer and the Chairman are separated means that there is clear segregation between strategic, decision-making and oversight duties – roles that fall within the remit of the Board of Directors – and operational and executive duties, which are the responsibility of Executive Management. In addition, the Board of Directors places great importance on having independent members on the Board and takes steps to ensure that such members represent a significant proportion of the overall number of directors. Board decisions are taken based on a majority vote of the directors present or represented. In accordance with best corporate governance practices, the Board of Directors has set up a procedure aimed at avoiding any conflicts of interest between the Company and the private interests of Xavier Niel, its majority shareholder. In line with this, in the event of a conflict of interests Xavier Niel does not attend the related Board meetings nor does he take part in the related discussions or vote.

The residual risk is therefore moderate but is likely to persist while Xavier Niel remains the Company's main shareholder.

2.3.2 Risks related to retaining key personnel

The Group's success is particularly dependent on retaining certain key personnel who have specific expertise in the Group's business (engineers, developers, technicians, executives and key employees).

The Group's ability to attract, train, retain and motivate highly qualified employees and executives will play a major role in its future success. This risk is particularly specific to people in charge of activities requiring technical expertise and/or skills that are in shortage and who are needed by the Group in order for it to continue to operate its critical services.

The probability of occurrence of this risk is moderate, as teams are generally small and rely on a few key people.

The impact of this risk is based on the loss of key skills and the loss of the knowledge required to continue to conduct the Group's business. The criticality linked to any departure of these key people also puts a strain on the teams in charge of recruiting successors. Additionally, the potential difficulties associated with knowledge transfer and the time it takes for a newcomer taking over these key roles to become technically proficient may result in a temporary loss of effectiveness.

The Group has a culture which fosters teamwork and motivation, and it has set up a human resources and compensation policy adapted to the talent of its people.

Furthermore, its key employees have an ownership stake in iliad and/or its subsidiaries, which plays a major role in building loyalty.

In order to futureproof its business, the Group takes particular care to ensure that the engineers and technicians working on its platforms and networks and on designing and developing "in-house" hardware such as Freeboxes, SIMboxes and Freebox DSLAMs are skilled in various areas.

Additionally, the Group has launched a process to define a succession plan aimed at identifying, for each key position, one or more members of personnel who could replace a departing member in the short or medium term.

However, as competition to attract such qualified employees and executives is intense, there is no guarantee that those key personnel will continue to work with the Group.

The loss of one or more key employees or an executive, or an inability to replace them or to attract other qualified employees and executives could affect the Group's ability to meet its objectives and implement its strategy and could have a significant adverse effect on its business, revenues, earnings and/or financial position.

2.4 FINANCIAL RISKS

Information on the Group's financial risk management and a sensitivity analysis are provided in Note 34 to the consolidated financial statements in this Annual Report.

2.4.1 Liquidity and financing risks

Liquidity and financing risks correspond to the risk that the Group will have reduced access to internal and external financial resources, and also to the risk of it being unable, when necessary, to sell assets rapidly under satisfactory terms and conditions. This would result in a situation whereby the funds required to meet the needs of the Group's business activities and/or debt maturities may become more expensive or even unavailable.

Given that the Group's operations are largely financed through issues of short-term money-market securities, credit facilities with various different lenders (bank loans, bilateral credit lines or syndicated loans) and bond issues, it is critical for the Group to secure permanent access to the capital markets under the best possible conditions. Moreover, the Group must ensure that it has the necessary liquidity at all times to meet its operating and financial commitments and at the relevant maturity dates, taking into account the cash generated from its business, so that it does not default on payments to its lenders.

The risks related to accessing financing and liquidity are first and foremost systemic: if there are disruptions in bond markets or reduced bank lending capacity this could affect the Group's ability to raise financing and therefore prevent it from having access to the liquidity it requires, or if it does gain access this could be at a much higher cost than was previously the case.

In addition, these risks may be specific to the Group and may arise in the event of (i) a breach of its covenants (in particular those relating to specific financial ratios), (ii) a downgrading of the Group's public financial ratings, (iii) poor management of its available liquidity, or (iv) an erosion of its solvency. The Group's main financial covenants included in its lending agreements relate to its ratio of net debt to consolidated EBITDAaL for the period ("leverage ratio"), as presented in the financial statements, with adjustments to EBITDAaL as defined in the lending agreements.

The occurrence of these risks would be serious for the Group, given its intense capital expenditure, insufficient self-financing capacity and its obligations to its lenders (which, if not met, would in turn increase the risk of it being unable to access financing). The impact of these risks on the Group is (i) a loss of profitability (arising from the effect that higher financing costs would have on profit), (ii) that it would have to allocate a significant portion of its available liquidity to service its debt, (iii) an inability to raise funds to finance its routine business and capital expenditure, (iv) reduced room for maneuver, (v) a weaker competitive position, and (vi) that it will default on debt repayments, or even be required to repay its liabilities in advance of term.

In order to prevent these risks, the Group's Treasury Department monitors iliad's level of debt in order to ensure that the Group is in compliance with the covenants and other commitments provided for in the various lending agreements, that it has unused confirmed credit lines, and that its borrowings are taken out mainly at fixed rates. This department also regularly renews its cash flow forecasts, tracks sensitivity to liquidity risk according to the maturities of the Group's various financing arrangements, monitors market conditions and sets up interest rate hedges.

Since May 2022, the Group has been assigned public financial ratings by Moody's Investor Services, Standard & Poor's and Fitch Ratings for its senior unsecured bonds, with the aim of maximizing the breadth and depth of its access to the markets.

Given the Group's liquidity (undrawn confirmed credit lines and available cash) and the hedges in place, the main residual risk is an increase in the cost of its unhedged variable-rate financing and future fixed-rate financing. The Group also has a lesser residual risk of not being able to obtain large-scale financing for strategic operations.

See Notes 30 and 34 to the consolidated financial statements in this Annual Report for a description of the Group's various sources of financing and liquidity, the maturities of its debt and its debt covenants, as well as information on its commitments in terms of financial ratios and the consequences in the event of a breach or significant unfavorable change in these ratios.

2.4.2 Risks related to asset impairment and provisions

Changes in the economic, political or regulatory environment could lead to impairment in value of the Group's assets (notably goodwill and/or other intangible assets), or require it to set aside provisions for long-term contractual obligations or onerous contracts. At December 31, 2022, goodwill recognized by the Group following acquisitions and disposals carried out amounted to approximately €0.716 billion, and intangible assets acquired totaled €5.551 billion. The carrying amounts of long-term assets, including goodwill and other non-current assets, are sensitive to any changes in the operating environment that differ from the assumptions and forecasts used for initially measuring them. The Group recognizes an impairment loss against these assets, or, where appropriate, a provision, if events or circumstances suggest that there are significant and prolonged unfavorable changes affecting either the economic environment or the assumptions or objectives applied at the date the acquisition was completed or the contractual obligation entered into. For further information on asset impairment and provisions, see Notes 16 to 18 of the consolidated financial statements in this Annual Report.

As the Group has a significant amount of goodwill and intangible assets on its balance sheet, any material impairment losses or provisions could have an adverse effect on its financial position and earnings for the year in which they are recognized. These amounts may vary depending on the assumptions, judgment and estimates used when impairment tests are performed, including discount rates, the perpetuity growth rate, and forecast cash flows, which in turn depend on the Group's assessment of the economic and financial context (see Note 18 to the consolidated financial statements in this Annual Report).

2.5 LEGAL RISKS

2.5.1 Regulatory compliance risks

The Group's business activities are highly regulated and therefore extremely dependent on the legal and regulatory context – and even the political situation – in the countries where they are conducted.

Consequently, the Group's operations are subject to specific regulations governing the electronic communications sector in the Group's geographies. In France, for example, they are subject to:

- obtaining or renewing fixed or mobile operator licenses and frequencies;
- network access conditions, such as roaming and network sharing;
- unbundling;
- technical and pricing conditions for access to FTTH networks;
- the pricing of services (pricing of unbundling and the rental of copper pairs by the incumbent operator);
- national constraints and permits for installing electromagnetic emission sites;
- deployment and service provision obligations attached to mobile licenses;
- digital technology;
- data protection security;
- the taxation of telecommunications companies, such as levy of new taxes or an increase in existing taxes;
- the consumer environment (canvassing).

For further information on the regulations applicable to the Group, see section 1.6 "Regulatory Framework" of this Annual Report.

In order to roll out a new mobile technology such as 5G, the Group is dependent on the allocation and auctioning of 5G frequencies carried out by the national regulators. In Poland, a 5G spectrum auction was announced in March 2020 but then canceled three months later in June. The Polish authorities have launched a consultation process that is currently underway, with a new auction scheduled for the first half of 2023. In Poland, licenses for frequencies are renewed through a semi-automatic procedure managed by the Polish national telecoms regulator (UKE), whereby the operator submits a request for the license renewal and pays the price that is set in advance in accordance with the applicable legal provisions. However, there can be no assurance that such licenses will be renewed and that they will not be contested by a third party. It also appears that refarming frequencies to support the development of 5G may result in licenses not being renewed.

Additionally, some operations carried out by the Group's entities are subject to specific industry regulations. This is the case, for example, for iliad 78's financial services activities, meaning that the Group has to comply with all of the regulations applicable to the banking and finance sector, which exposes it to the risks inherent to that sector (e.g., money laundering and terrorism financing).

The Group's room for maneuver in managing its business activities is therefore restricted, as it has to comply with a range of regulatory obligations concerning the supply of its products and services which can lead to significant outlay, such as for the rollout of its 5G network.

The probability of occurrence of this risk is high, particularly because of an increase in laws and regulations both at national and European level.

If the Group does not comply with the laws, regulations, standards and mobile license-related obligations to which it is subject – not only in the countries where it currently operates, as of the publication date of this Annual Report, but also in the rest of Europe and internationally – it could face various sanctions, fines or other penalties, which could affect its business, revenues, earnings and/or reputation. For example, if the Group does not fulfill the commitments it gave when it was granted its licenses and authorizations to operate its 3G, 4G and 5G networks – notably in relation to population coverage and service quality – the licenses or authorizations concerned may be terminated and the Group could be required to pay compensation to the French state or other related parties. The severity level of this risk is deemed high.

The Group has put in place specific compliance programs which enable it to respect all of the relevant regulations, determine their impacts, and implement any required action plans.

Any changes in regulations applicable to the Group, or more generally, changes in the political situation of a country in which the Group operates, could result in additional costs and/or outlay.

If this risk were to materialize it could have a significant adverse effect on the way the Group conducts its business, as well as on its image, reputation, earnings, and the achievement of its objectives.

2.5.2 Data protection risks

In the course of its business the Group has access to a vast amount of general personal data (such as the names, addresses and bank details of its subscribers) as well as personal data held in connection with its health data hosting activities (datacenter business only).

The Group is therefore exposed to the risk of loss, unauthorized disclosure or inappropriate alteration of the personal data of its subscribers (both individuals and companies), employees, suppliers, service providers and any other persons, which is stored on its infrastructure (or on third-party infrastructure) or is carried on its networks.

The Group could also be held liable under specific data protection legislation applicable in many countries, such as the European General Data Protection Regulation (EU) 2016/679 dated April 27, 2016 (GDPR), which strengthens the rights of individuals and imposes more stringent obligations on data processors.

The above risks could occur due to (i) the implementation or upgrading of new services or applications, (ii) the development of new business activities, particularly in the domain of connected objects, (iii) malicious acts (such as cyber-attacks) targeted at personal data (both sensitive and non-sensitive) held by the Group, (iv) negligence or human error that may be committed either within the Group or by partners to which certain operations are outsourced, (v) governmental requests that do not comply with the applicable legal and regulatory formalities, or (vi) changes in case law such as those resulting from the ruling handed down by the Court of Justice of the European Union on July 16, 2020 invalidating the Privacy Shield. The probability of occurrence of this risk is high.

In addition to the financial penalties that would be imposed by national data protection authorities, which could represent very significant amounts, the reputation and image of the Group's brands could be damaged, resulting in a loss of confidence in the services provided by the Group. The severity level of this risk is therefore high.

The Group applies strict measures and takes the necessary precautions to protect the confidentiality and security of personal data. For example, it has three Data Protection Officers (DPOs), for France, Italy and Poland, as well as a Group Chief Compliance Officer who ensures that the Group is compliant both with the applicable laws and with its own internal standards, and issues advice on improving its systems. It also has a network of GDPR correspondents in France and in Europe as a whole who are tasked with implementing a data protection compliance program that is consistent across the Group. Incident impact analyses are performed and records of data processing activities are kept which are used as a basis for putting in place new security measures and/or reviewing the Group's existing processes. Additionally, the Group regularly raises awareness among its employees about the importance of data security and confidentiality, as part of its training and awareness-raising programs.

Given the specific nature of these risks and despite all the measures that could be taken to control their occurrence and consequences, there will always be a reputational risk should a personal data protection incident arise.

If these risks were to materialize, the Group could be held liable. This could result in a loss of subscriber confidence and could harm the Group's image, and would therefore have an adverse impact on the Group's financial results and reputation.

2.5.3 Risks related to the loss of Huawei as a supplier

Huawei is one of the leading equipment suppliers to electronic communication operators worldwide. The loss of Huawei as a supplier could give rise to financial, commercial and reputational risks for the Group's brands.

In Poland, Huawei is one of the Group's main equipment suppliers. Play currently uses the services of two network suppliers: Huawei and Ericsson. Amendments to Poland's cyber-security law have been proposed recently, pursuant to which certain entities could be classified as high-risk suppliers. If an equipment supplier were designated as a high-risk supplier, operators in Poland would have to immediately stop purchasing new equipment from that supplier and would have a period of five years to remove all of that supplier's equipment already installed.

There is a moderate probability of occurrence of the risk of Huawei being designated as a high-risk supplier, as several European Union member states, including France, have restricted or banned the deployment of Huawei equipment.

The severity level of this risk is high. If the Group had to replace some of its equipment in Poland, because there is only a limited number of potential suppliers it could use, this could cause delays in its 5G rollout plans, increase rollout costs, and reduce the quality of the services provided via the 5G network. The actual costs of such a situation would vary depending on a range of different factors (such as the time needed to replace the equipment and the market conditions prevailing in the OEM sector).

The use of equipment suppliers such as Ericsson or the Nokia group would mitigate the risk but would not eliminate it altogether, and there would therefore still remain the risks of an increase in costs and impact on quality of subscriber service, which would jeopardize the appeal of the Group's offerings.

If this risk were to materialize it could have significant adverse financial, commercial and reputational impacts on the Group.

2.5.4 Risks related to disputes

In the normal course of their business, the Group's companies may be involved in inquiries, disputes with governmental agencies, civil or criminal lawsuits, arbitration proceedings with the regulatory or oversight authorities, or proceedings with consumer associations, competitors or other parties.

Information on the main disputes in which the Group is currently involved or of which it has been notified is provided in Note 35.6 to the consolidated financial statements in this Annual Report.

To the best of the Group's knowledge, apart from the cases referred to above, there are no governmental, legal or arbitration proceedings (in progress, pending or threatened) that could have, or have had in the past twelve months, a significant impact on the Group's financial position or profitability.

As part of these proceedings, financial claims representing substantial amounts may be made against one or more Group companies, and these or other claims could jeopardize the conditions in which the Group's companies conduct their business.

The Group is regularly subject to suits filed against it by competitors, alleging that it has engaged in misleading commercial practices, unfair competition or defamation. The probability of occurrence of this risk is high.

Like other players operating in its industry, the Group is frequently served with writs as part of civil and commercial claims instigated by subscribers in relation to the services it provides. Taken on an individual basis, these cases do not have a significant impact on the Group. However, any proliferation of such claims or the filing of a class action could constitute a financial risk for the Group. The severity level of the impact of this risk is therefore considered to be moderate.

In order to considerably reduce the total final costs of any such suits, the Group generally seeks to negotiate an out-of-court settlement.

The aggregate amount of provisions set aside to cover all of the Group's claims and litigation corresponds to all of the outflows of resources (excluding any amounts recoverable) that are deemed probable for all types of claims and litigation in which the Group is involved as a result of conducting its business. At December 31, 2022, these provisions totaled €69 million.

Furthermore, the provisions for disputes that the Group has already recognized in its financial statements, or that it may have to subsequently recognize, may prove to be insufficient. It cannot be ruled out that in the future, new lawsuits or proceedings will be filed against a Group entity, either related or not to those currently in process and arising either from risks already identified by the Group or from new risks.

Any rulings against the Group in such lawsuits or proceedings could have an adverse effect on its business, financial position, earnings and/or outlook.

2.5.5 Risks related to electronic communications legislation and new laws (Poland)

The transposition of Directive (EU) no. 2018/1972 of December 11, 2018 establishing the EU Electronic Communications Code in Poland could significantly impact the Group's activities in Poland.

Directive (EU) no. 2018/1972 of December 11, 2018 establishing the European Electronic Communications Code was transposed into French law by government order no. 2021-650 dated May 26, 2021 (in force since May 28, 2021). This Directive has not yet been transposed into Polish law as the draft law on electronic communications and the draft law containing the introductory (interim) provisions applicable to that law were only submitted to the Polish Parliament in December 2022.

A large number of related changes stemming from national initiatives as well as a few directly required under the directive itself pose a significant risk to the Group. The potential risk may result in reduced revenue, higher subscriber churn and regulatory risk (including fines and consumer refunds).

Shortly before the draft laws were submitted to Parliament, significant changes regarding Must Carry (MC)/Must Offer (MO) obligations were introduced into Polish legislation, including limiting the MC/MO rule to fixed services provided in the permanent location of subscribers (the draft law clearly excludes OTT services although regulatory changes could still be implemented in order to incorporate such services). The list of channels covered by MC/MO obligations currently comprises only public television channels, but other channels may be added by order of the National Broadcasting Council. Another important change is the requirement for operators to offer each channel on an *à la carte* basis (i.e., to sell them individually) and the requirement to retransmit all components of the broadcast signal (including HbbTV, which is not supported by the current Play and UPC set-top boxes).

One of the most significant risks for the Group is that the maximum duration of all subscription contracts will be limited to 24 months.

In addition to the EU directive, the Polish draft law would introduce the obligation to transfer remaining prepaid top-ups that have not been refunded to subscribers to the Public Broadband Fund. Furthermore, Polish operators would be required to allow consumers to provide a bank account number when signing up for a prepaid card so that future unused top-ups can be refunded. This process would be particularly difficult as it would require changes to the IT systems of many of Play's partners.

The new regulation would also impose several restrictions on direct billing by the operator and miscellaneous third-party billing services, such as billing caps (default cap of PLN 70 per month) and the requirement to obtain consent (including from the subscribers) for third-party billing. The current wording of the introductory (intermediate) provision allows for third-party billing activated prior to the announcement of the new law to continue without such consent for a period not exceeding the duration of the contract, which must not represent more than 24 months. If this were to change during the legislative process, it would have a significant impact on the Group's revenues.

The new law would also introduce a number of restrictions on the debt recovery process as well as a cap on the amount of termination fees payable if a subscriber terminates their contract in advance of term (corresponding to 50% of the monthly service fee). Lastly, it introduces many obligations concerning defense and public security (including requirements to store data and to block calls or electronic communications within six hours of receiving the national regulatory authority's decision). The probability of occurrence of this risk is therefore high.

The Polish law transposing Directive (EU) No. 2018/1972 of December 11, 2018 will most likely come into force in 2023 and will have a moderate impact on the Group's business and financial results. If this risk were to materialize, among other things it could result in a significant change in services provided, a decrease in revenue, an increase in the cost of providing services, and greater attrition. The severity level of this risk is therefore moderate.

The Group expects there to be only minor changes to the draft laws currently being reviewed by Parliament. The new law will have an impact on the Group's business in Poland as soon as it is implemented, and regulatory risks could arise in the future should any proceedings be launched by the authorities.

Despite mitigation measures, there will be some degree of unavoidable impact on the Group's earnings. The introduction of new obligations may give rise, among other things, to a significant change in services, lower revenues, an increase in the cost of supplying services, and greater attrition. If the new provisions are not properly implemented, or if they fail to be implemented, this could result in regulatory risks (including fines and consumer refunds).

2.5.6 Risks related to liability for illicit content

The Group is regularly involved in legal disputes, the outcome of which could have a significant adverse effect on its earnings, financial position and/or reputation.

Lawsuits are regularly filed in France and other countries against Internet service or hosting providers because of the content of the information hosted, transmitted or made available online via the Group's services (in particular for violent content, violation of integrity or harm to minors, press-related violations, invasion of privacy and infringement of trademarks and literary and artistic rights).

For example, in 2021 the Group was ordered by a French court to block access to (i) a site conveying a message of extreme hate against people on account of their religion, ethnicity or sexual orientation, and (ii) several sites that were contravening intellectual property rights or regulations on financial products and services. In 2022, a large number of accesses to personal pages were also suspended due to privacy violations as well as to sites illegally broadcasting sports events.

The Group is exposed to this risk on an almost daily basis. The probability of occurrence is therefore high. In view of the increasing number of requests for blocking or deleting content and the automation of deletions and blocking, the Group could incur significant costs and outlay in order to ensure that its equipment and networks meet the requests within the required timeframes. However, the impact of this risk is low.

In accordance with French rules and regulations, the Group has made specific forms available on the Free portal home page so that web users can report unlawful content, and has established a procedure for reporting any breaches of the law, particularly violation of human dignity. In this way, Free can respond promptly to any issues raised. The Free Transfer service also contains a feature for reporting illegal links. It has also allocated special teams to manage these alerts and delete reported illicit content.

Although the Group has taken the necessary measures to minimize these risks, they may still occur, which would affect the Group's reputation and image. Any such occurrence could also have a significant adverse effect on the Group's financial results and reputation.

SCHEDULE 3

Events after the reporting date

3.1 FINALIZATION OF THE RAN SHARING AGREEMENT WITH W3

On January 3, 2023, iliad Italia and WindTre signed the RAN sharing agreement relating to Italy, having obtained clearance from the relevant authorities. Under this agreement, iliad Italia has purchased, for €319 million, 50% of the shares in the joint venture that owns the network and operates the RAN sharing services on behalf of iliad and WindTre. The cost of the purchase will be recognized over a period of four years. The joint venture will be recognized in the financial statements of the Group with effect from January 3, 2023 for the amount of the Group's share in the joint venture's assets, liabilities, income and expenses.

3.2 €500 MILLION BOND ISSUE IN FEBRUARY 2023

On February 8, 2023, iliad S.A. successfully placed a seven-year bond issue, raising a total of €500 million. The bonds are redeemable at maturity, on February 15, 2030, and pay interest at 5.625% per year.

Following this issue, on February 20, 2022 the Group repaid in full the amounts drawn down on its mid-term facility, amounting to €200 million.

3.3 DISPUTE WITH BOUYGUES TELECOM

On February 23, the Paris Commercial Court ruled in the case between Free and Bouygues Telecom regarding the bundling of smartphone and mobile plans ("subsidized" offers). This ruling ordered Bouygues Telecom to pay €308 million in damages to Free. Bouygues Telecom appealed this decision before the Paris Court of Appeal. Under current accounting rules, income resulting from a favorable ruling in a dispute can only be recognized when the case is closed. Accordingly, no income was recorded in respect of this ruling in the Group's financial statements in 2022.

SCHEDULE 4

Management of iliad Holding S.A.S.

iliad Holding S.A.S. sole director is currently Mr. Xavier Niel, who is iliad S.A. founder and indirect majority shareholder (through Holdco II S.A.S. and iliad Holding S.A.S. – please refer to schedules 5 and 6 for further details regarding the Group organization and shareholding structure). He is the Chairman of iliad Holding Strategic Committee. Set forth below are certain details about Mr. Xavier Niel and a brief biography.

Name	Age	Position
Xavier Niel	55	Sole Director

Xavier Niel is a self-taught entrepreneur and has worked in the Internet and telecommunications industry since the late 1980s. In 1993 he co-founded France's first ISP, and in 1999 he created Free – France's first free-access ISP. He co-invented triple-play and the concept of the box, launching the Freebox in 2002 – a unique, state-of-the-art, multiservices box combining broadband Internet access with telephony and television.

Xavier has invested in telecom operators in a personal capacity in many countries outside France, including Switzerland, Ireland, Senegal and Monaco.

In 2013, he co-founded "42", a not-for-profit organization based in Paris that delivers free coding training based on peer-to-peer learning. This training is given via a network of international partner campuses with 37 campuses in 22 countries and is delivered to more than 12,000 students worldwide. In 2017, the "42" school in Paris was voted the best coding school in the world.

In 2016, together with Matthieu Pigasse and Pierre-Antoine Capton, he created Mediawan, a special purpose acquisition company (SPAC) focused on media and entertainment.

Xavier is also the founder of Station F – the world's largest start-up campus – which opened its doors in 2017 and hosts a thousand start-ups in a former railway station in Paris occupying 34,000 sq.m. In addition, as a figure-head for start-ups, Xavier supports entrepreneurs through his investment fund, Kima Ventures.

Besides his other interests, Xavier is a shareholder of the *Le Monde* newspaper and the *Télérama*, *Courrier International*, *L'Obs*, *Nice-Matin*, *La Provence, France Antilles* and *Paris Turf* magazines.

Xavier is also a member of the Supervisory Board of Unibail-Rodamco-Westfield and one of its main shareholders.

In the fall of 2020, alongside Mathieu Pigasse and Moez-Alexandre Zouari, Xavier co-founded Teract (formerly 2MX Organic), a SPAC whose purpose is to invest in the consumer goods sector, with a particular focus on sustainability.

In February 2021, Xavier co-founded Hectar, an ecosystem for agriculture, entrepreneurship and tech based at a 1,500-acre site just outside Paris, which groups together a training campus, a start-up accelerator for agricultural ventures and a teaching center for schoolchildren and young people.

EXECUTIVE MANAGEMENT OF ILIAD S.A.

Set forth below are certain select members of the Group executive management team as of the date of this Annual Report.

Name	Age	Position
Thomas Reynaud	49	Chief Executive Officer
Nicolas Jaeger	44	Deputy Chief Executive Officer

Executive Finance

Thomas Reynaud is the Chief Executive Officer of iliad S.A. and a member of iliad Holding Strategic Committee. Thomas Reynaud joined the Group in 2007, tasked with structuring the Group's growth. He first served as Head of Business Development before becoming the Chief Financial Officer in 2008 and then a Deputy Chief Executive Officer in 2010. He has been iliad S.A. Chief Executive Officer since May 2018. As part of his successive responsibilities since joining the Group in 2007, Thomas Reynaud has taken part in the major developments that have shaped the Company's growth. He notably oversaw the launch of the fourth mobile operator, Free Mobile, which revolutionized the French market, before focusing more directly on international business development in Italy and Poland. Thomas Reynaud began his career in New York in 1997. He then went on to become Managing Director in charge of the Telecoms and Media sector at Société Générale, where he advised European companies on their business development, and notably advised iliad S.A. at the time of its IPO. Thomas Reynaud is a Board member of the Mozaïk Foundation and Tomato-n-co, a member of the Supervisory Board of IFT S.A.S.. Passionate about history and the French Revolution in particular, Thomas Reynaud is a graduate of HEC business school and New York University.

Nicolas Jaeger is the Deputy Chief Executive Officer of iliad S.A. and a member of iliad Holding Strategic Committee. Nicolas Jaeger joined iliad SA in 2007 as Head of Investor Relations and was then appointed as the Group Treasurer in 2011. Since 2018, he has been Chief Financial Officer and has helped drive the Group's international development. He was appointed Deputy Chief Executive Officer, on April 15, 2021. In connection with iliad S.A. partnerships and external growth operations, Nicolas Jaeger is a member of the Board of Directors of TRM and a member of the Supervisory Board of IFT S.A.S. Before joining iliad S.A., Nicolas Jaeger worked for five years at Calyon bank (part of the Crédit Agricole Group) as a credit analyst and then as a relationship manager in charge of the TMT sector. Nicolas Jaeger is a graduate of the EDHEC Business School and holds a Master's degree (MSc) in finance from the University of Strathclyde in Glasgow.

SCHEDULE 5

iliad Holding S.A.S. – Shareholding & additional information

SOLE SHAREHOLDER OF ILIAD HOLDING S.A.S.

iliad Holding S.A.S. is wholly owned and controlled by Xavier Niel (for a short biography of Mr. Niel, please see Schedule 4 "Management of iliad Holding S.A.S.").

ADDITIONAL INFORMATION REGARDING ILIAD HOLDING S.A.S.

iliad Holding S.A.S. is a holding company with no business operations of its own other than certain financial management services.

iliad Holding is a *société par actions simplifiée* organized and existing under the laws of France with registered number 811 282 789 R.C.S Paris, having its registered office at 16, rue de la Ville l'Évêque, Paris 75008, France.

ADDITIONAL INFORMATION REGARDING ILIAD GROUP AND ILIAD S.A. SHAREHOLDING

iliad Holding S.A.S. indirectly controls iliad S.A. through HoldCo II S.A.S. and owns 97.43% of the share capital of Holdco II S.A.S.

Please see below a table evidencing a detailed breakdown of iliad S.A. share capital and voting rights as at December 31, 2022:

	December 31, 2022		
Shareholder	**Number of shares**	**% Share capital**	**% Voting right**
Holdco II	58,579,400	98.09%	98.09%
Employees	322,692	0.54%	0.54%
Sub-total	58,902,092	98.63%	98.63%
Company (own shares)	818,146	1.37%	-
TOTAL	**59,720,238**	**100%**	**100%**

Please also refer to Section 1 of Schedule 6 "Management Report and Analysis" of this Annual Report for a chart evidencing the shareholding of iliad Holding Group as well as Note 37 of the consolidated accounts of iliad Holding S.A.S. for the year ended December 31, 2022 for a list of the main consolidated companies as at December 31, 2022.

SCHEDULE 6

Management Report and Analysis of iliad Holding S.A.S.

for the year ended December 31, 2022

Non-binding translation of the French original.

ANALYSIS OF ILIAD HOLDING GROUP'S BUSINESS AND RESULTS

— KEY CONSOLIDATED FINANCIAL DATA

In € millions	2022	2021
INCOME STATEMENT		
Revenues	8,369	7,587
EBITDAaL	3,300	2,944
Profit from ordinary activities	1,351	1,131
Profit for the period	608	383

In € millions	December 31, 2022	December 31, 2021
BALANCE SHEET		
Non-current assets	21,100	20,102
Current assets	3,234	3,030
• *Of which cash and cash equivalents*	*530*	*783*
Assets held for sale	1,470	959
TOTAL ASSETS	**25,804**	**24,091**
Total equity	2,178	1,573
Non-current liabilities	18,681	16,472
Current liabilities	4,925	6,047
Liabilities held for sale	19	0
TOTAL EQUITY AND LIABILITIES	**25,804**	**24,091**
Net debt[1]	**14,685**	**12,852**

In € millions	2022	2021
CASH FLOWS		
Cash flows from operations	**3,740**	**3,179**
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(892)	(836)
Capital expenditure excluding payments for frequencies – Group	(2,139)	(2,283)
Payments for frequencies – Group	(1,185)	(175)
Income tax paid	(528)	(342)
Net interest paid	(515)	(198)
Other (including impact of changes in scope of consolidation)	58	(2,174)
Net change in cash and cash equivalents – Group (excluding change in net debt and dividends)	**(1,535)**	**(3,054)**
Dividends paid to owners of the Company	(34)	0

(1) Short- and long-term financial liabilities less cash and cash equivalents.

1 GENERAL INFORMATION ABOUT ILIAD HOLDING

iliad Holding S.A.S. – which is wholly owned by Mr. Xavier Niel – indirectly controls (*via* HoldCo II S.A.S) the group of companies comprising iliad S.A. and the subsidiaries that iliad S.A. controls.

Since 2020, iliad Holding S.A.S. has taken on the role of a holding company that steers the Group, defining its general policy and strategic priorities, as well as identifying areas of development. In view of this, iliad holding S.A.S. set up a Strategy Committee comprising Mr. Xavier Niel and key executives of the Group as well as technical experts as permanent members, to develop the Group's strategy and ensure its effective implementation. A strategic management agreement has been entered into between iliad Holding S.A.S and iliad S.A.

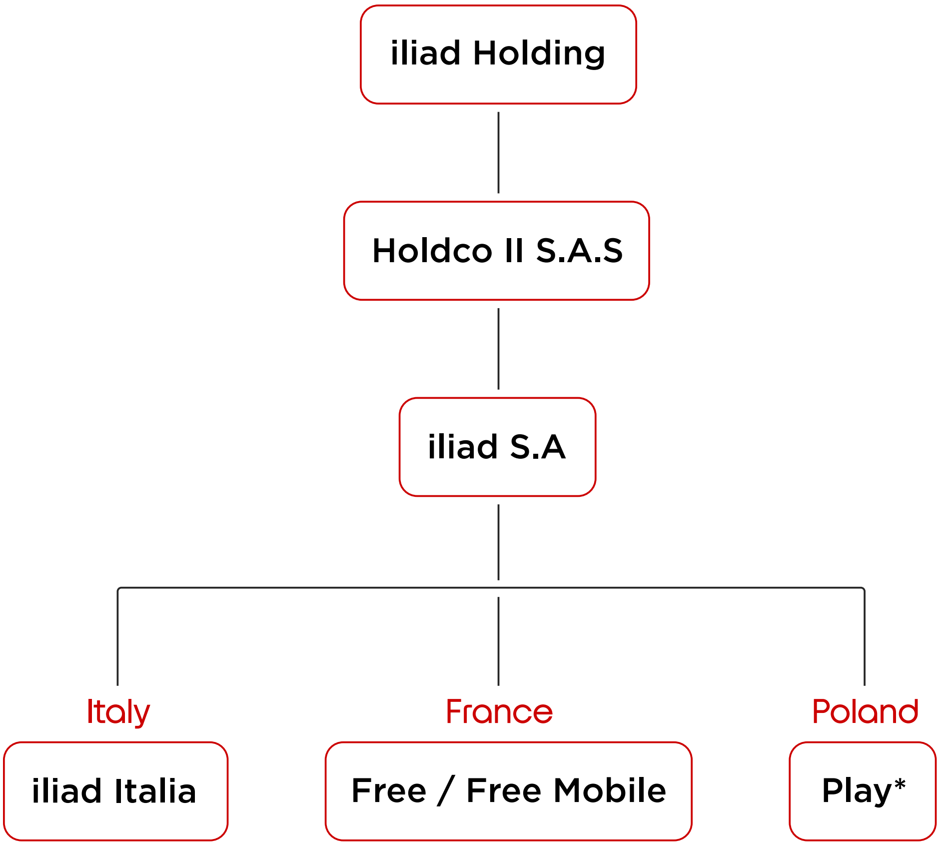
The Group has a streamlined, simplified organization, structured around iliad S.A., which directly owns all of the Group's subsidiaries and manages its strategic partnerships.

The financial relations between iliad Holding S.A.S. and iliad S.A. own subsidiaries mainly consist of (i) billings to subsidiaries for services and support provided in the areas of training, financial management, accounting, legal matters, etc., and (ii) organizing financing (for futher details regarding the Group organization and shareholding, please refer to schedules 5 and 6 of this Annual Report as well as Note 37 of the consolidated accounts of iliad Holding S.A.S. for the year ended December 31, 2022).

There are strong operating links between the Group's subsidiaries at several levels: (i) the Group's telecommunications network is housed within Free and Free Mobile, which are responsible for carrying the traffic of all of the Group's entities, (ii) Free and Free Mobile manage all services relating to the invoicing system for all of the Group's subsidiaries, and (iii) certain Group subsidiaries provide support services – notably telephone support – for all Group entities.

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

— STRUCTURE OF THE ILIAD HOLDING GROUP



*Incl. P4 sp Z.O.O

The Group is one of Europe's leading electronic communications players, with 45.9 million active subscribers, €8.4 billion in revenues in 2022 and over 16,700 employees.

The following key performance indicator is 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.

See the 2022 management report issued by the Group for more information on the Group's regulatory framework, business strategy, network investments and performance in each of its host countries (notably revenues, business indicators, EBITDAaL, profit from ordinary activities and capex).

2 COMPARISON OF RESULTS FOR 2022 AND 2021

In € millions	2022	2021	% change
REVENUES	**8,369**	**7,587**	**+10.3%**
Purchases used in production	(2,508)	(2,516)	-0.3%
Payroll costs	(527)	(441)	+19.4%
External charges	(1,230)	(973)	+26.3%
Taxes other than on income	(170)	(156)	+9.1%
Additions to provisions	(84)	(46)	+84.6%
Other income and expenses from operations, net	250	221	+13.2%
Depreciation of right-of-use assets	(800)	(731)	+9.4%
EBITDAAL	**3,300**	**2,944**	**+12.1%**
EBITDAaL margin	**39.4%**	**38.8%**	**+0.6 pt**
Share-based payment expense	(40)	(61)	-34.1%
Depreciation, amortization and impairment of non-current assets	(1,909)	(1,752)	+8.9%
PROFIT FROM ORDINARY ACTIVITIES	**1,351**	**1,131**	**+19.5%**
Other operating income and expense, net	267	(89)	-399.3%
OPERATING PROFIT	**1,618**	**1,042**	**+55.3%**
Finance costs, net	(545)	(356)	+52.9%
Interest expense on lease liabilities	(213)	(182)	+17.1%
Other financial income and expense, net	(77)	10	-858.0%
Corporate income tax	(219)	(201)	+9.2%
Share of profit of equity-accounted investees	43	69	-37.9%
PROFIT FOR THE PERIOD	**608**	**383**	**+58.8%**

(a) Analysis of results for the iliad Holding Group

(i) Revenues

Consolidated revenues advanced 10.3% year on year in 2022 (6.9% on a pro forma like-for-like basis [(1)]). Fourth-quarter growth reached 12.1% (7.7% pro forma like-for-like), driven by revenue increases in all three of our geographies (16.3% in Italy, 7.2% in France, and 6.9% in Poland on a pro forma like-for-like basis).

(ii) Payroll costs

At December 31, 2022, the Group had over 16,700 employees, representing an increase of 1,645 people compared with end-December 2021. Excluding the impact of the consolidation of UPC Polska since April 1, 2022, payroll costs rose 13.8%. France was the main contributor to this increase, reflecting (i) the fast pace of Fiber rollouts and connections and Fiber service quality improvements, (ii) recruitments of sales and technical staff to support our new B2B services, and (iii) the expansion of our distribution network.

(iii) External charges

External charges rose by 26.3% year on year to €1.23 billion (up 19.5% excluding UPC Polska). The increase in this item was mainly attributable to higher fixed and mobile network maintenance costs in our three geographies, higher energy costs due to the steep rises in electricity prices (especially in Italy) and, albeit to a lesser extent, to higher costs of services related to infrastructure leasing contracts, as well as higher advertising expenses.

(iv) Taxes other than on income

Taxes other than on income totaled €170 million, up 9.1% year on year (+8.0% excluding UPC Polska), as a result of the larger number of mobile sites in France (25% increase in IFER tax payments).

(v) Additions to provisions

Additions to provisions for bad debts, impairment of inventories and contingencies amounted to €84 million in 2022, up €39 million year on year, primarily attributable to an unfavorable basis of comparison with 2021 as there were provision reversals that year. The main additions were for bad debts and claims and litigation.

(1) With UPC Polska and Redge consolidated for a full 12 months in 2021 and 2022, and based on constant exchange rates.

(vi) Other income and expenses from operations, net

This item represented net income of €250 million in 2022, up €29 million year on year. The increase mainly reflects the recognition of gains generated from the sale of sites in connection with build-to-suit programs in our three geographies.

(vii) Depreciation of right-of-use assets

Depreciation of right-of-use assets totaled €800 million in 2022, a 9.4% year-on-year increase (8.9% excluding UPC Polska). This item results from the Group's application since January 1, 2019 of IFRS 16, Leases.

(viii) Profit for the period

Profit for the period advanced 58.8% to €608 million. Net finance costs rose by €188 million due mainly to the impact of the acquisition of UPC Polska in Poland and refinancing operations carried out during the year. Several non-recurring items impacted profit for 2022: (i) the €330 million gain on the sale of the Group's remaining 30% interest in On Tower France to Cellnex in late March, (ii) a €77 million net expense for "Other financial income and expense" following the recognition of several impairment losses on certain investments, including a loss arising on the decrease in value of the call option held by iliad over eir.

(b) Cash flows and capital expenditure of the iliad Holding Group

In € millions	2022	2021	% change
Consolidated cash flows from operations	**3,740**	**3,179**	**+17.7%**
Right-of-use assets and interest expense on lease liabilities – IFRS 16 impact	(892)	(836)	+6.7%
Change in working capital requirement	(75)	(224)	-66.7%
Operating free cash flow after IFRS 16	**2,773**	**2,118**	**+30.9%**
Consolidated capital expenditure[(1)]	**(2,139)**	**(2,283)**	**-6.3%**
Capital expenditure – France[(1)]	(1,492)	(1,673)	-10.8%
Capital expenditure – Italy[(1)]	(381)	(413)	-7.6%
Capital expenditure – Poland[(1)]	(265)	(198)	+34.1%
Income tax paid	(528)	(342)	+54.3%
Net interest paid	(515)	(198)	+160.2%
Other (including impact of changes in scope of consolidation)	58	(2,174)	-102.7%
Consolidated free cash flow (excluding payments for frequencies, financing activities and dividends)	**(350)**	**(2,879)**	**NM**
Payments for frequencies – Group	**(1,185)**	**(175)**	**NM**
Payments for frequencies – France	(112)	(113)	-0.7%
Payments for frequencies – Italy	(997)	(62)	NM
Payments for frequencies – Poland	(75)	0	-
Consolidated free cash flow (excluding financing activities and dividends)	**(1,535)**	**(3,054)**	**NM**
Dividends paid to owners of the Company	(34)	0	NM

(1) Excluding payments for frequencies.

Analysis of iliad Holding free cash flow

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

- €3.7 billion in consolidated cash flows from operations, up 17.7% on 2021, before €892 million in lease payments and interest expense on lease liabilities recognized due to the application of IFRS 16. Cash flow from operations increased sharply, in line with the rise in EBITDAaL and the decrease in capex, and also due to the 9-month consolidation of UPC Polska;
- a negative impact of change in working capital (€75 million), reflecting our actions to develop our mobile phone offering and the ramp-up of our B2B business. However, this figure represents a marked improvement on 2021 which was impacted by the recognition of an exceptional receivable owed by the French tax authorities;
- €528 million in income tax paid, up 54.3% year on year, mainly due to the capital gains tax on the sale of 70% of OTP to Cellnex. This sale closed in April 2021, but the capital gains tax was paid in 2022 and was applied to 100% of the net asset value;
- a €317 million increase in net interest paid, reflecting (i) the recognition on a full-year basis of the buyback from minority shareholders, (ii) the financing costs arising on the acquisition of UPC Polska, and (iii) to a lesser extent, the rise in interest rates;
- other: €58 million in other cash flows, including several non-recurring items related to transactions, in particular (i) the €1.48 billion outflow for the acquisition of UPC Polska, (ii) a €1.1 billion inflow from the sale of the Group's remaining 30% interest in OTF and the sale of a 10% stake in OTP to Cellnex, and to a lesser extent, (iii) the acquisition of 92.5% of Redge in Poland, the buyout of minority interests in Jaguar Network, the disposal of assets held for sale (in particular the build-to-suit program with Cellnex), and dividend inflows from equity-accounted investees (mainly eir).

(c) Debt of the iliad Holding Group

iliad Holding is not exposed to any significant liquidity risk in view of the iliad Group's profitability and debt maturity, as well as its access to various sources of financing and its leverage level.

At December 31, 2022, iliad Holding had gross debt of €15,215 million and net debt of €14,685 million (excluding IFRS 16 lease liabilities), with adjusted net debt [(1)] of €14,563 million.

At the same date, it had sufficient liquidity to finance its operations, with €530 million in consolidated cash and cash equivalents and €4.1 billion in undrawn credit facilities [(2)].

iliad Holding 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 December 31, 2022, iliad Holding's leverage ratio, including Play, was contained, at 4.4x EBITDAaL.

Gross debt at December 31, 2022 primarily comprised the borrowings described below.

— SUMMARY OF ILIAD HOLDING'S BORROWINGS DUE BEYOND ONE YEAR AT DECEMBER 31, 2022 (FINAL MATURITIES)

In € millions	Amount available	2023	2024	2025	2026 and beyond	Type of repayment/ redemption
Main borrowings – iliad holding						
Bank borrowings						
€300m revolving credit facility (SS RCF) – 2021	235	-	-	-	300	At maturity
Bond debt						
€1,100m bond issue – 2021 @ 5.125%	-	-	-	-	1,100	At maturity
€750m bond issue – 2021 @ 5.625%	-	-	-	-	750	At maturity
$1,200m bond issue – 2021 @ 6.500%*	-	-	-	-	1,038	At maturity
$900m bond issue – 2021 @ 7.000%*	-	-	-	-	779	At maturity
Main borrowings – iliad						
Bank borrowings						
€200m EIB loan – 2016	-	-	-	-	160	In installments
€300m EIB loan – 2018	-	-	-	-	300	In installments
€300m EIB loan – 2020	-	-	-	-	300	At maturity
€300m EIB loan – 2022	300	-	-	-	300	At maturity
€90m KFW loan – 2017	-	-	-	-	59	In installments
€150m KFW loan – 2019	-	-	-	-	120	In installments
€2,000m syndicated revolving credit facility – 2022	2,000	-	-	-	2,000	At maturity
€900m syndicated term loan – 2020	-	-	157	743	-	At maturity
€2,000m mid-term facility – 2022	1,050	-	-	1,250	-	At maturity
€1,000m syndicated term loan – 2022	-	-	-	-	1,000	At maturity
Bond debt						
€650m bond issue – 2017@ 1.500%	-	-	650	-	-	At maturity
€650m bond issue – 2018 @ 1.875%	-	-	-	650	-	At maturity
€650m bond issue – 2020 @ 2.375%	-	-	-	-	650	At maturity
€600m bond issue – 2021 @ 0.750%	-	-	600	-	-	At maturity
€700m bond issue – 2021 @ 1.875%	-	-	-	-	700	At maturity
€750m bond issue – 2022 @ 5.375%	-	-	-	-	750	At maturity
Schuldschein notes						
€500m *Schuldschein* issue – 2019	-	419	-	-	81	At maturity
€500m *Schuldschein* issue – 2021	-	-	-	185	315	At maturity
€112m *Schuldschein* issue – 2022	-	-	-	-	112	At maturity
Main borrowings – Play**						
Bank borrowings						
PLN 3,500m term loan – 2021	-	-	-	-	748	At maturity
PLN 2,000m revolving credit facility – 2021	427	-	427	-	-	At maturity

* *Converted at the EUR/USD cross-currency swap rate of 1.156, set up by iliad Holding on October 13, 2021.*

** *Converted at the EUR/PLN spot rate at December 30, 2022: 4.6808.*

(1) *Adjusted net debt corresponds to the sum of principal outstanding debt less cash and cash equivalents.*

(2) *Includes (i) syndicated revolving credit facilities held by iliad Holding (undrawn portion), iliad and Play, (ii) the undrawn available amount under the €2 billion mid-term facility set up in July 2022, and (iii) the €300 million bilateral loan set up in December 2022 with the EIB, none of which had been used at December 31, 2022.*

In € millions	Amount available	2023	2024	2025	2026 and beyond	Type of repayment/ redemption
PLN 500m BGK bilateral loan – 2021	46	10	10	10	31	In installments
PLN 464m ECA bilateral loan – 2021	-	25	25	25	25	In installments
PLN 5,500m acquisition loan – 2021	-	-	-	-	1,175	At maturity
PLN 470m EIB bilateral loan – 2022	50	-	-	13	38	In installments
Bond debt						
PLN 750m bond issue – 2019 @ Wib + 1.75%	-	-	-	-	160	At maturity
PLN 500m bond issue – 2020 @ Wib + 1.85%	-	-	-	-	107	At maturity

* *Converted at the EUR/USD cross-currency swap rate of 1.156, set up by iliad Holding on October 13, 2021.*

** *Converted at the EUR/PLN spot rate at December 30, 2022: 4.6808.*

Main movements in borrowings – iliad Holding

(a) Borrowings due beyond one year

(i) Bank borrowings

- **€1.2 billion bridge loan set up in July 2021**

  On March 31, 2022, iliad Holding fully repaid its €1.2 billion bridge loan ("Senior Security Bridge to Disposal Facility"), which was initially due on June 30, 2023 (with an extension option to January 30, 2024). This repayment followed the sale of the Group's remaining 30% stake in On Tower France to Cellnex as well as the sale of 10% of On Tower Poland to Cellnex on February 28, 2022.

- **€300 million revolving credit facility set up in July 2021**

  On June 30, 2022, iliad Holding fully repaid the amounts drawn on its revolving credit facility (the "Senior Secured Revolving Credit Facility" or "SSRCF").

  On October 13, 2022, iliad Holding drew €65 million on its SSRCF, bringing the undrawn amount available under this facility to €235 million at December 31, 2022.

Main movements in borrowings – iliad

(a) Borrowings due within one year

- **€1.4 billion NEU CP program**

  On June 22, 2022, iliad renewed its short-term NEU CP program, representing a maximum amount of €1.4 billion. €246 million of this program had been used at December 31, 2022.

- **€550 million trade receivables securitization program**

  In November 2021, iliad set up a securitization program for its trade receivables related to B2C subscriptions in France, representing a maximum amount of €450 million. On December 14, 2022, the Group amended this program, mainly in order to raise the maximum amount to €550 million.

  €513 million of this program had been used at December 31, 2022.

- **€500 million in *Schuldschein* notes, partially maturing in May 2023**

  On May 22, 2019, iliad carried out a *Schuldscheindarlehen* issue (a German private placement), 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.

  €419 million worth of these notes are redeemable on May 22, 2023, corresponding to the aggregate amount of the fixed- and variable-rate tranches that mature on that date.

(b) Borrowings due beyond one year

(i) Bank borrowings

- **A €900 million syndicated term loan set up in December 2020**

  On September 15, 2022, iliad exercised an option to extend by one year the €900 million syndicated term loan set up in December 2020, therefore extending the final maturity of this loan to December 2025.

- **A €2 billion syndicated revolving credit facility (previously €1.65 billion before the amend and extend clause signed in July 2022)**

  On June 21, 2022, iliad drew down €500 million from its syndicated revolving credit facility, which it repaid in full on July 27, 2022. At the same date, iliad amended and extended this facility, resulting in a seven-year extension of its maturity (to July 2029). Two extension options were included in the agreement, and the available credit facility was raised to €2 billion (from €1.65 billion previously). Following this amendment, the lending margin is now based on iliad's issuer rating, without any change made to the 3.75x Group leverage ratio set in the financial covenant applicable to iliad.

- **A €1 billion syndicated term loan set up in July 2022**

  On July 27, 2022, iliad set up a new syndicated term loan in an amount of €1 billion with a five-year maturity. At the same date, the Company drew down €500 million from this new loan in order to repay the same amount drawn down on its syndicated revolving credit facility. The contractual terms are aligned with those of the above-described new revolving credit facility.

  On September 15, 2022, the Company drew down the remaining €500 million of this loan in order to help finance the payment of 5G frequencies in Italy.

- **€2 billion mid-term facility set up in July 2022**

  On July 2, 2022, iliad set up a new mid-term facility representing an aggregate €2 billion with a maximum maturity of 2.5 years. The contractual terms are aligned with those of the above-described new revolving credit facility.

  On September 15, 2022, the Company drew down €300 million from this facility in order to help finance the payment of 5G frequencies in Italy.

  On December 5, 2022, iliad drew down a further €650 million in order to redeem bonds falling due in the same amount on the same date, therefore bringing its total drawdowns under this facility to €950 million.

  On December 15, 2022, following the €750 million bond issue on December 12, 2022 (see "Bonds and private placements" below), iliad repaid €750 million of the mid-term facility, therefore reducing the amounts drawn down under this facility to a total €200 million at that date.

- **€300 million bilateral loan set up in December 2022**

  On December 13, 2022, iliad signed a new loan agreement with the European Investment Bank (the "EIB") representing an aggregate €300 million, to help finance the Group's FTTH network rollouts in France. This loan can be used in several tranches and can be drawn down until June 13, 2024. It has a final maturity date that can be up to June 13, 2030, depending on the drawdown date(s) and the maturity date chosen. The final applicable interest rate will be set at each drawdown.

(ii) Bond issues and private placements

- **Redemption of the €650 million in bonds maturing in December 2022**

  On December 5, 2022, iliad redeemed the €650 million worth of bonds issued in December 2015.

- **Partial extension of the €500 million *Schuldscheindarlehen* ("Schuldschein" – SSD) notes issued in June 2021**

  In August 2022, in application of the extension options provided for in the indenture, iliad extended by 12 months the maturity date for part of the 5-year tranches, representing €23 million. The notes concerned now mature in June 2027 and they have been denominated as two new tranches.

- **€112 million *Schuldschein* issue in May 2022**

  On May 23, 2022, iliad carried out an issue of *Schuldscheindarlehen* ("Schuldschein" – SSD) notes, raising €112 million. This issue follows on from the *Schuldschein* issue carried out in June 2021 and was driven by investor demand for this type of placement. The May 2022 issue comprises two tranches:

  - a fixed tranche totaling €27 million paying interest at 2.734% and redeemable at maturity on June 30, 2026 (with a 6- or 12-month extension option);
  - a variable tranche totaling €85 million, with a 1.400% lending margin and redeemable at maturity on June 30, 2026 (with a 6- or 12-month extension option).

  In August 2022, in application of the extension options provided for in the indenture, iliad extended by 12 months the maturity date of part of the variable tranche, representing €40 million. The notes concerned now mature in June 2027.

- **€750 million worth of bonds issued in December 2022**

  On December 12, 2022, iliad successfully placed a €750 million bond issue, paying interest at 5.375% per year. The bonds will be redeemed at face value at maturity on June 14, 2027.

Main movements in borrowings – Play

(i) Bank borrowings

- **A PLN 500 million bilateral loan set up in October 2021**

  On October 31, 2022, Play drew down circa PLN 149 million under its bilateral loan (the "BGK Financing") set up in October 2021 with Bank Gospodarstwa Krajowego SA ("BGK Bank"). The amount drawn down has a fixed interest rate of 1.90% and is repayable in installments, by way of successive quarterly payments of equal amounts, commencing December 20, 2023 and with a final maturity date of September 20, 2028.

  On December 29, 2022, Play drew down a further PLN 137 million under the same terms and conditions as its first drawdown in October 2022, therefore bringing the total amount of drawdowns on this loan to circa PLN 286 million.

- **A PLN 5,500 million syndicated acquisition loan set up in December 2021**

  On April 1, 2022, Play drew down the full amount of this loan to help finance the acquisition of UPC.

- **A PLN 464 million bilateral loan set up in December 2021**

  On March 9, 2022, Play drew down PLN 235 million from its "Export Credit Agency Financing", or "ECA loan" set up in December 2021.

  Play drew down an additional PLN 125 million from this loan on June 22, 2022.

  On December 23, 2022, Play drew down the remaining circa PLN 104 million, and at that date the loan was therefore fully drawn down.

- **A PLN 470 million bilateral loan set up in January 2022**

  On January 14, 2022, Play signed a bilateral loan agreement with the European Investment Bank ("EIB") representing a total amount of PLN 470 million. Under this agreement, Play can borrow funds from the EIB to finance its capital expenditure for extending and upgrading its network as part of the European Union's "Gigabit Society by 2025" project, which is aimed at eliminating regional divides for access to fiber networks, improving cyber security, and achieving other digital transformation goals as described in the "2030 EU Digital Compass". This loan has a maturity of up to January 2034, depending on the future drawdown dates.

  On February 25, 2022, Play drew down PLN 150 million from the loan at a fixed rate of 5.40% and with half-yearly repayment installments commencing in February 2025 and ending in February 2028.

  On June 27, 2022, Play drew down a further PLN 50 million at a fixed rate of 7.459% with half-yearly repayment installments commencing in February 2025 and ending in June 2028.

  On December 22, 2022, Play drew down a further PLN 35 million, opting for an interest rate based on the Wibor plus a fixed margin of 2.31% with half yearly repayment installments commencing in June 2026 and ending in December 2030, therefore bringing the total amount of drawdowns under this loan to PLN 235 million.

SCHEDULE 7

Consolidated financial statements of iliad Holding S.A.S.

for the year ended December 31, 2022

Non-binding translation of the French original

DETAILED SUMMARY OF THE NOTES

CONSOLIDATED INCOME STATEMENT

In € millions	Note	2022	2021
REVENUES	**4**	**8,369**	**7,587**
Purchases used in production	6	(2,508)	(2,516)
Payroll costs	7	(527)	(441)
External charges	6	(1,230)	(973)
Taxes other than on income		(170)	(156)
Additions to provisions	10	(84)	(46)
Other income and expenses from operations, net	9	250	221
Depreciation of right-of-use assets	19	(800)	(731)
EBITDAaL	**3**	**3,300**	**2,944**
Share-based payment expense		(40)	(61)
Depreciation, amortization and impairment of non-current assets	10	(1,909)	(1,752)
PROFIT FROM ORDINARY ACTIVITIES		**1,351**	**1,131**
Other operating income and expense, net	11	267	(89)
OPERATING PROFIT		**1,618**	**1,042**
Income from cash and cash equivalents	12	0	1
Finance costs, gross	12	(545)	(357)
FINANCE COSTS, NET		**(545)**	**(356)**
Interest expense on lease liabilities	12	(213)	(182)
Other financial income and expense, net	12	(77)	10
Corporate income tax	13	(219)	(201)
Share of profit of equity-accounted investees	21	43	69
Profit for the period		**608**	**383**
Profit for the period attributable to:			
• Owners of the Company		586	364
• Minority interests		22	19
• Basic earnings per share	14	0.17	0.11
• Diluted earnings per share	14	0.17	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	2022	2021
Profit for the period	**608**	**383**
• Items that may be subsequently reclassified to profit:		
Fair value remeasurement of interest rate and currency hedging instruments	20	(3)
Tax effect	(5)	1
Value adjustments to equity investments	(17)	0
Tax effect	4	0
Change in translation adjustments	(23)	(21)
TOTAL	**(21)**	**(23)**
• Items that will not be reclassified to profit:		
Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	7	18
Tax effect	(2)	(5)
Share of OCI of equity-accounted investments that will not be reclassified to profit	125	62
Tax effect	(16)	(16)
TOTAL	**114**	**60**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**93**	**37**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**701**	**419**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
• Owners of the Company	690	399
• Minority interests	11	20

CONSOLIDATED BALANCE SHEET – ASSETS

In € millions	Note	December 31, 2022	December 31, 2021
Goodwill	16	717	562
Intangible assets	17	5,551	5,472
Right-of-use assets	19	4,367	4,163
Property, plant and equipment	20	8,132	7,403
Investments in equity-accounted investees	21	749	1,243
Other financial assets	22	990	740
Deferred income tax assets	13	542	476
Other non-current assets	24	52	44
TOTAL NON-CURRENT ASSETS		**21,100**	**20,102**
Inventories	23	324	65
Current income tax assets	13	40	12
Trade and other receivables	24	1,161	991
Other current assets	24	1,151	1,164
Other financial assets	22	27	13
Assets held for sale	25	1,470	959
Cash and cash equivalents	26	530	783
TOTAL CURRENT ASSETS		**4,704**	**3,989**
TOTAL ASSETS		**25,804**	**24,091**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € millions	Note	December 31, 2022	December 31, 2021
Share capital	27	3,390	3,390
Additional paid-in capital		1,716	1,716
Retained earnings and other reserves		(2,928)	(3,533)
TOTAL EQUITY		**2,178**	**1,573**
Attributable to:			
• Owners of the Company		2,134	1,541
• Minority interests		44	31
Long-term provisions	29	108	107
Long-term financial liabilities	30	13,783	11,986
Non-current lease liabilities	19	3,951	3,652
Deferred income tax liabilities	13	309	264
Other non-current liabilities	31	529	463
TOTAL NON-CURRENT LIABILITIES		**18,681**	**16,472**
Short-term provisions	29	78	54
Taxes payable	13	23	265
Trade and other payables	31	2,758	3,474
Short-term financial liabilities	30	1,431	1,649
Current lease liabilities	19	634	604
Liabilities held for sale	25	19	0
TOTAL CURRENT LIABILITIES		**4,945**	**6,047**
TOTAL EQUITY AND LIABILITIES		**25,804**	**24,091**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
BALANCE AT JANUARY 1, 2021	**3,329**	**1,664**	**(6)**	**(3,698)**	**1,286**	**2,575**	**1,679**	**4,254**
Movements in 2021								
Profit for the period					364	364	19	383
Impact of interest rate and currency hedges				(2)		(2)		(2)
Impact of post-employment benefit obligations				57		57	2	59
Impact of changes in translation adjustments				(20)		(20)	(1)	(21)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**35**	**364**	**399**	**20**	**419**
Change in share capital of iliad Holding	61	52				113		113
Dividends paid by iliad Holding						0		0
Dividends paid by subsidiaries						0	(79)	(79)
Purchases/sales of own shares			(65)	(2)		(67)	(2)	(69)
Impact of stock options				(22)		(22)	0	(22)
Impact of changes in minority interests in subsidiaries				(1,494)		(1,494)	(1,598)	(3,092)
Other				(38)		38	11	49
BALANCE AT DECEMBER 31, 2021	**3,390**	**1,716**	**(71)**	**(5,143)**	**1,650**	**1,542**	**31**	**1,573**

In € millions	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
BALANCE AT JANUARY 1, 2022	**3,390**	**1,716**	**(71)**	**(5,143)**	**1,650**	**1,542**	**31**	**1,573**
Movements in 2022								
Profit for the period					586	586	22	608
Impact of interest rate and currency hedges				16		16	(1)	15
Impact of changes in fair value of investments in subsidiaries and affiliates				(13)		(13)	0	(13)
Impact of post-employment benefit obligations				111		111	3	114
Impact of changes in translation adjustments				(10)		(10)	(13)	(23)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				**104**	**586**	**690**	**11**	**701**
Change in share capital of iliad Holding						0	0	0
Dividends paid by iliad Holding					(34)	(34)	0	(34)
Dividends paid by subsidiaries						0	(15)	(15)
Purchases/sales of own shares				24		24	1	24
Impact of stock options				24		24	1	24
Impact of changes in minority interests in subsidiaries				(18)		(18)	18	0
Other				(46)		(46)	(1)	(47)
BALANCE AT DECEMBER 31, 2022	**3,390**	**1,716**	**(71)**	**(5,103)**	**2,203**	**2,134**	**44**	**2,178**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions	Note	2022	2021
PROFIT FOR THE PERIOD (INCLUDING MINORITY INTERESTS)		**608**	**383**
+/- Depreciation, amortization and provisions, net (excluding for current assets)	10	2,665	2,391
-/+ Unrealized gains and losses on changes in fair value		79	(33)
+/- Non-cash expenses and income related to stock options and other share-based payments		35	49
-/+ Other non-cash income and expenses, net		187	182
-/+ Gains and losses on disposals of assets		(551)	(249)
-/+ Dilution gains and losses		0	0
+/- Share of profit of equity-accounted investees	21	(43)	(69)
- Dividends (investments in non-consolidated undertakings)		(3)	0
CASH FLOWS FROM OPERATIONS AFTER FINANCE COSTS, NET, AND INCOME TAX		**2,977**	**2,654**
+ Finance costs, net	12	545	325
+/- Income tax expense (including deferred taxes)	13	219	201
CASH FLOWS FROM OPERATIONS BEFORE FINANCE COSTS, NET, AND INCOME TAX (A)		**3,740**	**3,179**
- Income tax paid (B)		(528)	(342)
+/- Change in operating working capital requirement (incl. employee benefit obligations) (C)	15	(75)	(224)
= NET CASH GENERATED FROM OPERATING ACTIVITIES (E) = (A) + (B) + (C)		**3,138**	**2,613**
- Acquisitions of property, plant and equipment and intangible assets (Capex)	15	(3,349)	(2,450)
+ Disposals of property, plant and equipment and intangible assets (Capex)		26	5
- Acquisitions of investments in non-consolidated undertakings	22	(86)	(74)
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in scope of consolidation – acquisitions		(1,563)	(3,219)
+/- Effect of changes in scope of consolidation – disposals		0	0
+ Dividends received (from equity-accounted investees and non-consolidated undertakings)		254	21
+/- Change in outstanding loans and advances	22	(61)	(35)
- Cash outflows for leasehold rights		0	(1)
+ Cash inflows related to assets held for sale	25	1,708	1,248
- Cash outflows related to assets held for sale	25	(198)	(319)
= NET CASH USED IN INVESTING ACTIVITIES (F)		**(3,268)**	**(4,824)**
+ Amounts received from shareholders on capital increases	27	0	147
- Amounts paid to shareholders on capital reductions		0	0
+ Proceeds received on exercise of stock options		0	9
-/+ Own-share transactions	28	0	(85)
- Dividends paid during the period:		0	0
• Dividends paid to owners of the Company		(34)	0
• Dividends paid to minority shareholders of consolidated companies		(22)	(71)
+ Proceeds from new borrowings (excluding finance leases)	30	5,987	13,886
- Repayments of borrowings	30	(4,622)	(10,501)
- Repayments of lease liabilities	19	(808)	(770)
- Net interest paid	12	(515)	(198)
- Interest paid on lease liabilities		(106)	(86)
= NET CASH USED IN FINANCING ACTIVITIES (G)		**(121)**	**2,331**
+/- Effect of exchange-rate movements on cash and cash equivalents (H)		2	(29)
= NET CHANGE IN CASH AND CASH EQUIVALENTS (E + F + G + H)		**(248)**	**90**
+/- Impact of foreign exchange conversion of cash and cash equivalents (opening & closing rates)		(5)	(2)
Cash and cash equivalents at beginning of year		781	693
Cash and cash equivalents at year-end	26	527	781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Accounting principles and policies

1.1 General information

"iliad" refers to iliad SA, a *société anonyme* registered in France.

"iliad Holding" or "the Company" refers to iliad Holding S.A.S., a simplified joint stock company registered in France that indirectly holds the securities of iliad.

"iliad Holding Group" refers to iliad Holding and its consolidated subsidiaries.

"iliad Group" refers to iliad and its consolidated subsidiaries.

The iliad Holding Group (the "Group") is one of Europe's leading electronic communications players, with 45.9 million subscribers, €8.4 billion in revenues in 2022 and over 16,700 employees.

1.2 Applicable accounting standards and policies

The main accounting policies adopted for the preparation of these consolidated financial statements are set out below. Unless otherwise specified, the same policies have been consistently applied for all of the periods presented.

1.2.1 Basis of preparation

The consolidated financial statements of the iliad Holding Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for financial assets and liabilities carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is used.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment when applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

1.2.2 Standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2022

- **Amendments to IFRS 3 – Reference to the Conceptual Framework:** these amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Their effective date is January 1, 2022.
- **Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract:** these amendments clarify what costs an entity should consider in assessing whether a contract is onerous. They specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract', which can either be incremental costs of fulfilling the contract (such as direct labor or materials) or an allocation of other costs that relate directly to fulfilling the contract (such as the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments may cause some companies to recognize costs earlier than in the past. Their effective date is January 1, 2022. The impact of applying these amendments is not material for the iliad Holding Group.
- **Amendments to IAS 16 – Proceeds before Intended Use:** these amendments prohibit entities from deducting from the cost of property, plant and equipment amounts received from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. Instead, entities are required to recognize such sales proceeds and related cost in profit or loss. Their effective date is January 1, 2022. The impact of applying these amendments is not material for the iliad Holding Group.
- **IFRS Interpretations Committee (IFRS IC) agenda decision on Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38):** in April 2021, the IASB approved the conclusions of the December 2020 IFRS Interpretations Committee regarding the accounting for configuration and customization costs in a cloud computing arrangement (SaaS). Depending on their nature, such costs are generally expensed either immediately or over the term of the related agreement. The impact of this agenda decision is not material for the iliad Holding Group.

The iliad Holding Group has applied these amendments and agenda decision.

1.2.3 Main amendments whose application is mandatory for fiscal years beginning after December 31, 2022 and which were not early adopted

- **Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current:** the objective of these amendments is to clarify the criteria for classifying a liability as current or non-current. They clarify, but do not change, the existing requirements, and therefore will not significantly impact the Group's consolidated financial statements. Their effective date is January 1, 2024.
- **Amendment to IAS 1 – Disclosure of Accounting Policies:** this amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. It is not expected to result in a significant change in the information presented in the notes to the Group's consolidated financial statements. Their effective date is January 1, 2023.
- **Amendment to IAS 8 – Accounting Policies and Accounting Estimates:** this amendment sets out to clarify the definitions of «accounting policies» and «accounting estimates». Its effective date is January 1, 2023.
- **Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction:** under this amendment, entities are required to recognize deferred tax on the initial recognition of certain transactions where they give rise to equal amounts of deferred tax assets and liabilities. The amendment applies to transactions for which the entity recognizes both an asset and a liability, such as leases or decommissioning obligations. Its effective date is January 1, 2023.
- **Amendment to IAS 1 and IFRS 2:** this amendment aims to clarify disclosure requirements for accounting policies (IAS 1) under the IFRS 2 Practice Statement 2 – Making Materiality Judgements. More specifically, the amendment is intended to provide reporting guidance to entities in applying the concept of materiality in relation to accounting policies. Its effective date is January 1, 2023.

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

1.2.4 Consideration of climate risks

The iliad Holding Group strives to limit the impact of its activities on the environment. On January 21, 2021, the Group published its Climate strategy (drawn up prior to including its business activities in Poland). This strategy is based on three main objectives:

- as of 2021, 100% of the Group's energy supply to be derived from renewable sources;
- by 2035, net zero for direct emissions – 15 years earlier than the Paris Agreement target;
- by 2050, net zero for the Group's main direct emissions.

To achieve these objectives, the Group made 10 pledges in January 2021 (see the iliad website for further information).

The deployment of the iliad Holding Group's climate program is reflected in its financial statements through operating expenses, research and development costs and corporate sponsorship and philanthropy expenses. In addition, against an overall backdrop of energy and environmental transition, the Group's EBITDAaL will be exposed in the coming years to changes in electricity and raw materials prices and in production, transport and distribution costs, as well as costs related to the end-of-life of products.

The short- and mid-term effects of climate change have been incorporated into the Group's projections, which are used as the basis for impairment tests on goodwill and intangible assets. The Group does not expect the value and useful lives of its property, plant and equipment and intangible assets to be significantly impacted.

1.3 Consolidation

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the iliad Holding Group. They are fully consolidated in the Group's financial statements.

Control is presumed to exist when the iliad Holding Group has the power to govern an entity's financial and operating policies, either directly or indirectly, so as to obtain benefits from its activities. The Group controls an entity, if and only if, it has all of the following elements of control:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the Group's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the iliad Holding Group has significant influence but not control or joint control (i.e. entities that are not subsidiaries or joint ventures). Interests in associates are accounted for using the equity method.

The existence of significant influence by the iliad Holding Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the iliad Holding Group and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

The financial statements of associates are accounted for by the equity method in the consolidated financial statements from the date significant influence arises to the date significant influence ceases.

The Group does not have any investments in special-purpose entities.

Jointly controlled entities

Joint ventures and joint operations are joint arrangements whereby the iliad Holding Group contractually agrees with one or more partners to share control over an economic activity. Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The assets, liabilities, income and expenses of these joint arrangements are accounted for in the consolidated financial statements based on the Group's interest in the joint operation. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. They are accounted for by the equity method.

Eliminations on consolidation

All intragroup transactions and balances are eliminated on consolidation as well as gains and losses on transactions between subsidiaries.

Business combinations

The Group applies the acquisition method to account for business combinations.

The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the transaction date, plus all costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their acquisition-date fair value, including any minority interests.

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recognized as goodwill except for costs directly attributable to the acquisition, which are recorded in the income statement.

If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is carried out, the combination is accounted for using those provisional values and any adjustments made as a result of completing the initial accounting must be recognized within 12 months of the acquisition date.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the acquired subsidiary/associate at the acquisition date.

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill related to acquisitions of associates is included in «Investments in equity-accounted investees». Separately recognized goodwill is tested for impairment annually – or whenever events or circumstances indicate that it may be impaired – and is carried at cost less any accumulated impairment losses. Impairment losses recognized against goodwill may not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Goodwill impairment losses are recorded within operating profit in the income statement, under "Other operating income and expense, net".

Functional and presentation currency

In accordance with IAS 21, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

Unless otherwise specified, all amounts are presented in millions of euros.

Foreign currency translation

Assets and liabilities of iliad Holding Group companies that are denominated in foreign currencies are translated into euros at the year-end rate, corresponding to EUR 1/PLN 4.68 for Poland, EUR 1/MAD 11.14 for Morocco and EUR 1/USD 1.07 for the United States. The income and expenses of these companies are translated into euros at average exchange rates for the year, i.e. EUR 1/PLN 4.69 for Poland, EUR 1/MAD 11.14 for Morocco and EUR 1/USD 1.05 for the United States.

All resulting exchange differences are recognized directly in equity.

Fiscal year-end

All Group companies have a December 31 fiscal year-end.

1.4 Presentation of the financial statements

As permitted under IAS 1, Presentation of Financial Statements, the iliad Holding Group's income statement is presented by nature.

Operating profit corresponds to profit for the period, before:

- financial income and expenses (as defined in Note 12);
- current and deferred taxes;
- share of profit of equity-accounted investees;

Profit from ordinary activities corresponds to operating profit as defined above, before "Other operating income and expense, net". These items include income and expenses that are rare, unusual and infrequent, which represent material amounts and whose presentation within other items relating to ordinary activities could be misleading for users of the financial statements in their understanding of the Group's performance.

Costs included in "Other operating income and expense, net" notably include expenses incurred for acquiring new entities or costs borne on the sale of a Group entity.

The iliad Holding Group has elected to present an additional indicator of earnings performance in its income statement:

- EBITDAaL.

  EBITDAaL is a key indicator of the Group's operating performance and corresponds to profit from ordinary activities (as defined above) before:

  - depreciation, amortization and impairment of property, plant and equipment and intangible assets; and
  - share-based payment expense.

1.5 Summary of significant accounting policies

The main accounting policies applied by the Group are as follows:

Revenues

Revenues from the iliad Holding Group's operations are recognized and presented as follows in accordance with IFRS 15, Revenue from Contracts with Customers:

- Revenues from usage of connection time are recognized in the period in which the usage takes place.
- Revenues from subscriptions and flat-fee plans are recognized over the period covered by the subscriptions or plans.
- Revenues from the sale of mobile phones and boxes are recognized when they are delivered to the purchaser.
- Revenues from the sale or provision of content supplied by external parties are presented as a gross amount when the Group is deemed to be the party in the transaction with primary responsibility in relation to the end-customer. These revenues are presented net of the amounts due to the content supplier when it is the content supplier that is responsible for providing the content to the end-customer and setting the retail price.
- Revenues from the sale of advertising banners are spread over the period during which the banners are displayed.
- Revenues from website hosting activities are recognized during the period in which the service is rendered.

The iliad Holding Group applies IFRS 16 for recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IFRS 16, the Group considers that the present value of the lease payments receivable is approximately equivalent to the fair value of the leased asset and that losses associated with any cancellation are borne by customers (i.e. the lessees). Consequently, revenues from these transactions are accounted for as sales revenue as provided for in IFRS 16.

The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased phone, less the present value of the unguaranteed residual value. This accounting treatment does not affect the legal classification of these transactions under French law, which still corresponds to the rental of a movable asset.

Foreign currency transactions

The recognition and measurement rules for foreign currency transactions are set out in IAS 21, The Effects of Changes in Foreign Exchange Rates. In accordance with that standard, transactions denominated in foreign currencies are recorded at their value in euros at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate and any exchange gains or losses are recognized in profit as follows:

- as operating income or expenses for commercial transactions;
- as financial income or expenses for financial transactions.

Earnings per share

The iliad Holding Group presents basic and diluted earnings per share.

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the Company (attributable profit) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting attributable profit and the weighted average number of shares outstanding for the impact of all potentially dilutive financial instruments.

Intangible assets

Intangible assets primarily include the following:

- Development costs capitalized in accordance with IAS 38, which are amortized over the period during which the Group is expected to consume the related future economic benefits. These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future economic benefits will be generated.

  These conditions are deemed to be met when the six general criteria defined in IAS 38 are fulfilled, i.e. when the Group can demonstrate:

  - the technical feasibility of completing the intangible asset so that it will be available for use or sale;
  - its intention to complete the intangible asset and use or sell it;
  - its ability to use or sell the asset;
  - how the intangible asset will generate probable future economic benefits;
  - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
  - its ability to measure reliably the expenditure attributable to the intangible asset during its development.

  Capitalized development costs are presented net of any related subsidies or research tax credits.
- Intangible assets acquired in connection with business combinations. These assets are recognized separately from goodwill when (i) their fair value can be measured reliably, (ii) they are controlled by the Group, and (iii) they are identifiable, i.e. are separable or arise from contractual or other legal rights. Where these assets have a finite useful life they are amortized from the date they are made available for use in the same way as for intangible assets acquired separately, and an impairment loss is recognized if their carrying amount exceeds their recoverable amount.
  - Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.
  - Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed. Licenses other than the 3.5 GHz license in France are being amortized on a straight-line basis over a period of 18 years on average. The 3.5 GHz license is being amortized over 15 years as from December 15, 2020.
  - Impairment losses recognized following impairment tests are recorded in the income statement under "Other operating income and expense, net" below profit from ordinary activities.
- The "Play" brand, which is not being amortized.
- Software, which is amortized on a straight-line basis over a period of one to three years.
- The Play customer base, which is being amortized over eight years for customers on prepaid cards and 15 years for other customers.
- The UPC customer base, which is being amortized over a period of 15 years.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, including transaction expenses, or at production cost. Cost includes any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Group Management.

Depreciation is calculated by the straight-line method, based on the following estimated useful lives:

- Buildings: 15 to 50 years;
- Technical equipment: 3 to 14 years;
- General equipment: 10 years;
- Specific investments for optical fiber network rollouts: 8 to 30 years;
- Specific investments for mobile network rollouts: 6 to 18 years;
- Computer equipment: 3 to 5 years;
- Office furniture and equipment: 2 to 10 years;
- Modems: 5 years;
- Access fees for services specific to broadband Internet operations are depreciated over 7 years;
- Amounts paid as consideration for obtaining indefeasible rights of use (IRUs) on dark optical fibers are depreciated over the initial term of use of the fiber concerned.

At each reporting date, the Group assesses whether the depreciation schedules applied still reflect the useful lives of its assets, and makes amendments where necessary.

Borrowing costs

In accordance with IAS 23, borrowing costs directly attributable to the acquisition or production of a qualifying asset are included in the cost of that asset.

Impairment of non-financial assets

Non-financial assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers events or circumstances that suggest that significant unfavorable changes have taken place which may have a prolonged, adverse effect on the Group's economic or technological environment, or on the assumptions used on acquisition of the asset concerned.

All other assets are also tested for impairment, either on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Financial assets

Financial assets held under the "hold to collect" business model (held for the purpose of collecting contractual cash flows, notably for repayments of principal and collection of interest payments) are measured at amortized cost. This is the case for loans and paid deposits and guarantees.

Financial assets held under the "hold to collect and sell" business model (held for the purpose of collecting contractual cash flows – notably for repayments of principal and collection of interest payments – as well as selling the financial assets) are measured at fair value through other comprehensive income.

Financial assets held under other business models are measured at fair value through profit or loss. This is the case for hedging instruments that are classified as financial assets.

Inventories

Inventories are recognized at the lower of cost and estimated net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventories are written down if their carrying amount is higher than their probable selling price less any related selling expenses.

Receivables

Receivables are initially recognized in accordance with IFRS 15 and subsequently measured at amortized cost using the effective interest method. The fair value of short-term receivables with no stated interest rate corresponds to the original invoice amount.

The Group recognizes a provision for expected credit losses on receivables. The probability of default and the expected credit loss are measured based on historical data adjusted for forward-looking information such as specific factors or the general economic environment.

Expected credit losses are measured by reference to the probability of default occurring, the "loss given default" (i.e. the size of the loss in the event of default), and exposure at default.

The amount of expected credit losses is remeasured at each reporting date to reflect changes in credit risk since the initial recognition of the financial instruments concerned. In order to assess whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the credit default risk at the reporting date with the default risk on the financial instrument at the initial recognition date. This allows the Group to collate reasonable and documented quantitative and qualitative information about expected credit losses, including the existence of any unresolved claims and litigation, claims history and any significant financial difficulties experienced by its debtors.

Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination and there is no difference in the applicable tax and accounting treatment. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is recovered or the deferred tax liability is settled.

Deferred tax assets are recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of less than three months and highly liquid investments in money-market mutual funds. Short-term investments are marked to market at each reporting date.

Bank overdrafts are classified as current financial liabilities.

Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified as "Assets held for sale".

These assets are presented in the balance sheet under "Assets held for sale" and are measured at the lower of their carrying amount and fair value less costs to sell.

Own shares held

Own shares held are recognized as a deduction from equity based on their acquisition cost. Gains and losses on the disposal of own shares held are also recorded in equity.

Provisions

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, when the Group's obligations to third parties known at the reporting date are certain or likely to cause an outflow of resources for the benefit of a third party, without at least equivalent consideration, a provision is recorded when the amount concerned can be estimated with sufficient reliability.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at fair value, net of directly attributable transaction costs incurred. They are subsequently measured at amortized cost.

Employee benefits

Other than share-based payments – which are described in a specific note – the only employee benefits within the Group correspond to post-employment benefits.

In accordance with IAS 19, Employee Benefits, independent actuarial valuations of post-employment benefit obligations under defined benefit plans are made using the projected unit credit method, with benefit entitlements recognized as they vest.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the applicable collective bargaining agreement and/or company-level agreement, using personal data projected to the standard age for payment of the benefit. The Group's total obligations toward each participant (total actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account:

- assumptions concerning the employee's probability of either leaving the Group or dying before the age of payment of the benefit;
- the discounted value of the benefit at the measurement date.

These total benefits are then allocated over each of the past and future years for which rights are accrued under the plan, taking into account the vesting period of capped benefits for the plans in question. The portion of the Company's obligation allocated to years prior to the measurement date (projected benefit obligation) corresponds to obligations for services rendered. The projected benefit obligation represents the Group's obligation existing at the reporting date. The individual results of the valuation are then aggregated to obtain Group-level results.

In accordance with IAS 19R, actuarial gains and losses are immediately recognized in equity. In addition, interest cost and expected return on plan assets have been replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

IFRS IC IAS 19 agenda decision

In late May 2021, the IAS Board approved an agenda decision by the IFRS Interpretations Committee relating to the way benefit obligations for certain defined benefit plans are measured. This decision was implemented by the Group as of December 31, 2021 for plans falling within its scope of application, which in practice corresponded to amending the way the benefits are measured for certain statutory retirement bonus plans in France.

Stock options and share grants

In accordance with IFRS 2, Share-based Payment, stock options, employee share issues and free grants of shares in Group companies to employees are measured at fair value at the grant or issue date.

Calculations of the fair value of stock options are performed based on criteria such as the exercise price and life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends on the shares and the risk-free interest rate over the life of the options.

The fair value of stock options is recognized under "Share-based payment expense" on a straight-line basis over the vesting period (i.e. the service period that must be completed in order for the options to vest), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

Performance shares are measured at fair value based on the Group's share price at the grant date and, where appropriate, taking into account certain vesting conditions using a mathematical valuation model. Vesting conditions not taken into account for the fair value measurement at the vesting date are taken into account in estimating the number of shares that will vest at the end of the vesting period. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

A certain number of Group employees have been granted shares in subsidiaries subject to conditions relating to their presence within the Group. The shares are measured based on the fair value of the benefit granted to the employee on the grant date, with the calculation incorporating assumptions concerning the staff turnover rate for beneficiaries, a discount in respect of the lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

Derivative financial instruments and hedging

Derivatives are initially recognized at fair value at the inception date of the derivative contract and are subsequently remeasured at fair value at each reporting date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. It also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Note 33 and Note 34. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item exceeds 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of any gain or loss from remeasuring a derivative financial instrument designated as a cash flow hedge is recognized:

- directly in equity; and
- the ineffective portion is recognized in the income statement.

Changes in the fair value of other derivative instruments are recorded in the income statement.

If a derivative instrument no longer qualifies for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is transferred to the income statement under financial income or expense when:

- the hedging instrument is exercised, terminated or sold;
- the Group no longer expects the forecast transaction to occur; or
- the original hedged item affects profit.

Note 2 Significant events and scope of consolidation

2.1 Significant events

Armed conflict in Ukraine

As the iliad Holding Group does not have any business activities in Ukraine, the armed conflict engaged in by Russia on February 24, 2022 has not had a material impact on iliad's consolidated financial statements for the year ended December 31, 2022.

However, as from the very first days of the war, Play – the iliad Holding Group's Polish subsidiary – put in place measures to manage the increase in data traffic and help the people emigrating to Poland, including increasing its network capacity, securing its systems, updating its offers for Ukrainians and increasing the number of the Group's contact points on the border with Ukraine and in the rest of the country. This conflict could increase the cost of the Group's energy purchases in the coming months and years, and more generally lead to a rise in the cost of certain components and equipment purchased by the iliad Holding Group.

Sale of a 30% stake in On Tower France and a 10% stake in On Tower Poland, and payment of an exceptional dividend

On February 28, 2022, the Group completed the sale of its remaining 30% stake in On Tower France to the Cellnex group for €950 million (excluding taxes). This resulted in a €330 million gain (excluding taxes) in the first quarter of 2022. On the same date, the Group also sold a 10% stake in On Tower Poland for PLN 615 million. This sale generated a loss of €7 million, largely owing to the negative currency impact. Following the sale of the 10% stake, the Group has a residual interest of 30% in On Tower Poland. At December 31, 2022, as the Group has planned to sell its remaining 30% stake in On Tower Poland during 2023, the Group's 30% residual stake in On Tower Poland was recorded in the balance sheet within "Assets held for sale".

The cash generated by these two transactions was used to pay exceptional dividend on 2021 earnings of €1,262 million (i.e., €21.5 per share) at the end of March 2022. A €205 million dividend was paid on 2021 profit from ordinary activities in May (i.e., €3.5 per share). Dividends paid in 2022 therefore represent a total of €1,467 million.

Completion of the UPC Polska acquisition

On April 1, 2022, the iliad Group and Liberty Global announced that the latter had completed the sale of 100% of Polish fiber operator UPC Polska to the iliad Group's mobile subsidiary Play for an enterprise value of PLN 7 billion (€1.5 billion). UPC Polska is one of Poland's leading Internet service providers, with 3.7 million fiber-eligible homes and 1.6 million single subscribers. UPC Polska generated revenues of €385 million in 2021. UPC Polska's earnings have been consolidated in the iliad Holding Group's financial statements since April 1, 2022.

The PLN 5,500 million (€1.2 billion) syndicated loan set up on December 10, 2021 in connection with the acquisition was fully drawn on April 1, 2022.

Agreement signed for the sale of 50% of UPC Access Network shares to Infravia

On June 19, 2022, the Group signed an agreement with InfraVia V Invest S.A.R.L (an InfraVia Capital Partner Group company) to sell a 50% stake in Polski Światłowód Otwarty sp. z o.o. (formerly FiberForce sp. z o.o.), an iliad Holding Group dedicated entity. The sale, representing PLN 1,775 million (approximately €400 million), is subject to the earn-out clauses specified in the agreement and to the approval of the relevant authorities. The transaction will be effective upon the removal of the conditions precedent specified in the agreement and is expected to close at the end of March 2023.

On March 1, 2023, through the spin-off of UPC Polska sp z.o.o. ("UPC") activities, Play transferred part of UPC's operations to a dedicated entity, including network infrastructure representing 3.7 million HFC and FTTx connections. Polski Światłowód Otwarty sp. z o.o. will make its network available to other operators (including Play and UPC) based on the wholesale price model.

The dedicated entity will be jointly controlled by InfraVia and Play and will be accounted for after completion of the transaction within "Investments in equity-accounted investees". The assets of UCP Polska to be transferred to this entity were therefore considered as held for sale at December 31, 2022 (see Note 25 – Assets and liabilities held for sale).

2.2 Scope of consolidation and changes in 2022

2.2.1 List of main consolidated companies and consolidation methods

The list of consolidated companies and the consolidation methods used is provided in Note 37.

2.2.2 Changes in scope of consolidation in 2022

Acquisition of UPC Polska

On April 1, 2022 the Group acquired a controlling interest in UPC Polska (see Note 2.1). UPC Polska's earnings have been consolidated in the iliad Holding Group's financial statements since April 1, 2022.

At December 31, 2022, measurement of the related goodwill was finalized and allocated as follows:

In € millions	
Purchase price	**1,553**
Net assets acquired before purchase price allocation	
• Non-current assets	378
• Current assets	48
• Non-current liabilities	27
• Current liabilities	125
Purchase price allocation at December 31, 2022	
• Subscriber base	338
• Remeasurement of tangible assets	76
• Remeasurement of liabilities	(32)
• Deferred taxes	(72)
• Other	(10)
GOODWILL AFTER PPA ALLOCATION	**978**
• Reclassification as Assets held for sale	(847)
RESIDUAL GOODWILL AT DECEMBER 31, 2022	**131**

Sale of a 30% stake in On Tower France

On February 28, 2022, iliad sold its residual 30% stake in On Tower France. This investment was included within "Assets held for sale" at December 31, 2021.

Sale of a 10% stake in On Tower Poland

On February 28, 2022, the iliad Group sold a 10% stake in On Tower Poland. Following the sale of the 10% stake, the Group has a residual interest of 30% in On Tower Poland. At December 31, 2022, the Group's investment in On Tower Poland was recognized in the balance sheet within "Assets held for sale" for €387 million.

Note 3 Critical accounting estimates and judgments

Accounting judgments

The iliad Holding Group makes accounting judgments in order to determine the accounting treatment for certain transactions.

The main accounting judgments made by the Group relate to:

- the method used for consolidating certain companies (see Note 21);
- the contractual terms used for determining lease liabilities in accordance with IFRS 16 (see Note 19).

Accounting estimates

The iliad Holding Group makes estimates and assumptions concerning the future.

It continually reviews these estimates and assumptions which are based both on past experience and on other factors deemed reasonable to be used for assessing the carrying amount of assets and liabilities. Actual amounts may differ significantly from these estimates should different assumptions or conditions apply.

The main accounting estimates used by the Group relate to:

- useful lives and impairment of non-current assets;
- assessment of the fair value of certain financial assets;
- assessment of the recoverable amount of deferred tax assets recognized for tax loss carryforwards;
- assessment of doubtful receivables and calculating the corresponding impairment losses;
- the duration of mobile phone rental periods;
- assessment of the estimated net realizable value of inventories and calculating the corresponding impairment losses;
- assessment of risks related to disputes and litigation in process and calculating the corresponding provisions;
- determining whether the Group is principal or agent in accordance with IFRS 15;
- determining the non-cancellable term of leases, separating the lease and service components, and determining the incremental borrowing rate when the rate implicit in the lease cannot be readily determined for the purpose of applying IFRS 16;
- determining the nature and the fair value of assets and liabilities acquired as part of business combinations.

Note 4 Revenues

Consolidated revenues rose 10% to €8.4 billion in 2022.

The presentation of the Group's revenues by geographic segment is provided in Note 5 below.

This presentation may be changed in the future, depending on operating criteria and the development of the Group's businesses.

Note 5 Segment information

Given Poland's increasing importance to the Group's business, management followed up on its review of operations at the beginning of 2022. As from January 1, 2022, the iliad Holding Group has three operating segments:

- France;
- Italy;
- Poland.

— 2022 REVENUES

In € millions	France	Italy	Poland	Intra-group sales	Total
Revenues					
Fixed	3,054	12	334	(15)	3,385
Mobile	2,508	914	1,573	(5)	4,990
Intra-group sales	(6)	0	0	0	(6)
TOTAL	**5,555**	**927**	**1,907**	**(19)**	**8,369**

— 2021 REVENUES

In € millions	France	Italy	Poland	Intra-group sales	Total
Revenues					
Fixed	2,874	0	32	(12)	2,894
Mobile	2,333	802	1,568	(4)	4,699
Intra-group sales	(6)	0	0	0	(6)
TOTAL	**5,202**	**802**	**1,600**	**(16)**	**7,587**

The increase in revenues for fiscal year 2022 concerns all geographies. In Poland, the increase in revenues is mainly due to the inclusion of UPC in the scope of consolidation since April 1, 2022.

— 2022 EARNINGS

In € millions	France	Italy	Poland	Total
Earnings				
EBITDAaL	2,284	211	805	3,300
Share-based payment expense	(38)	(0)	(2)	(40)
Depreciation, amortization and impairment of non-current assets	(1,222)	(380)	(306)	(1,909)
Profit/(loss) from ordinary activities	1,024	(169)	497	1,352
Profit/(loss) for the period	727	(231)	112	608

— 2021 EARNINGS

In € millions	France	Italy	Poland	Total
Earnings				
EBITDAaL	2,180	80	684	2,944
Share-based payment expense	(54)	0	(7)	(62)
Depreciation, amortization and impairment of non-current assets	(1,185)	(327)	(239)	(1,752)
Profit/(loss) from ordinary activities	942	(248)	437	1,131
Profit/(loss) for the period	414	(259)	228	383

— ASSETS AT DECEMBER 31, 2022

In € millions	France	Italy	Poland	Total
Non-current assets				
Goodwill	304	0	412	717
Intangible assets (carrying amount)	1,669	2,075	1,807	5,551
Right-of-use assets (carrying amount)	2,811	675	880	4,367
Property, plant and equipment (carrying amount)	6,704	779	649	8,132
Investments in equity-accounted investees	749	0	0	749
Current assets (excluding cash and cash equivalents, financial assets and tax assets)	**1,541**	**379**	**2,187**	**4,107**
Cash and cash equivalents	**394**	**0**	**135**	**529**

— ASSETS AT DECEMBER 31, 2021

In € millions	France	Italy	Poland	Total
Non-current assets				
Goodwill	300	0	262	562
Intangible assets (carrying amount)	1,786	2,192	1,494	5,472
Right-of-use assets (carrying amount)	2,731	607	825	4,163
Property, plant and equipment (carrying amount)	6,343	671	389	7,403
Investments in equity-accounted investees	835	0	407	1,243
Current assets (excluding cash and cash equivalents, financial assets and tax assets)	**1,981**	**400**	**798**	**3,179**
Cash and cash equivalents	**500**	**1**	**282**	**783**

— LIABILITIES AT DECEMBER 31, 2022, EXCLUDING FINANCIAL LIABILITIES AND TAXES PAYABLE

In € millions	France	Italy	Poland	Total
Non-current liabilities				
Other non-current liabilities	352	175	2	529
Current liabilities				
Trade and other payables	1,780	465	514	2,759

— LIABILITIES AT DECEMBER 31, 2021, EXCLUDING FINANCIAL LIABILITIES AND TAXES PAYABLE

In € millions	France	Italy	Poland	Total
Non-current liabilities				
Other non-current liabilities	460	0	3	463
Current liabilities				
Trade and other payables	1,580	1,561	334	3,474

Note 6 Purchases used in production and external charges

Purchases used in production mainly include:

- interconnection costs invoiced by other operators (including roaming charges);
- maintenance costs relating to unbundling operations;
- costs and fees related to the FTTH business;
- acquisitions of goods and services for resale or for use in designing goods or services billed by the Group.

External charges primarily comprise:

- logistics and dispatch costs;
- leasing expenses (including leases entered into for network development purposes, such as for mobile sites);
- marketing and advertising costs;
- external service provider fees;
- subcontracting costs.

Note 7 Human resources data

Payroll costs

Payroll costs break down as follows:

In € millions	2022	2021
Wages and salaries	(386)	(330)
Payroll taxes	(141)	(112)
TOTAL	**(527)**	**(442)**

Number of employees at year-end

The iliad Holding Group's headcount can be analyzed as follows by category:

Number of employees at year-end	2022	2021
Management	4,095	3,325
Other	12,637	11,765
TOTAL	**16,732**	**15,090**

Post-employment benefits

The methods used for recognizing and measuring retirement and other post-employment benefit obligations comply with IAS 19R, Employee Benefits.

The retirement benefit plans in place in the countries where the iliad Holding Group operates are defined benefit plans.

Movements in the Group's retirement benefit obligations in 2022 and 2021 can be analyzed as follows:

The main economic assumptions used to measure the Group's retirement benefit obligations at 2022 and 2021 were as follows:

In € millions	2022	2021
Present value of obligation at the end of the previous year	21	35
Impact of IFRIC-IAS 19 (see Note 1.5)	0	(16)
Present value of obligation at beginning of year:	21	19
• Impact of changes in scope of consolidation	0	0
• Current service cost	4	4
• Loss/(gain) from changes in assumptions	(10)	(2)
• Experience (gains)/losses	0	0
TOTAL	**15**	**21**

Retirement benefit obligation assumptions – France

	2022	2021
• Discount rate	3.75%	1.05%
• Long-term inflation rate	2.00%	2.00%
• Mortality table	Insee TD/TV 2016-2018	Insee TD/TV 2015-2017
• Type of retirement	Voluntary	Voluntary
• Retirement age		
• Management	Statutory retirement age post-2014 French pension reform and the 2015 French Social Security Financing Act	Statutory retirement age post-2014 French pension reform and the 2015 French Social Security Financing Act
• Other		

Retirement benefit obligation assumptions – Poland

	2022		2021
	P4	UPC	
• Discount rate	6.80%	6.70%	3.20%
• Long-term inflation rate	6.00%	4.50%	4.00%
• Mortality table	2021 Polish mortality table issued by Poland's central statistics office	2021 Polish mortality table issued by Poland's central statistics office	2020 Polish mortality table issued by Poland's central statistics office
• Type of retirement	Voluntary	Voluntary	Voluntary
• Retirement age			
• Management	Poland's full state pension age as set at Nov. 16, 2016	Poland's full state pension age as set at Nov. 16, 2016	Poland's full state pension age as set at Nov. 16, 2016
• Other			

The impact on equity of the Group's retirement benefit obligations was a positive €114,648 thousand (before tax) at December 31, 2022 and the amount recognized in the income statement for the year then ended corresponded to a €4,349 thousand expense (before tax).

Note 8 Development costs

Development costs include:

- the cost of designing new products, adapting existing products to the Internet, and researching or creating databases for new applications. These costs are primarily incurred by Freebox;
- development costs for remote data processing and/or data storage by Scaleway;
- the technological development costs incurred in the mobile telephony business, notably concerning the network's architecture and functionalities. These costs are primarily incurred by Free Mobile.

Development costs incurred in 2022 are presented net of any related research tax credits.

In € millions	2022	2021
Capitalized development costs	(28)	(18)
Development costs recognized directly in the income statement	0	0
TOTAL	**(28)**	**(18)**

Note 9 Other income and expenses from operations, net

Other income from operations breaks down as follows:

In € millions	2022	2021
Income from partnerships*	428	455
Customer contract termination fees	11	10
Other	32	24
TOTAL OTHER INCOME FROM OPERATIONS	**471**	**490**

* *Corresponds mainly to income related to the partnerships with Cellnex concerning the sale of mobile infrastructure.*

Other expenses from operations can be analyzed as follows:

In € millions	2022	2021
Costs related to partnerships*	(161)	(199)
Royalties and similar fees	(48)	(61)
Bad debts	0	(1)
Other	(13)	(8)
TOTAL OTHER EXPENSES FROM OPERATIONS	**(221)**	**(269)**

* *Corresponds mainly to costs related to the partnerships with Cellnex concerning the sale of mobile infrastructure.*

In € millions	2022	2021
OTHER INCOME AND EXPENSES FROM OPERATIONS, NET	**250**	**221**

Note 10 Depreciation, amortization, provisions and impairment

The following tables show the breakdown between the various components of depreciation, amortization, provisions and impairment:

— DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-CURRENT ASSETS

In € millions	2022	2021
• Depreciation and amortization expense:		
Intangible assets	(697)	(679)
Property, plant and equipment	(1,202)	(1,073)
• Impairment of non-current assets:	0	0
Property, plant and equipment	(9)	(1)
• Depreciation/amortization of investment grants:	0	0
Intangible assets	0	1
Property, plant and equipment	0	0
TOTAL	**(1,909)**	**(1,752)**

— ADDITIONS TO AND REVERSALS FROM PROVISIONS FOR CONTINGENCIES AND CHARGES AND IMPAIRMENT OF CURRENT ASSETS

In € millions	2022	2021
Provisions for contingencies and charges	(6)	38
Impairment of inventories	(2)	(3)
Impairment of trade receivables	(77)	(81)
TOTAL	**(84)**	**(46)**

Note 11 Other operating income and expense, net

This item breaks down as follows:

In € millions	2022	2021
Gains on asset disposals	310	(10)
Other operating expenses	(44)	(79)
TOTAL	**267**	**(89)**

Gains on asset disposals

The gain on disposals of Group assets in 2022 corresponds mainly to the sale of the residual 30% interest in On Tower France for €330 million (see Note 2).

Other operating expenses

This item includes miscellaneous costs and other expenses (such as professional fees and taxes and duties on financial transactions) incurred by the Group in connection with operations launched in 2021 and 2022.

Note 12 Financial income and expenses

Financial income and expenses can be analyzed as follows:

In € millions	2022	2021
Income from cash and cash equivalents	0	1
Finance costs, gross:		
Interest on borrowings	(544)	(357)
Finance costs, net	**(544)**	**(356)**
Other financial income	27	31
Sub-total – Other financial income	**27**	**31**
Other financial expenses		
Translation adjustments/Hedging expenses	5	(11)
Discounting expense	(40)	(44)
Other	(69)	34
Sub-total – Other financial expenses	**(104)**	**(21)**
Other financial income and expense, net	**(77)**	**10**
Interest expense on lease liabilities	**(213)**	**(182)**
NET FINANCIAL EXPENSE	**(834)**	**(528)**

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 30) as well as discounting expense.

Finance costs, gross, mainly comprise interest on borrowings.

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

The Group's call option on eir shares was remeasured in 2022, leading to the recognition of €18.5 million in financial expenses and bringing the carrying amount of the option to €37 million at December 31, 2022.

Interest expense on lease liabilities relates to the Group's application of IFRS 16.

Note 13 Corporate income tax

Analysis of the corporate income tax charge

The Group's corporate income tax charge breaks down as follows:

In € millions	2022	2021
Current taxes		
on income	(269)	(362)
on value added (CVAE)	(27)	(23)
Current income tax charge	**(295)**	**(385)**
Deferred taxes		
on income	76	184
on value added (CVAE)	0	0
DEFERRED INCOME TAX BENEFIT/(CHARGE)	**76**	**184**
TOTAL TAX CHARGE	**(219)**	**(201)**

Tax group

As a result of the acquisition in 2021 of more than 95% of iliad's capital by Holdco 2, the tax consolidation group set up in 1998 with iliad as parent company was disbanded with effect from December 31, 2021.

As from 2022, iliad is part of iliad Holding's tax group.

The following rules apply within the tax group:

- Each company in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis.
- Tax savings arising on the Group's use of tax losses generated by a Group company are allocated to the parent.

- Tax credits that are refundable (research tax credit, training tax credit, etc.) are recorded in the subsidiaries.
- Any tax charges or benefits relating to adjustments to total earnings, as well as any tax credits for loss-making companies, are recorded at the level of the parent.
- No payments in relation to these matters may be due by the parent when a company leaves the tax group.

Description of deferred tax assets/liabilities and tax loss carryforwards

The iliad Holding Group's deferred tax assets and liabilities mainly arise on non-current assets and on tax loss carryforwards.

At December 31, 2022, deferred tax assets arising on tax loss carryforwards related solely to Italy and amounted to €277 million compared with €206 million at December 31, 2021. These tax loss carryforwards were recognized in full at December 31, 2022 in view of the resounding commercial success of the launch of the Group's Italian subsidiary and based on the Group's five-year forecasts for this subsidiary.

The tax losses in Italy can be carried forward indefinitely.

The iliad Holding Group expects these losses to be absorbed within a period of approximately five years.

Tax proof

The table below reconciles:

- the Group's theoretical tax rate;
- with the effective tax rate calculated on consolidated profit from continuing operations before tax.

In € millions	**2022**	**2021**
Profit for the period	608	383
• Corporate income tax	219	201
Consolidated profit from continuing operations before tax	**827**	**584**
Theoretical tax rate	25.83%	28.41%
• Net impact of permanent differences	35.87%	63.30%
• Impact of unrecognized tax loss carryforwards	0.00%	-11.46%
• Impact of different tax rates	-22.14%	-45.86%
• Other impacts	0.00%	0.00%
EFFECTIVE TAX RATE	**39.55%**	**34.39%**

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

Tax loss carryforwards of companies outside the tax group that have been in a loss-making position for several years and are not expected to return to profit in the near future.

Tax loss carryforwards that are not expected to be utilized in view of the projected future earnings of the companies concerned based on the information available at the reporting date, or when the companies concerned have been historically loss-making and their turnaround is in progress.

Unrecognized deferred tax assets totaled €762 thousand at December 31, 2022, versus €1,117 thousand at December 31, 2021.

Note 14 Earnings per share

— DILUTED EARNINGS PER SHARE

In € millions	**2022**	**2021**
Profit for the period attributable to owners of the Company	586	364
Diluted profit for the period attributable to owners of the Company	586	364
Number of share equivalents	3,389,990,348	3,389,990,348
DILUTED EARNINGS PER SHARE *(IN €)*	**0.17**	**0.11**

Note 15 Analysis of the Consolidated Statement of Cash Flows

Cash flows from operating activities

Net cash generated from operating activities is determined by the indirect method, which consists of adding back to or deducting from profit for the period:

- all non-cash transactions;
- deferrals or adjustments concerning past or future cash inflows or outflows related to operations; and
- all cash flows relating to investing or financing activities.

Change in operating working capital requirement

The change in operating working capital requirement in 2022 and 2021 can be analyzed as follows:

In € millions	Note	At Dec. 31, 2021	Net debits	Net credits	Impact of changes in scope of consolidation	Other	At Dec. 31, 2022
Net inventories	23	66	179	0	0	78	324
Net trade receivables	24	993	153	0	4	13	1,163
Net other receivables	24	1,234	8	0	5	(95)	1,152
Trade payables (suppliers of goods and services)	31	(952)	0	(141)	(77)	(56)	(1,226)
Other payables		(1,132)	0	(125)	(17)	(180)	(1,453)
TOTAL		**209**	**341**	**(266)**	**(85)**	**(240)**	**41**
Change in operating working capital requirement in 2022				**75**			

In € millions	Note	At Dec. 31, 2020	Net debits	Net credits	Impact of changes in scope of consolidation	Other	At Dec. 31, 2021
Net inventories	23	84	34	(27)		(24)	66
Net trade receivables	24	867	57	(24)		93	993
Net other receivables	24	1,108	140			(14)	1,234
Trade payables (suppliers of goods and services)	31	(942)	18	(19)		(9)	(952)
Other payables		(912)	34	12		(265)	(1,132)
TOTAL		**205**	**282**	**(58)**		**(219)**	**209**
Change in operating working capital requirement in 2021				**224**			

— OTHER RECEIVABLES

In € millions	Note	December 31, 2022	December 31, 2021
Trade and other receivables:	24	2,312	2,157
Trade receivables	24	(1,160)	(923)
Other receivables		**1,152**	**1,234**

— OTHER PAYABLES

In € millions	Note	December 31, 2022	December 31, 2021
Trade and other payables:	31	3,287	3,938
• Suppliers of goods and services	31	(1,226)	(952)
• Suppliers of non-current assets		(1,147)	(2,225)
• Other		540	371
Other payables		**1,454**	**1,132**

— ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

This item can be analyzed as follows:

In € millions	Note	2022	2021
Acquisition of intangible assets	17	303	355
Acquisition of property, plant and equipment	20	2,165	2,128
Suppliers of non-current assets (excl. VAT)			0
• At January 1		2,225	2,413
• Newly consolidated company		0	0
• Impact of first-time application of IFRS 16		0	0
• At December 31		(1,147)	(2,206)
Other		(197)	(241)
TOTAL		**3,349**	**2,450**

— CASH FLOWS

In € millions	Note	Cash and cash equivalents at Dec. 31, 2022	Cash and cash equivalents at Dec. 31, 2021
Cash (including currency hedges)	26	524	683
Marketable securities	26	6	100
SUB-TOTAL		**529**	**783**
Bank overdrafts	31	(2)	(2)
TOTAL		**527**	**781**

Note 16 Goodwill

In € millions	2022	2021
Carrying amount at January 1	562	2,437
• Acquisition of UPC	1,275	0
• Acquisition of Play	0	18
• Allocation of goodwill relating to Play	0	(1,881)
• Allocation of goodwill relating to UPC Polska	(301)	0
• Reclassification of the UPC Polska goodwill as assets held for sale	(847)	0
• Other	31	0
• Disposals	0	(9)
• Translation adjustments	(4)	(4)
CARRYING AMOUNT AT DECEMBER 31	**717**	**562**

During 2021, the Group completed the measurement of the identifiable net assets acquired on the acquisition of Play and allocated its purchase price, with the final goodwill amount allocated to the various assets and liabilities concerned.

During 2022, the Group completed the measurement of the identifiable net assets acquired on the acquisition of UPC and allocated its purchase price, with the final goodwill amount allocated to the various assets and liabilities concerned (see Note 2).

Note 17 Intangible assets

Intangible assets break down as follows:

In € millions	December 31, 2022 Gross	December 31, 2022 Amortization and impairment	December 31, 2022 Net	December 31, 2021 Gross value	December 31, 2021 Amortization and impairment	December 31, 2021 Net
• Licenses – France	2,188	(718)	1,470	2,182	(587)	1,595
• Licenses – Italy	2,068	(367)	1,700	2,067	(228)	1,839
• Licenses – Poland	669	(357)	313	605	(323)	282
• Other intangible assets	2,649	(637)	2,012	2,219	(509)	1,709
Internally-generated intangible assets:						
• Development costs	125	(70)	56	97	(51)	47
TOTAL	**7,699**	**(2,149)**	**5,551**	**7,171**	**(1,699)**	**5,472**

France

At end-2022, the iliad Holding Group had a portfolio of 67.5 MHz duplex with balanced coverage across Metropolitan France, in the 700 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz frequency bands, as well as 70 MHz in the 3.5 GHz band.

Since late 2016, the iliad Group has also had a balanced frequency portfolio in Guadeloupe, French Guiana, Martinique, Saint-Barthélemy and Saint-Martin, in the 800 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

Italy

The iliad Group has a balanced portfolio of 45 MHz duplex in the 700 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz frequency bands covering the whole of Italy, as well as 20 MHz in the 3.6 GHz-3.8 GHz band and 200 MHz in the 26.5-27.5 GHz band.

Poland

Following its acquisition of Play in late 2020, the Group has a balanced portfolio of 60 MHz duplex in the 800 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz frequency bands covering the whole of Poland, as well as an additional 5 MHz in the 2.1 GHz band.

Group

Borrowing costs capitalized in previous years relating to the iliad Group's licenses represented a gross amount of €88 million at December 31, 2022.

There are no restrictions on the legal title of the Group's intangible assets and none of these assets have been pledged as security for borrowings.

Movements in net intangible assets can be analyzed as follows:

In € millions	2022	2021
Net at January 1	5,472	4,543
Additions:		
• newly-consolidated company	377	0
• acquisitions	303	355
• asset remeasurements	0	0
• internally-generated intangible assets	35	21
Reclassifications	69	1,222
Other	(0)	14
Translation adjustments	(8)	(4)
Amortization, provisions and impairment	(697)	(679)
NET AT DECEMBER 31	**5,551**	**5,472**

The €1,222 million recorded under Reclassifications in 2021 relates to the allocation of goodwill related to Play.

Intangible assets in progress

The carrying amount of intangible assets in progress is included in the carrying amounts of the various categories of intangible assets, as follows:

In € millions	December 31, 2022	December 31, 2021
Licenses	39	47
Other	132	40
TOTAL	**171**	**87**

Note 18 Impairment tests on goodwill and intangible assets

Goodwill and intangible assets not yet available for use are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that they may be impaired.

Impairment tests

At December 31, 2022 the Group carried out its annual impairment tests on all of its CGUs, i.e., France Italy, and Poland.

In € millions	France CGU	Italy CGU	Poland CGU
Goodwill	**304**	**0**	**413**

The tests were performed by comparing each CGU's recoverable amount against its carrying amount.

No impairment losses were recognized against any of the assets allocated to the Group's CGUs following the impairment tests performed at end-2022. The current climate of rising procurement costs for the Group, and more generally high inflation, impact the Group's profitability in the short term, but have not altered its long-term growth outlook.

The assumptions used for calculating the recoverable amounts of the Group's CGUs were as follows at December 31, 2022:

	France CGU	Italy CGU	Poland CGU
Post-tax discount rate	7.0%	8.0%	8.9%
Perpetuity growth rate	1.5%	1.5%	2.4%

Sensitivity of recoverable amounts

At December 31, 2022, the Group performed a sensitivity analysis on its France, Italy and Poland CGUs. The sensitivities tested reflect the range of estimations and assumptions deemed reasonably possible by the Group. No significant risk of impairment was identified as a result of this analysis.

The analysis of the three CGUs measured the sensitivity of their recoverable amounts to each of the following variables:

- a 0.5% increase in the discount rate;
- a 0.5% decrease in the perpetual growth rate;
- a 5% decrease in cash flows in the last year of the business plan.

Note 19 Right-of-use assets and lease liabilities

Accounting principles

The Group has applied IFRS 16, Leases, since January 1, 2019.

IFRS 16 requires lessees to recognize a lease liability in the balance sheet representing the present value of future lease payments, with a corresponding right-of-use asset recognized and depreciated over the lease term. The actual payments made for these rights of use are recorded in "Repayments of lease liabilities" in the statement of cash flows under cash flows from financing activities. In accordance with this standard, wherever possible, the Group has separated out the non-lease components (including service components) of its lease contracts in order to only include the lease components for measuring its lease liabilities.

The lease term used to measure lease liabilities generally corresponds to the initial negotiated term of the lease, without taking into account any early termination or extension options, except for specific cases.

The accounting method used for leases when the Group is a lessor is the same as under IAS 17.

The Group elected to use the modified retrospective approach for its first-time application of IFRS 16, under which lease liabilities were measured as the present value of lease payments that had not been paid at the transition date (i.e. January 1, 2019).

The Group did not elect to apply the exemptions available in IFRS 16 relating to leases with terms of 12 months or less or for which the underlying asset is of low value.

The Group has identified three main types of leases, which relate to:

- Networks, corresponding mainly to (i) rentals of the local loop for Fixed subscribers, including the rental of the FTTH loop from IFT (see Note 21), (ii) rentals of dark fiber, and (iii) rentals of sites (land, building roofs, pylons, etc.) used for setting up the Group's active and passive mobile network infrastructure, including the rental of assets sold by the Group to Cellnex in 2019 in France and Italy and in 2021 in Poland.

  In most cases, the lease term corresponds to the remaining contractual duration, except for local loop rentals, for which the lease term under IFRS 16 corresponds to the estimated duration of the subscriber's use of the local loop concerned.
- Real estate (land and buildings), corresponding to leases for the Group's head offices, stores and technical premises.

  In most cases, the lease term corresponds to the remaining contractual duration without taking into account any potential early termination.
- Other (including vehicles).

  In most cases, the lease term corresponds to the remaining contractual duration.

The weightings of the three main categories of lease are as follows:

	Networks	Real estate	Other
December 31, 2021	92.0%	7.4%	0.5%
December 31, 2022	91.9%	7.6%	0.5%

The carrying amount of right-of-use assets breaks down as follows:

In € millions	Networks	Real estate	Other	Total
Carrying amount at December 31, 2021	**3,832**	**309**	**22**	**4,163**
Acquisitions (new assets)	1,065	56	15	1,136
Disposals	(129)	(1)	(0)	(131)
Reclassification to assets held for sale	0	0	0	0
Impact of changes in scope of consolidation	4	21	3	27
Translation adjustments	(14)	(0)	(0)	(15)
Other	(8)	2	(8)	(14)
Depreciation, amortization and impairment of non-current assets	(738)	(52)	(10)	(800)
CARRYING AMOUNT AT DECEMBER 31, 2022	**4,012**	**333**	**22**	**4,367**

Lease liabilities break down as follows:

	December 31, 2022				December 31, 2021			
In € millions	Networks	Real estate	Other	Total	Networks	Real estate	Other	Total
Non-current	3,749	195	8	3,951	3,450	193	8	3,652
Current	593	32	10	634	567	28	10	604
TOTAL LEASE LIABILITIES	**4,341**	**226**	**18**	**4,586**	**4,017**	**221**	**18**	**4,256**

Breakdown of the Group's undiscounted lease liabilities at December 31, 2022:

In € millions	December 31, 2022	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Undiscounted lease liabilities	**6,035**	767	1,934	3,333	**6,035**

Note 20 Property, plant and equipment

Property, plant and equipment can be analyzed as follows:

	December 31, 2022			December 31, 2021		
In € millions	Gross	Depreciation	Net	Gross	Depreciation	Net
• Land and buildings	101	19	82	102	17	85
• Network usage rights	171	116	54	193	131	62
• Service access fees	604	399	205	677	414	263
• Network equipment	13,013	5,829	7,183	11,579	5,170	6,409
• Other	898	290	607	838	254	584
TOTAL	**14,786**	**6,654**	**8,132**	**13,389**	**5,986**	**7,403**

There are no restrictions on the legal title of the Group's property, plant and equipment and none of these assets have been pledged as security for borrowings.

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

In € millions	December 31, 2022	December 31, 2021
Net at January 1	**7,403**	**6,521**
Acquisitions	2,165	2,128
Disposals	(228)	(16)
Reclassification to assets held for sale	(221)	(164)
Other	2	(19)
Impact of changes in scope of consolidation	205	0
Translation adjustments	(7)	(1)
Depreciation, provisions and impairment	(1,187)	(1,046)
NET AT DECEMBER 31	**8,132**	**7,403**

During 2022, the iliad Holding Group kept up its capital spending drive for growth projects. This particularly included the following:

- A step-up in the pace of investments for the FTTH network rollout, with a particular acceleration in rollouts in averagely populated areas, and an increase in the number of subscribers connected up to fiber.
- Mobile-related capital expenditure, reflecting the significant progress made in the mobile network rollout in France, Italy and Poland, along with technological upgrades, particularly for 4G/4G+ and 5G/5G-ready.
- Capital expenditure related to the launch of new boxes.
- Other capital expenditure related to the Fixed business in the three countries.
- Investment in the hosting business, which is growing rapidly.

Transfers in 2022 include in particular the sale of certain fiber assets to IFT (see Note 21).

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In 2022, no such events or circumstances were identified that had a material effect on the carrying amount of these assets.

Assets under construction

The carrying amount of assets under construction is included in the carrying amounts of the various categories of property, plant and equipment, as follows:

In € millions	December 31, 2022	December 31, 2021
• Land and buildings	35	35
• Network usage rights	2	2
• Network equipment	1,094	1,162
• Other	1	1
TOTAL	**1,131**	**1,200**

Note 21 Equity-accounted investees

The iliad Holding Group has three main equity-accounted investees:

NJJ Boru

On April 6, 2018, iliad acquired a 49% interest in NJJ Boru SAS for c. €316 million, as part of the eir transaction. On the same date, NJJ Boru acquired a 64.5% interest in eir.

The Group therefore holds a 31.6% indirect interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company).

Investissement dans la Fibre des Territoires (IFT)

On February 28, 2020, the iliad Holding Group sold a majority stake in IFT to InfraVia.

Formed specifically for the purpose of the partnership with InfraVia, IFT is a company dedicated to actively managing fiber lines. In particular, it is tasked with acquiring and operating iliad's co-financed FTTH tranches outside very densely populated areas of France. The company rents subscriber lines between ONs and shared access points to Free, its main customer, and other commercial operators. At December 31, 2022, the Group held a 48.98% stake in IFT. Based on the rights it exercises with respect to IFT, the Group considers it exercises joint control over the company.

On Tower Poland

On March 31, 2021, Play sold to Cellnex 60% of the shares in On Tower Poland. Prior to the sale, Play's passive mobile network infrastructure was transferred to On Tower Poland. At December 31, 2021, the Group still held a 40% stake in On Tower Poland. Out of this remaining 40%, 10% was transferred to Cellnex at end-February 2022. The 10% sold in February 2022 was included in assets held for sale at December 31, 2021.

In 2022, the iliad Holding Group considered that it exercised significant influence over On Tower Poland.

Additionally, since April 2021, On Tower Poland has provided access services to Play for passive telecommunications infrastructure in Poland under a Master Service Agreement ("MSA"). This MSA is being accounted for as a lease within the meaning of IFRS 16. The partnership also provides for the construction of new sites which will be sold by the iliad Holding Group to On Tower Poland.

The Group's 2022 results its share of On Tower Poland's earnings between January 1, 2022 and December 31, 2022. As it planned to sell its residual 30% stake in On Tower Poland in 2023, this residual investment was reclassified within "Assets held for sale" for an amount of €387 million.

The Group's share of profit of equity-accounted investees in 2022 and 2021 can be analyzed as follows:

In € millions	December 31, 2022	December 31, 2021
Share of profit of equity-accounted investees before tax	57	78
Share of tax of equity-accounted investees	(14)	(9)
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES AFTER TAX	**43**	**69**

The 2021 results include iliad Holding Group's share of On Tower France's earnings from January 1, 2021 to May 28, 2021, the date on which the iliad Holding Group announced its intention to sell its residual stake in On Tower France, in which it held a 30% interest up until end-February 2022.

Movements in the Group's investments in equity-accounted investees were as follows in 2022 and 2021:

In € millions	2022	2021
At January 1	**1,243**	**1,364**
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT JANUARY 1	**1,243**	**1,364**
Movements:		
Share of profit/(loss) of equity-accounted investees	43	69
Share of OCI of equity-accounted investees	109	46
Dividends paid	(251)	(15)
Translation adjustments	(8)	(2)
Capital reductions	0	0
Acquisitions and changes in scope of consolidation	0	539
Reclassifications to assets held for sale	(387)	(758)
Other	0	1
INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES AT DECEMBER 31	**749**	**1,243**

The main changes in scope of consolidation concern:

- in 2021: the equity accounting of On Tower Poland, the sale of a 10% stake in On Tower Poland (out of the 40% interest owned and accounted for by the equity method) and the Group's exit from the capital of On Tower France (recognized within "Assets held for sale" at December 31, 2021);
- in 2022: an exceptional dividend payment from NJJ Boru (€243 million) linked to the sale of 49.99% of the fiber operations of eir (Fibre Networks Ireland) to InfraVia during 2022, as well as an increase in the share of OCI of equity-accounted investees linked to changes in the actuarial assumptions used to measure eir's net pension liability. Changes also include the reclassification of the Group's remaining 30% interest in On Tower Poland from "Investments in equity-accounted investees" to "Assets held for sale".

The table below sets out the key financial information of the NJJ Boru sub-group, based on its most recent consolidated financial statements prepared in accordance with IFRS:

In € millions	December 31, 2022	December 31, 2021
Non-current assets	4,695	4,685
Current assets	836	562
Total non-current liabilities	(3,793)	(3,430)
Current liabilities	(629)	(648)
TOTAL NET ASSETS	**1,109**	**1,169**

The table below sets out the key financial information of Investissement dans la Fibre des Territoires, based on its most recent financial statements prepared in accordance with IFRS:

In € millions	December 31, 2022	December 31, 2021
Non-current assets	2,022	1,617
Current assets	519	385
Total non-current liabilities	(1,550)	(1,152)
Current liabilities	(505)	(406)
TOTAL NET ASSETS	**486**	**444**

The consolidated financial statements of the iliad Holding Group include transactions carried out by the Group with equity-accounted investees as part of its routine business. These transactions are conducted on arm's length terms.

The Group has no off-balance-sheet commitments relating to equity-accounted investees.

Note 22 Other financial assets

Other financial assets break down as follows by nature:

In € millions	December 31, 2022	December 31, 2021
Other long-term financial assets		
• Other investment securities	83	71
• Loans, receivables and other	815	569
• eir option	37	56
• Guarantee deposits	55	44
TOTAL OTHER LONG-TERM FINANCIAL ASSETS	**990**	**740**
Other short-term financial assets		
• Loans and receivables	27	13
TOTAL OTHER SHORT-TERM FINANCIAL ASSETS	**27**	**13**
TOTAL OTHER FINANCIAL ASSETS	**1,017**	**753**

Non-current assets

- NJJ Tara has granted the Group a call option, exercisable in 2024 and 2025, which covers 80% of NJJ Tara's interest in NJJ Boru (i.e. 41% of NJJ Boru and, indirectly, 26.3% of eir's capital). The option will be exercisable at a price representing a 12.5% discount to fair market value, as determined by an independent valuer, but with a floor calculated based on an annual yield of 2%.

  This call option was recognized in "Other financial assets" in an initial amount of €16 million, which was increased to €22 million at end-2020 and to €56 million at end-2021. Since December 31, 2022, the option has been carried in the consolidated financial statements at its remeasured amount of €37 million (see Note 2).
- In April 2021, iliad and iliad Italia Holding acquired, for €49 million, 12% of the capital of Unieuro – an Italian retailer of consumer electronic products. This purchase was recognized under "Other investment securities".
- A non-recourse financing arrangement was put in place within the framework of the strategic partnership with InfraVia through IFT. This arrangement includes a shareholder contribution commitment, at the level of the iliad Holding Group's investment, to support the fast-paced development of IFT in the first five years. At December 31, 2022, the cumulative amount of contributions made in this respect amounted to €87 million.

Current assets

Other short-term financial assets correspond to the portion of receivables with a maturity of less than one year.

Other financial assets break down as follows by function:

In € millions	December 31, 2022	December 31, 2021
• Financial assets carried at fair value through profit or loss	879	650
• Financial assets carried at fair value through OCI	83	59
• Financial assets carried at amortized cost	55	44
TOTAL OTHER FINANCIAL ASSETS	**1,017**	**753**

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

In € millions	2022	2021
Carrying amount at January 1	753	578
Acquisitions	104	108
Fair value adjustments	174	55
Redemptions and repayments	(0)	0
Impact of changes in scope of consolidation	0	11
Disposals	6	1
Additions to provisions	(19)	0
CARRYING AMOUNT AT DECEMBER 31	**1,017**	**753**

Note 23 Inventories

Inventories break down as follows:

In € millions	December 31, 2022	December 31, 2021
Inventories – gross	336	79
Total impairment	(11)	(14)
INVENTORIES – NET	**324**	**65**

The increase in inventories of finished products is mainly due to the recognition in inventories of passive mobile infrastructure intended for sale, in the context of the partnership with Cellnex in France, Italy and Poland. The minimum number of sites to be transferred was defined in the agreement signed with Cellnex in 2019 for France and Italy and in 2021 for Poland. Sites intended for sale in excess of this minimum number of sites to be sold are recognized within the finished products inventory. The finished products inventory also includes more mobile phones.

Note 24 Other assets

Other non-current assets break down as follows:

In € millions	December 31, 2022	December 31, 2021
Other receivables recorded under other non-current assets:		
Other receivables	267	194
TOTAL – GROSS	**267**	**194**
Amortization and impairment of other receivables	(215)	(150)
NET OTHER RECEIVABLES (OTHER NON-CURRENT ASSETS)	**52**	**44**

Other receivables recorded under other non-current assets solely relate to contract assets (customer acquisition costs) recognized in accordance with IFRS 15.

Trade and other receivables break down as follows:

In € millions	December 31, 2022	December 31, 2021
Trade and other receivables recorded under current assets:		
Trade receivables	1,257	1,098
Advances and prepayments	16	2
Tax receivables (VAT)	320	375
Contract acquisition costs	190	178
Customer contract assets	368	343
Other receivables	266	205
Prepaid expenses	113	177
TOTAL – GROSS	**2,529**	**2,378**
Impairment of trade receivables	(96)	(105)
Impairment of customer contract assets	(94)	(25)
Impairment of contract acquisition costs	(25)	(91)
Impairment of other receivables	(1)	(1)
NET TRADE AND OTHER RECEIVABLES (CURRENT ASSETS)	**2,312**	**2,155**
Net trade receivables	1,161	993
Net other receivables	1,151	1,162

Other receivables include approximately €150 million in receivables from the tax authorities relating to VAT disputes, paid by the iliad Holding Group but for which the Group has filed a repayment claim. Although it is difficult to predict the final decisions taken by the competent courts in this case, the iliad Holding Group is confident that the receivable will be recovered.

The maturity schedule of net trade receivables was as follows as December 31, 2022 and 2021:

In € millions	December 31, 2022	December 31, 2021
Not yet past due or less than 1 month past due	988	838
Between 1 and 6 months past due	131	92
Between 6 and 12 months past due	4	45
More than 12 months past due	38	18
TOTAL	**1,161**	**993**

Note 25 Assets and liabilities held for sale

Assets and liabilities held for sale break down as follows:

In € millions	December 31, 2022	December 31, 2021
Assets held for sale	1,470	959
Liabilities held for sale	(19)	0
TOTAL	**1,451**	**959**

Assets held for sale primarily comprised the following at December 31, 2022:

- The carrying amount of assets held for sale under the agreement signed with InfraVia V Invest S.A.R.L. for the sale of 50% of its stake in Polski Światłowód Otwarty sp. z o.o. (formerly FiberForce sp. z o.o.) for an amount of €847 million (see Note 2.2).
- The Group's remaining interest in On Tower Poland, corresponding to a 30% stake with a carrying amount of €387 million.
- The carrying amount of passive mobile telecommunications infrastructure to be sold in Poland under the build-to-suit program with Cellnex.
- Parts of buildings purchased by the iliad Holding Group for the rollout of its FTTH network in France, the sales of which are in progress.

Note 26 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

	December 31, 2022		December 31, 2021	
In € millions	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITS), net	6	6	100	100
Cash (excluding bank overdrafts)	524	524	683	683
TOTAL – NET	**529**	**529**	**783**	**783**

The Group's policy is to invest its cash in instruments that qualify as cash equivalents under IAS 7. As a result, these investments:

- have a short maturity;
- are highly liquid;
- are readily convertible into a known amount of cash; and
- are subject to an insignificant risk of changes in value.

Consequently, the Group invests its surplus cash in UCITS that fall into the "euro monetary" classification of the French securities regulator (*Autorité des Marchés Financiers* – AMF).

Note 27 Equity

Share capital

At December 31, 2022 iliad Holding's ownership structure was as follows:

Shareholder	Number of shares	%
Xavier Niel	3,389,990,348	100.00
TOTAL	**3,389,990,348**	**100.00**

Dividends

On May 11, 2022, the sole shareholder of iliad Holding decided to pay a dividend €0.01 per share, i.e., a total amount of €33,900 thousand.

This dividend was paid on June 17, 2022.

Dividends paid in 2022:

- the dividend paid in 2022 for 2021 totaled €33,900 thousand.

This represents a total payout in 2022 of €33,900 thousand.

Note 28 Stock option and share grant plans

Share grant plans

All of the share grant plans set up by the Group contain a "continued presence" vesting condition. This condition is met when the beneficiary has uninterruptedly served as an employee or officer of the entity that set up the plan (or any other Group entity) until the end of the plan's vesting period or, if the plan is divided into several tranches, until the end of the vesting period of the tranche concerned.

The main share grant plans are described below.

iliad

2017 Plan

The Annual General Meeting of May 19, 2016 authorized a share grant plan to be set up involving shares representing up to 0.5% of iliad's share capital.

Pursuant to this authorization, a share grant plan representing 0.5% of iliad's share capital was set up in 2017 for 61 Group employees and executive officers.

The shares granted under the plan vest in four unequal tranches between 2020 and 2023, subject to performance conditions specific to each tranche and provided that the beneficiary is still with the Group on the vesting date ("continuous service" condition). The vesting dates and performance conditions are as follows for each tranche:

- October 30, 2020: 40% of the shares were due to vest if the EBITDA margin in France for 2019 (excluding sales of devices) was higher than the EBITDA margin in France for 2017.
- October 30, 2021: 10% of the shares were due to vest if the EBITDA margin in France (excluding sales of devices) for 2020 was higher than 40%.
- October 30, 2022: 10% of the shares were due to vest if the total number of fiber subscribers was higher than 1.7 million at October 1, 2022.
- October 30, 2023: 40% of the shares vest if the total number of fiber subscribers is higher than 2.5 million at October 1, 2023.

On September 2, 2020, iliad's Board of Directors placed on record that the performance conditions for the first tranche of the plan had been met. Consequently, on October 30, 2020, the Company delivered to the plan's beneficiaries 117,344 iliad shares that it held in treasury.

On September 28, 2021, iliad's Board of Directors placed on record that the performance conditions for the second tranche of the plan had been met. Consequently, on October 30, 2021, the Company delivered to the plan's beneficiaries 26,978 iliad shares that it held in treasury.

On September 30, 2022, the Board of Directors placed on record that the performance conditions for the third tranche of the plan had been met. Consequently, on October 31, 2022, the Company delivered to the plan's beneficiaries 26,840 iliad shares that it held in treasury.

The expense recorded in relation to this plan totaled €2,003 thousand for 2021 and €6,869 thousand for 2022.

2018 Plan

The Annual General Meeting of May 16, 2018 authorized a share grant plan to be set up involving shares representing up to 1% of iliad's share capital.

Pursuant to this authorization, an initial share grant plan representing 0.5% of iliad's share capital was set up in 2018 for 122 Group employees and executive officers.

The vesting of these shares – in four equal tranches between 2021 and 2024 – is subject to (i) a continued presence condition, and (ii) the following performance conditions for each tranche:

- September 30, 2021: end of the vesting period for Tranche 1, representing 25% of the shares granted:
  - 50% Tranche 1 shares were due to vest if EBITDA less Capex for France (excluding B2B operations) was €1 billion or more at December 31, 2020;
  - 50% of Tranche 1 shares were due to vest if the EBITDA margin for France (excluding sales of devices) was higher than 40% for the year ended December 31, 2020.
- September 30, 2022: end of the vesting period for Tranche 2, representing 25% of the shares granted: all Tranche 2 shares were due to vest if the EBITDA margin for France (excluding sales of devices) for the year ended December 31, 2021 was equal to or higher than the EBITDA margin for France (excluding sales of devices) for the year ended December 31, 2020.
- September 30, 2023: end of the vesting period for Tranche 3, representing 25% of the shares granted:
  - 50% of Tranche 3 shares vest if the number of fiber subscribers in France is 3 million or more at September 1, 2023;
  - 50% of Tranche 3 shares vest if the number of mobile subscribers in Italy is 6 million or more at September 1, 2023.
- September 30, 2024: end of the vesting period for Tranche 4, representing 25% of the shares granted:
  - 50% of Tranche 4 shares vest if the number of fiber subscribers in France is 3.5 million or more at September 1, 2024;
  - 50% of Tranche 4 shares vest if the Group's revenues in Italy are €500 million or more at June 30, 2024.

On September 28, 2021, the Board of Directors placed on record that 50% of the performance conditions for the first tranche of the plan had been met. Consequently, on September 30, 2021, the Company delivered to the plan's beneficiaries 29,909 iliad shares that it held in treasury.

On September 30, 2022, the Company's Board of Directors placed on record that the performance condition for the second tranche of the plan had been met. Consequently, on this date the Company delivered to the plan's beneficiaries 58,464 iliad shares that it held in treasury.

The expense recognized for this plan amounted to €8,865 thousand in 2021 and €7,387 thousand in 2022.

2019 Plan

Following an authorization given at the May 16, 2018 Annual General Meeting, during 2019 a second share grant plan involving shares representing almost 0.5% of iliad's share capital was set up for 184 Group employees and executive officers.

The vesting of these shares – in three unequal tranches between 2021 and 2023 – is subject to (i) a continued presence condition, for all of the shares to be granted, and (ii) performance conditions for 41% of the shares granted. The performance conditions applicable to each tranche at the end of the vesting periods are as follows:

- November 30, 2021: end of the vesting period for Tranche 1, representing 30% of the total shares granted: the shares were due to vest if consolidated EBITDAaL less Capex (excluding payments for frequencies) in 2020 was at least equal to consolidated EBITDAaL less Capex (excluding payments for frequencies) for 2019.
- November 30, 2022: end of the vesting period for Tranche 2, representing 40% of the total shares granted:
  - 50% of Tranche 2 shares were due to vest if the number of fiber subscribers was 3 million or more at June 30, 2022;
  - 50% of Tranche 2 shares were due to vest if consolidated EBITDAaL margin for 2021 was equal to or higher than consolidated EBITDAaL margin for 2019.
- November 30, 2023: end of the vesting period for Tranche 3 (representing 30% of the shares granted): the shares vest if the total number of fiber subscribers is 3.7 million or more at June 30, 2023.

On September 28, 2021, iliad's Board of Directors placed on record that the performance conditions for the first tranche of the plan had been met. Consequently, on November 30, 2021, the Company delivered to the plan's beneficiaries 79,680 iliad shares that it held in treasury.

On September 30, 2022, the Company's Board of Directors placed on record that the performance conditions for the second tranche of the plan had been met. Consequently, on November 30, 2022, the Company delivered to the plan's beneficiaries 102,080 iliad shares that it held in treasury.

The expense recognized for this plan amounted to €15,590 thousand in 2021 and €8,548 thousand in 2022.

2020 Plan

The Annual General Meeting of July 21, 2020 authorized a share grant plan involving shares representing up to 2% of iliad's share capital.

Pursuant to this authorization, in 2020, a first share grant plan representing almost 0.16% of iliad's share capital was set up for 268 Group employees and executive officers.

The vesting of these shares – in three unequal tranches between 2022 and 2024 – is subject to a continued presence condition. The vesting dates for the plan's three tranches are as follows:

- December 9, 2022: end for the vesting period for Tranche 1, representing 30% of the shares granted;
- November 30, 2023: end of the vesting period for Tranche 2, representing 40% of the shares granted;
- November 30, 2024: end of the vesting period for Tranche 3, representing 30% of the shares granted.

Consequently, on December 9, 2022, the Company delivered to the plan's beneficiaries 27,162 iliad shares that it held in treasury.

The expense recognized for this plan amounted to €5,741 thousand in 2021 and €4,437 thousand in 2022.

2022 Plan

Following the authorization given at the July 21, 2020 Annual General Meeting, in 2022, two other free share grant plans representing 0.20% of iliad's share capital were set up for 430 Group employees.

The shares granted under the plan will vest after a period of one year, subject to a continued presence condition:

- June 1, 2024: all of the shares granted vest for the beneficiaries under the first plan;
- June 1, 2025: all of the shares granted vest for the beneficiaries under the second plan.

The expense recognized in 2022 for this plan amounted to €6,733 thousand.

iliad Italia

Following an authorization given by its director on July 16, 2018, iliad Italia Holding S.p.A set up a share grant plan involving shares representing up to 5% of the share capital of its subsidiary, iliad Italia.

During 2018, shares representing 2.5% of iliad Italia's share capital were granted to 53 Italian and French employees (including two Italian executives).

An additional grant, representing around 0.15% of the share capital, was made to 13 of the Group's Italian employees in 2019.

In 2020, a second additional grant representing around 0.08% of the share capital was made to six of the Group's Italian employees.

A third additional grant, representing around 0.03% of the share capital, was made to one of the Group's Italian employees in 2021.

The shares granted under this plan vest after a period of two years (one year for the most recent plan), provided the applicable continued presence condition is met. The vested shares will then be subject to a five-year lock-up period, following which the beneficiaries will have the option to receive their entitlements in cash or iliad shares, with the price of their iliad Italia shares determined by an independent valuer.

On October 22, 2020, the Board of Directors of iliad Italia Holding S.p.A approved the terms and conditions for delivering the free shares to the beneficiaries of the first tranche of the plan. The delivered shares represent 2.19% of iliad Italia's share capital.

In October 2021, the Board of Directors of iliad Italia Holding S.p.A placed on record that the performance conditions for the first and second additional grants under the plan had been met. The delivered shares represent 0.24% of iliad Italia's share capital.

The expense recognized for this plan amounted to €357 thousand in 2021 and €508 thousand in 2022.

iliad 78

The Annual General Meeting of January 31, 2020 authorized a share grant plan to be set up involving shares representing up to 5% of iliad 78's share capital.

Pursuant to this authorization, on the same date, a share grant plan representing 2.95% of iliad 78's share capital was set up for four of its employees and executive officers.

The vesting of these shares – in three unequal tranches between 2023 and 2025 – is subject to (i) a continued presence condition, and (ii) the following performance conditions for each tranche:

- March 31, 2023: end of the vesting period for Tranche 1, representing 40% of the shares granted:
  - 50% of Tranche 1 shares were due to vest if iliad 78's revenues are higher than €3 million in the year ended December 31, 2022;
  - 50% of Tranche 1 shares vest if the number of transactions using the company's payments services in the 12 months preceding March 31, 2023 represents more than €30 million.
- March 31, 2024: end of the vesting period for Tranche 2, representing 40% of the shares granted:
  - 50% of Tranche 2 shares vest if iliad 78's EBITDA is higher than €1.5 million for the year ended December 31, 2023;
  - 50% of Tranche 2 shares vest if the company has opened a payments service outside France.
- March 31, 2025: end of the vesting period for Tranche 3, representing 20% of the shares granted:
  - 50% of Tranche 3 shares vest if iliad 78's revenues are higher than €10 million in the year ended December 31, 2024;
  - 50% of Tranche 3 shares vest if the number of transactions using the company's payments services in the 12 months preceding March 31, 2025 represents more than €60 million.

The expense recognized for this plan amounted to €100 thousand in 2021 and €100 thousand in 2022.

Scaleway

The Annual General Meeting of September 30, 2020 authorized a share grant plan to be set up, under which shares representing up to 5% of Scaleway's share capital may be allocated to employees and executive officers of Scaleway.

Pursuant to this authorization, on the same date, a share grant plan representing 3% of Scaleways' share capital was set up for two of its employees and executive officers.

The vesting of these shares – in three unequal tranches between 2024 and 2026 – is subject to a continued presence condition. The vesting dates for the plan's three tranches are as follows:

- September 30, 2024: end of the vesting period for Tranche 1, representing 35% of the shares granted;
- September 30, 2025: end of the vesting period for Tranche 2, representing 30% of the shares granted;
- September 30, 2026: end of the vesting period for Tranche 3, representing 35% of the shares granted.

The expense recognized for this plan amounted to €1,849 thousand in 2021 and €185 thousand in 2022.

iliad Purple

On December 10, 2020, the sole shareholder authorized a share grant plan under which shares representing up to 9.82% of iliad Purple's share capital may be allocated to employees and executive officers of iliad Purple and to employees of Play.

Pursuant to this authorization, on December 10, 2020, a share grant plan representing 7% of iliad Purple's share capital was set up for 28 employees and executive officers of iliad Purple and Play.

The shares of each beneficiary are subject to a one-year vesting period and a continued presence condition. The vested shares received will then be subject to a one year lock-up period, following which they may be sold or otherwise transferred subject to the same terms and conditions as provided for in iliad Purple's bylaws for all of its shareholders, including the approval clause for new shareholders.

On December 10, 2021, the company delivered 834 new shares to the beneficiaries under the plan.

The expense recognized for this plan amounted to €7,563 thousand in 2021 and €431 thousand in 2022.

Play

PCSA – which has since been merged into iliad Purple – set up long-term incentive plans for Play employees. The plans provide that, given that the 80% threshold was exceeded following the public tender offer launched by iliad Purple on PCSA shares, instead of the shares they should have received, plan beneficiaries will be granted additional cash compensation equal to the per-share offer price multiplied by the number of shares they should have received each year. This amount will be paid in tranches at the end of the lock-up periods provided for under the plans, subject to performance conditions and to the criterion that the beneficiary still forms part of the Group at that date.

These conditions were re-estimated in 2021, which led to the recognition of €2,996 thousand during the year.

The expense recognized in 2022 for this plan amounted to €141 thousand.

Holdco II

In May 2020 Holdco II set up an incentive plan based on share grants for four of iliad's executive officers and 21 employees of the iliad Holding Group.

In accordance with the plan's rules, the shares vested after a period of one year, i.e. on May 13, 2021. They were delivered based on a value of €3,311 per share.

The vested shares received are subject to a one year lock-up period, following which they may then be sold or otherwise transferred subject to the same terms and conditions as provided for in the Company's bylaws for all of its shareholders, including the approval clause for new shareholders.

Note 29 Provisions

The provisions for contingencies and charges recognized at December 31, 2022 are intended to cover costs resulting from business risks, litigation risks, tax reassessment risks, employee-related risks and expenses on long-term contracts that have become onerous.

These provisions break down as follows:

In € millions	December 31, 2022	December 31, 2021
Total long-term provisions	108	106
Total short-term provisions	78	54
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**186**	**161**

Provisions are considered to be long-term when the Group does not expect to use them within 12 months of the reporting date. In all other cases they are deemed to be short-term.

Movements in provisions for contingencies and charges were as follows in 2022:

In € millions	At Dec. 31, 2021	Additions in 2021	Reversals in 2021 (utilizations)	Reversals in 2021 (surplus provisions)	Impact of changes in scope of consolidation	Other movements	At Dec. 31, 2022
Provisions for contingencies and charges	161	67	(48)	(1)	7	(0)	186
TOTAL	**161**	**67**	**(48)**	**(1)**	**7**	**(0)**	**186**

Note 30 Financial liabilities

Financial liabilities can be analyzed as follows:

In € millions	December 31, 2022	December 31, 2021
Bank borrowings	5,757	4,854
Bond debt	8,026	7,131
Finance lease liabilities	0	0
Other	1	1
TOTAL LONG-TERM FINANCIAL LIABILITIES	**13,783**	**11,986**
Bank borrowings and short-term marketable securities	806	466
Bonds	0	647
Financial liabilities carried at fair value	0	0
Bank overdrafts	3	3
Cash flow hedges	0	0
Other	623	533
TOTAL SHORT-TERM FINANCIAL LIABILITIES	**1,431**	**1,649**
TOTAL	**15,215**	**13,635**

Financial liabilities are classified as short-term when their contractual maturity or early repayment date is within one year and as long-term when their contractual maturity is beyond one year.

All Group borrowings are denominated in euros and Polish zlotys.

The table below summarizes movements in financial liabilities in 2022 and 2021:

In € millions	2022	2021
At January 1	**13,635**	**10,226**
New borrowings	5,987	13,886
Repayments of borrowings	(4,622)	(10,501)
Change in bank overdrafts	(0)	(3)
Impact of cash flow hedges	8	0
Impact of changes in scope of consolidation	0	0
Translation adjustments	(19)	(11)
Other	226	37
TOTAL FINANCIAL LIABILITIES AT DECEMBER 31	**15,215**	**13,635**

Main movements in bond debt and private placements during the year

The iliad Group

On May 23, 2022, iliad carried out an issue of *Schuldscheindarlehen* ("Schuldschein" – SSD) notes, raising €112 million. This issue was driven by investor demand for these placements and was carried out on equivalent terms to the June 2021 issue. It comprises two tranches:

- a fixed tranche totaling €27 million paying interest at 2.732% and redeemable at maturity on June 30, 2026 (with a 6- or 12-month extension option);
- a variable tranche totaling €85 million, with a 1.400% lending margin and redeemable at maturity on June 30, 2026 (with a 6- or 12-month extension option).

In August 2022, in application of the extension options provided for in the indenture, iliad extended by 12 months the maturity date for part of the five-year tranches of the two *Schuldschein* notes (SSD) issued on June 30, 2021 and May 23, 2022, respectively, for €63 million. The maturity date for the notes concerned is now June 2027 and they have been denominated as two new tranches (see the table below for more details).

On December 5, 2022, iliad redeemed its December 3, 2015 bond issue falling due in an amount of €650 million by drawing down the same amount on its medium-term facility (see "Main movements in bank borrowings during the year at iliad").

On December 12, 2022 iliad successfully placed a €750 million bond issue, paying interest at 5.375% per year. These bonds will be redeemed at face value at maturity on June 14, 2027.

Main movements in bank borrowings during the year

iliad Holding

On March 31, 2022, iliad Holding fully repaid its €1.2 billion bridge loan ("Senior Security Bridge to Disposal Facility"), which was initially due on July 30, 2023 (with an extension option to January 30, 2024). This repayment followed the sale of the Group's remaining 30% stake in On Tower France to Cellnex as well as the sale of 10% of On Tower Poland to Cellnex on February 28, 2022.

On June 30, 2022, iliad Holding fully repaid the amounts drawn on its revolving credit facility (the "Senior Secured Revolving Credit Facility" or "SSRCF").

On October 13, 2022, iliad Holding drew €65 million on its SSRCF, bringing the undrawn amount available under this facility to €235 million at December 31, 2022.

The iliad Group

On June 21, 2022, iliad drew down its revolving credit facility (RCF) in an amount of €500 million. This was repaid in full on July 27, 2022 (see below).

On July 27, 2022, iliad arranged three bank financing lines with a pool of 23 leading international banks for €5 billion, comprising:

- the amended and extended existing RCF facility, with a 7-year extension of its maturity (to July 2029). Two extension options were included in the agreement and the existing facility was raised to €2 billion (from €1.65 billion previously). The lending margin is now based on iliad's issuer rating, without any change having been made to the 3.75x covenant applicable to the Group;
- a new term loan with a 5-year maturity. At the same date, iliad drew down €500 million on this new term loan in order to repay the same amount under its RCF. The conditions are aligned with the amendments described above for the RCF;
- a new mid-term facility representing an aggregate €2 billion with a maximum maturity of 2.5 years. The conditions are aligned with the amendments described above for the RCF.

On September 15, iliad drew down the remaining €500 million on the aforementioned term loan as well as €300 million on the mid-term facility to help finance the payment of 5G frequencies in Italy in an amount of €959 million. Also on September 15, iliad exercised an option to extend by one year the €900 million term loan set up in December 2020, therefore extending the maturity of this loan to December 2025.

On December 5, 2022, iliad drew down a further €650 million on the mid-term facility in order to redeem bonds falling due in the same amount on the same date, therefore bringing its total drawdowns under this facility to €950 million.

On December 13, 2022, iliad signed a new loan agreement with the EIB representing an aggregate €300 million, to help finance FTTH network rollouts in France. This loan can be used in several tranches and can be drawn down until June 13, 2024. The loan has a final maturity date that can be up to June 13, 2030, depending on the drawdown date(s) and the maturity date chosen. The final interest rate will be set at each drawdown.

On December 15, 2022, following the aforementioned bond issue on December 12, 2022, iliad repaid €750 million of the mid-term facility, therefore reducing the amounts drawn down under this facility to a total €200 million at that date.

Short- and medium-term marketable securities program

On June 22, 2022, the Group renewed its €1.4 billion short-term NEU CP program.

At December 31, 2022, €246 million of the program had been used.

€550 million trade receivables securitization program

On November 30, 2021, the iliad Group set up a securitization program involving the sale of trade receivables related to B2C subscriptions in France, representing a maximum amount of €450 million.

On December 14, 2022, the Group amended this program, mainly in order to raise the maximum amount to €550 million.

At December 31, 2022, the full €513 million of the program had been used.

Main movements in bank borrowings during the year at Play

On January 14, 2022, Play signed a bilateral loan agreement with the European Investment Bank ("EIB") representing a total amount of PLN 470 million. Under this agreement, Play can borrow funds from the EIB to finance its capital expenditure for extending and upgrading its network as part of the European Union's "Gigabit Society by 2025" project. This project is aimed at eliminating regional divides for access to fiber networks, improving cyber security and other digital transformation goals as described in the "2030 EU Digital Compass".

This loan has a maturity of up to January 2034, depending on the future drawdown dates. On February 25, 2022, Play drew down PLN 150 million on the loan at a fixed rate of 5.40% and with half-yearly repayment installments commencing in February 2025 and ending in February 2028.

On March 9, 2022, Play drew down PLN 235 million on its "Export Credit Agency Financing", or "ECA loan" set up in December 2021.

On April 1, 2022, Play drew down the full amount of the PLN 5.5 billion syndicated facility set up on December 10, 2021 to help fund the acquisition of UPC.

On June 22, 2022, Play drew down PLN 125 million on its "Export Credit Agency Financing", or "ECA loan" set up in December 2021.

On June 27, 2022, Play drew down PLN 50 million of its EIB loan granted at a fixed rate of 7.459% under the agreement signed on January 14, 2022, with half-yearly repayment installments commencing in February 2025 and ending in June 2028.

On October 31, 2022, Play drew down circa PLN 149 million under its bilateral loan (the "BGK Financing") set up in October 2021 with Bank Gospodarstwa Krajowego SA ("BGK Bank"). The amount drawn down pays fixed interest at 1.90% and is repayable in installments, by way of successive quarterly payments of equal amounts, commencing December 20, 2023 and with a final maturity date of September 20, 2028.

On December 22, 2022, Play drew down a further PLN 35 million, opting for an interest rate based on the Wibor plus a fixed margin of 2.31% with half yearly repayment installments commencing in June 2026 and ending in December 2030, therefore bringing the total amount of drawdowns under this loan to PLN 235 million.

On December 23, 2022, Play drew down almost PLN 104 million on its ECA loan, and at that date the loan was fully drawn down.

On December 29, 2022, Play drew down over PLN 137 million on its BGK facility under the same terms and conditions as the first drawdown in October 2022, therefore bringing the total amount of drawdowns on this loan to circa PLN 286 million.

Guarantees given

The iliad Holding Group has not given any specific financial guarantees in return for its existing borrowing facilities with banks.

Breakdown of borrowings by type of rate

Borrowings after hedging at the year-end can be analyzed as follows by type of rate:

In € millions	December 31, 2022	December 31, 2021
Fixed-rate borrowings	10,500	8,626
Variable-rate borrowings	4,715	5,009
TOTAL BORROWINGS AT DECEMBER 31	**15,215**	**13,635**

Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and contractual maturity/ early repayment date at December 31, 2022:

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	162	4,446	617	5,225
Schuldscheindarlehen notes	419	664	30	1,112
Bond debt	0	5,736	2,290	8,026
Short-and medium-term marketable securities	246	0	0	246
Securitization	513	0	0	513
Bank overdrafts	3	0	0	3
Other	90	0	1	91
TOTAL BORROWINGS	**1,432**	**10,845**	**2,938**	**15,215**
Trade payables	2,281	301	198	2,780
TOTAL COMMITTED FINANCING FACILITIES	**3,712**	**11,146**	**3,136**	**17,994**

Breakdown of the Group's debt

The iliad Holding Group's bonds and private placements break down as follows:

Contract	Issue date	Maturity	Currency	Nominal rate	December 31, 2022 Outstanding amount (in € millions)
iliad – SUN[1]	Oct. 12, 2017	Oct. 14, 2024	EUR	1.500%	650
iliad – SUN	April 25, 2018	April 25, 2025	EUR	1.875%	650
iliad – SUN	June 17, 2020	June 17, 2026	EUR	2.375%	650
iliad – SUN	Feb. 11, 2021	Feb. 12, 2024	EUR	0.750%	600
iliad – SUN	Feb. 11, 2021	Feb. 11, 2028	EUR	1.875%	700
iliad – SUN	Dec. 12, 2022	June 14, 2027	EUR	5.375%	750
iliad – SSD[2] 2019					
Tranche 1	May 22, 2019	May 22, 2023	EUR	1.400%	125
Tranche 2	May 22, 2019	May 22, 2023	EUR	1.400% + Euribor	294
Tranche 3	May 22, 2019	May 22, 2026	EUR	1.845%	40
Tranche 4	May 22, 2019	May 22, 2026	EUR	1.700% + Euribor	25
Tranche 5	May 22, 2019	May 24, 2027	EUR	2.038%	10
Tranche 6	May 22, 2019	May 24, 2027	EUR	1.800% + Euribor	6
iliad – SSD 2021					
Tranche 1	June 30, 2021	June 30, 2025	EUR	1.150%	50
Tranche 2	June 30, 2021	June 30, 2025	EUR	1.150% + Euribor	135
Tranche 3	June 30, 2021	June 30, 2026	EUR	1.400%	51
Tranche 4	June 30, 2021	June 30, 2026	EUR	1.400% + Euribor	212
Tranche 5	June 30, 2021	June 30, 2028	EUR	1.700%	8
Tranche 6	June 30, 2021	June 30, 2028	EUR	1.700% + Euribor	22
Tranche 7	June 30, 2021	June 30, 2027	EUR	1.400%	15
Tranche 8	June 30, 2021	June 30, 2027	EUR	1.400% + Euribor	8
iliad – SSD 2022					
Tranche 1	May 27, 2022	June 30, 2026	EUR	2.732%	27
Tranche 2	May 27, 2022	June 30, 2026	EUR	1.400% + Euribor	45
Tranche 3	May 27, 2022	June 30, 2027	EUR	1.400% + Euribor	40
TOTAL – ILIAD					**5,112**
Play – SUN	Dec. 13, 2019	Dec. 11, 2026	PLN	1.750% + Wibor	160
Play – SUN	Dec. 29, 2020	Dec. 29, 2027	PLN	1.850% + Wibor	107
TOTAL – PLAY					**267**
iliad Holding – SSN[3]	October 27, 2021	October 15, 2026	EUR	5.125%	1,100
iliad Holding – SSN	October 27, 2021	October 15, 2026	USD	6.500%	1,038
iliad Holding – SSN	October 27, 2021	October 15, 2028	EUR	5.625%	750
iliad Holding – SSN	October 27, 2021	October 15, 2028	USD	7.000%	779
TOTAL ILIAD HOLDING					**3,667**
TOTAL					**9,046**

(1) *SUN: Senior Unsecured Notes.*
(2) *SSD: Schuldschein (non-guaranteed private placements under German law).*
(3) *SSN: Senior Secured Notes. The USD-denominated SSN have been converted at an average EUR/USD rate of 1.156, corresponding to the Cross-Currency Swap set up on October 13, 2021 by iliad Holding (see Note 34).*

The iliad Holding Group's bank borrowings break down as follows:

Contract	Issue date	Maturity	Type of repayment	Currency	Nominal rate(1)	December 31, 2022	
						Outstanding amount (in € millions)	Amount available (in € millions)
iliad – EIB Loans							
2016	Dec. 8, 2016	Sept. 19, 2030	Install.	EUR	1.821%	160	-
2018 – T1	Dec. 14, 2018	Feb. 1, 2033	Install.	EUR	2.091%	200	-
2018 – T2	Dec. 14, 2018	April 8, 2033	Install.	EUR	1.772%	100	-
2020 – T1	Nov. 9, 2020	Nov. 23, 2028	At maturity	EUR	0.705%	150	-
2020 – T2	Nov. 9, 2020	March 29, 2029	At maturity	EUR	0.874%	150	-
2022(2)	Dec. 13, 2022	June 13, 2030	At maturity	EUR	Not fixed(3)	-	300
iliad – KFW Loans							
2017	Dec. 13, 2018	June 13, 2029	Install.	EUR	1.100% + Euribor	59	-
2019	April 26, 2020	Oct. 9, 2030	Install.	EUR	1.100% + Euribor	120	-
iliad – RCF	July 27, 2022	July 27, 2027	At maturity	EUR	1.000% + Euribor	-	2.000
iliad – Term Loan	Dec. 18, 2020	Dec. 18, 2025	At maturity	EUR	1.600% + Euribor	900	-
iliad – Mid-Term	July 2, 2022	Jan. 1, 2025	At maturity	EUR	1.250% + Euribor	200	1,050
iliad – Term Loan	July 27, 2022	July 27, 2027	At maturity	EUR	1.500% + Euribor	1,000	-
TOTAL – ILIAD						**3,039**	**3,350**
Play – Term Loan	March 29, 2021	March 29, 2026	At maturity	PLN	1.750% + Wibor	748	-
Play – RCF	March 29, 2021	March 29, 2024	At maturity	PLN	1.750% + Wibor	-	427
Play – BGK Loan	Oct. 15, 2021	Sept. 20, 2028	Install.	PLN	1.900%	61	46
Play – ECA Loan	Dec. 22, 2021	Dec. 22, 2026	Install.	PLN	0.450% + Wibor	99	-
Play – Term Loan	Dec. 10, 2021	March 26, 2026	At maturity	PLN	1.750% + Wibor	1,175	-
Play – EIB Loan(2)	Jan. 14, 2022	Jan. 13, 2034	Install.	PLN	7.466%	50	50
TOTAL – PLAY						**2,133**	**523**
iliad Hold. – SS RCF(3)	July 28, 2021	January 28, 2028	At maturity	EUR	3.500% + Euribor	65	235
TOTAL ILIAD HOLDING						**65**	**235**
TOTAL						**5,236**	**4,108**

(1) *Rates applicable at December 31, 2021, which can vary depending on the leverage ratio of the iliad Group and Play respectively, except for under the EIB loan contracts signed in 2020.*

(2) *The maturity date shown is indicative and depends on the drawdown date(s) and the maturity chosen. The final interest rate is set at each drawdown. For Play, the interest rate indicated corresponds to the average rate of the two fixed tranches as well as the interest rate comprising the 2.31% margin plus Wibor at 7.19%, after the interest rate was set for the variable tranche on December 22, 2022.*

(3) *SS RCF: Senior Secured Revolving Credit Facility (as described above).*

First public rating for iliad SA's senior unsecured notes

On May 20, 2022 iliad SA received the first public rating of its EUR senior unsecured notes from Moody's Investor Services ("Moody's"), Standard and Poor's ("S&P") and Fitch Ratings ("Fitch"), which respectively assigned Ba2/BB/BB ratings with a stable outlook, applicable to the existing issues. While the corporate rating of iliad SA is in line with that of iliad Holding, i.e., Ba3/BB/BB with a stable outlook, S&P and Fitch have assigned iliad SA a standalone credit profile of bb+.

Breakdown of outstanding borrowings

Adjusted net debt corresponds to the sum of the principal amounts of outstanding debt less cash and cash equivalents. It can be reconciled with net debt as follows:

In € millions	December 31, 2022
Cash and cash equivalents	**(530)**
Gross debt	**15,215**
NET DEBT	**14,685**
Accrued interest	(120)
Debt issuance costs	96
Fair value of hedging instruments (CCS) – currency impact	(152)
Other(1)	55
ADJUSTED NET DEBT	**14,563**
Breakdown of adjusted net debt	
Cash and cash equivalents	(530)
iliad Holding Senior Secured Notes(2)	3,667
iliad Holding Senior Secured RCF	65
iliad Senior Unsecured Notes	4,000
iliad RCF	-
iliad Schuldscheins	1,112
iliad Term Loan – 2022	1,000
iliad Term Loan – 2020	900
iliad Mid-Term facility	200
iliad EIB Loans	760
iliad securitization program	513
iliad NEU CP	246
iliad KFW Loans	179
Play Term Loan (UPC acquisition)	1,175
Play Term Loan	748
Play RCF	-
Play Senior Unsecured Notes	267
Play ECA Loan	99
Play EIB Loan	50
Play BGK Loan	61
Other(3)	52
TOTAL	**14,563**

(1) Including the reclassification of (i) certain lease liabilities, (ii) the fair value of hedges, and (iii) forex gains/losses on hedging instruments.
(2) Converted at the EUR/USD Cross-Currency Swap rate of 1.156.
(3) Including various short-term bank loans, overdraft facilities and certain lease liabilities.

Note 31 Trade and other payables

This item breaks down as follows:

In € millions	December 31, 2022	December 31, 2021
Trade and other payables recorded under other non-current liabilities		
Trade payables	499	413
Accrued taxes and employee-related payables	30	50
Other payables	0	1
SUB-TOTAL	**529**	**464**
Trade and other payables		
Trade payables	1,875	2,764
Advances and prepayments	27	2
Accrued taxes and employee-related payables	566	442
Other payables	28	27
Deferred income	262	239
SUB-TOTAL	**2,758**	**3,474**
TOTAL	**3,287**	**3,938**

Total trade payables can be analyzed as follows:

In € millions	December 31, 2022	December 31, 2021
Suppliers of goods and services	1,226	952
Suppliers of non-current assets	1,147	2,225
TOTAL	**2,374**	**3,177**

Note 32 Related party transactions

Transactions with key management personnel

Persons concerned:

- Under IAS 24, key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

For the iliad Holding Group, these persons correspond to the members of the Strategy Committee, which is chaired by Xavier Niel and is responsible for the iliad Holding Group's Management.

Compensation paid to the 11 members of the Group's key management personnel in 2022 and 2021 breaks down as follows:

In € millions	December 31, 2022	December 31, 2021
• Total compensation	4	2
• Share-based payments	7	10
TOTAL	**11**	**12**

No liabilities have been recognized in the balance sheet in relation to compensation payable to key management personnel.

Impact of share grant plans

Details of the Group's share grant plans are provided in Note 28.

Transactions with On Tower France

Within the scope of the iliad Holding Group's strategic partnership with Cellnex concerning its passive mobile telecommunications infrastructure in France and Italy, On Tower France has been providing the iliad Holding Group with access services for its passive mobile infrastructure in France since December 2019. The partnership also provides for the construction of new sites which will be sold by the iliad Holding Group to On Tower France. At December 31, 2022, the iliad Holding Group held 30% of On Tower France's shares, which were recorded in the balance sheet as assets held for sale.

Transactions with On Tower Poland

Within the scope of the iliad Holding Group's strategic partnership with Cellnex concerning its passive mobile telecommunications infrastructure in Poland, On Tower Poland provides the iliad Holding Group with access services for its passive mobile infrastructure in Poland. The partnership also provides for the construction of new sites which will be sold by the iliad Holding Group to On Tower Poland. At December 31, 2022, the iliad Holding Group held 30% of On Tower Poland's shares, recorded in the balance sheet as assets held for sale.

Transactions with NJJ Boru

The iliad Holding Group performs various services on behalf of NJJ Boru (49%-owned by the iliad Holding Group), the parent company of eir. The amount recognized in revenues for those services in 2022 was €3,420 thousand.

Transactions with Monaco Telecom

The iliad Holding Group has signed an agreement with Monaco Telecom, a Monaco-based company controlled by a party related to the iliad Holding Group, to lease sites at which the Group's equipment is installed. The amount invoiced by Monaco Telecom for making these sites available totaled €1,500 thousand in 2022.

Transactions with IFT

IFT has entered into a very long-term service agreement (with no volume commitment) with Free, under which it provides Free with all access and information services for co-financed FTTH sockets.

Transactions with On Tower France

Within the scope of the iliad Holding Group's strategic partnership with Cellnex concerning its passive mobile telecommunications infrastructure in France and Italy, On Tower France has been providing the iliad Holding Group with access services for its passive mobile infrastructure in France since December 2019. The partnership also provides for the construction of new sites that will be sold by the iliad Holding Group to On Tower France. On February 28, 2022, iliad Holding Group sold its residual 30% stake in On Tower France. As a result, On Tower France no longer meets the definition of a related party at December 31, 2022.

Transaction with NJJ Holding

The iliad Holding Group has signed a loan agreement with NJJ Holding, a company controlled by Xavier Niel. At December 31, 2022, the Group had received €29,073 thousand in interest on a loan of €532 million.

Note 33 Financial instruments

Reconciliation by class of instrument and accounting category

Derivative instruments are measured at fair value, with the fair value measurements categorized in Level 2 of the fair value hierarchy defined in IFRS 13.

Cash and marketable securities are measured at fair value, with the fair value measurements categorized in Level 1 of the fair value hierarchy defined in IFRS 13.

In € millions	Assets and liabilities carried at fair value through profit or loss	Assets carried at fair value through OCI	Assets carried at amortized cost	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2022						
Cash	524				524	524
Marketable securities	6				6	6
Trade receivables			1,161		1,161	1,161
Other short-term financial assets	27				27	27
Other long-term financial assets	852	83	55		990	990
Long-term financial liabilities				(13,783)	(13,783)	(13,783)
Short-term financial liabilities				(1,431)	(1,431)	(1,431)
Current lease liabilities	(634)				(634)	(634)
Non-current lease liabilities	(3,951)				(3,951)	(3,951)
Other non-current liabilities				(499)	(499)	(499)
Other current liabilities				(1,875)	(1,875)	(1,875)
TOTAL	**(3,177)**	**83**	**1,216**	**(17,588)**	**(19,466)**	**(19,466)**

In € millions	Assets and liabilities carried at fair value through profit or loss	Assets carried at fair value through OCI	Assets carried at amortized cost	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2021						
Cash	683				683	683
Marketable securities	100				100	100
Trade receivables			993		993	993
Other short-term financial assets	13				13	13
Other long-term financial assets	625	71	44		740	740
Long-term financial liabilities				(11,986)	(11,986)	(11,986)
Short-term financial liabilities				(1,649)	(1,649)	(1,649)
Current lease liabilities	(604)				(604)	(604)
Non-current lease liabilities	(3,652)				(3,652)	(3,652)
Other non-current liabilities				(463)	(463)	(463)
Other current liabilities				(2,764)	(2,764)	(2,764)
TOTAL	**(2,835)**	**71**	**1,037**	**(16,862)**	**(18,590)**	**(18,590)**

Main changes in iliad Holding's derivative instruments

On October 13, 2021, iliad Holding set up several cross currency swaps (the "CCS") in order to hedge the currency and interest rate risks arising from the issue of the USD SSN placed on October 14, 2021. These swaps are described below.

- To hedge the 2026 USD SSN, on October 27, 2021 iliad Holding received a EUR leg of €1,038 million and paid a USD leg of $1,200 million (at an average EUR/USD rate of 1.156). The average interest rate on the swap is 5.131%, with an average USD rate of 6.500% for the receiving leg.
- To hedge the 2028 USD SSN, on October 27, 2021 iliad Holding received a EUR leg of €779 million and paid a USD leg of $900 million (at an average EUR/USD rate of 1.156). The average interest rate on the swap is 5.656%, with an average USD rate of 7.000% for the receiving leg.

Breakdown of iliad Holding's main derivative instruments

The iliad Holding Group's main derivatives, corresponding to hedging instruments, break down as follows:

Borrower	Issue date	Maturity	Type of derivative	Underlying	Notional amount	Dec. 31, 2022 Fair value (in € thousands)
iliad Holding	October 13, 2021	October 15, 2026	Cross-currency swap	2026 USD SSN	$1,200m	76,018
iliad Holding	October 13, 2021	October 15, 2026	Cross-currency swap	2028 USD SSN	$900m	99,801
TOTAL ILIAD HOLDING						**175,818**

The main components of each financial instrument category and the applicable measurement methods are as follows:

Assets carried at fair value through profit or loss primarily comprise cash and cash equivalents, which are measured by reference to a quoted market price in an active market where such a market exists.

Assets carried at fair value through OCI mainly comprise investment securities.

Receivables carried at amortized cost chiefly concern loans, deposits and guarantees and trade receivables.

Liabilities carried at amortized cost – calculated using the effective interest method – essentially correspond to borrowings and trade payables.

Derivative instruments are carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is applied.

The fair value of financial assets and liabilities is primarily determined as follows:

The fair value of trade receivables and payables and other short-term receivables and payables corresponds to their carrying amount in view of their very short maturities.

The fair value of bonds is estimated at each reporting date.

The fair value of lease liabilities corresponds to their carrying amount in view of their differing forms and maturities.

Note 34 Financial risk management

Market risks

Foreign exchange risk

iliad Holding

Because iliad Holding issued US dollar-denominated SSN in October 2021, whereas its revenues are mainly in euros, the Company is exposed to foreign exchange risk in relation to (i) the interest it pays on the SSN in US dollars, and (ii) the principal amount it will need to redeem in US dollars at maturity. Consequently, iliad Holding has set up cross-currency swaps to hedge these US dollar-denominated issues.

The iliad Group

The iliad Group's functional currencies are mainly the euro and, for its subsidiary Play (a stakeholder in UPC Polska since April 1, 2022), the Polish zloty. However, it purchases certain goods and services in currencies other than its functional currencies and is therefore exposed to foreign exchange risk, mainly in relation to the US dollar.

Detailed forecasts of the Group's future purchases denominated in US dollars are drawn up as part of the budget process. These transactions are regularly hedged over a maximum period of two years.

The Group has chosen to hedge part of its exposure to foreign exchange risk through purchases of currency futures and options in order to obtain a partial guaranteed floor rate.

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was partly contained in 2022.

Since the acquisition of Play in November 2020, Play's income statement and balance sheet, originally denominated in Polish zloty (PLN) have been consolidated in the iliad Group's financial statements. Similarly, intra-group transactions with Play (dividends, etc.) may be denominated in PLN.

However, the currency risk relating to Play's consolidation is structurally limited. First, the fact that Play's local debt is denominated in PLN in its balance sheet provides a natural hedge for part of the foreign exchange risk, meaning that the residual exposure is reduced to the amount of its net assets. Second, the EUR/PLN rate is fairly stable, even in an unsettled geopolitical environment owing to the war in Ukraine, with an average annual exchange rate of 4.43 in 2020, rising 3.1% to 4.57 in 2021, and then again by 2.6% to 4.69 in 2022, representing an average annual increase of 2.9% over this period. Nevertheless, the Group may from time to time enter into specific cash flow hedging transactions in response to fluctuations in the EUR/PLN exchange rate.

The iliad Group continues to monitor and assess its foreign exchange exposure over time.

At local level, Play also has its own hedging policy for foreign exchange risk, as some of its operating costs are denominated in currencies other than the PLN (Play's functional currency) – primarily the euro, and, to a lesser extent, XDR, USD and GBP. Play uses forward purchases, swaps and options on foreign currencies.

At December 31, 2022, all of the Group's currency hedges qualified as cash flow hedges under IFRS 9 and have a positive €8,466 thousand impact on equity.

Interest rate risk

As a significant portion of the iliad Holding Group's medium- and long-term borrowings denominated in euros is at fixed rates (notably its bonds and EIB loans), this provides a natural hedge for part of its exposure in this currency. However, in view of current inflationary pressures and the rise in key interest rates in Europe, in 2022 the iliad Holding Group put in place interest rate hedging contracts for its euro and zloty debt.

With respect to its euro-denominated debt, the Group entered into interest rate swaps with several counterparties in October and November 2022. These swaps take effect in March 2023 and have a final expiry date of September 2032. At December 31, 2022, these swaps hedged a total notional amount of €1 billion, representing more than 11% of the Group's total euro-denominated debt.

With regard to zloty-denominated debt contracted by Play, measures have been taken since November 2021 to hedge the corresponding interest rate risk, also using swaps. At December 31, 2022, these swaps hedge a total notional amount of PLN 6 billion, representing nearly 52% of the Group's total zloty-denominated debt.

In addition, the Group has no significant financial assets (such as bonds, treasury bills, other money market securities, loans or advances) and no off-balance sheet commitments (such as repos or forward rate agreements) that expose it to interest rate risk.

The table below shows the Group's net interest rate exposure at December 31, 2022.

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Financial liabilities	1,432	10,845	2,938	15,215
Financial assets	27	37	953	1,017
Net position before hedging	**1,404**	**10,808**	**1,985**	**14,197**
Off-balance sheet position				
Net position after hedging	**1,404**	**10,808**	**1,985**	**14,197**

A sensitivity analysis of the Group's overall net debt after hedging shows that a 1% increase or decrease in euro interest rates at the reporting date would have resulted in a €31,178 thousand increase or decrease in profit for the period.

Equity risk

The iliad Holding Group does not hold any listed equities in its investment portfolio apart from non-material stakes in two companies.

Commodity risk

Owing to the electricity consumed by its businesses, the Group is exposed to fluctuations in the price of electricity on the spot and forward markets, depending on the purchase terms negotiated with its electricity suppliers. Electricity market prices, which historically have been stable, saw unprecedented volatility in 2022 amid a global rally in consumer spending, the unavailability of part of France's nuclear capability and especially the impact of the war in Ukraine. Against this backdrop, the Group is closely monitoring the electricity markets and has set up financial hedging contracts based on electricity price swaps for electricity consumed in Italy (up to 2024), in addition to the forward purchases already made directly through its suppliers in France and Poland.

Liquidity risk

iliad Holding

iliad Holding relies on the profit and dividends of the iliad Group to fund its financing requirements and meet its payment obligations.

In addition, the Company has a revolving credit facility (the "SS RCF" described above) that can be used to service its general business needs. This facility was not subject to any financial covenants in 2022 in view of the fact that less than 40% of the available facility was used during the year.

Overall, the Company was not exposed to any significant liquidity risk at that date in view of the profitability of the iliad Group, the maturity schedule of its debt (see Note 30), its access to financing, and its level of debt.

iliad Holding ratings

In order to secure financing for the simplified public tender offer for iliad shares launched by Holdco II SAS, iliad Holding was assigned ratings by Standard & Poor's, Moody's and Fitch Ratings. Any change in these ratings could have an impact on the Group's future finance costs and/or access to liquidity.

At December 31, 2022, iliad Holding's various financings were not subject to any changes in costs if its ratings change.

Ratings at December 31, 2022	Standard & Poor's	Moody's	Fitch Ratings
Long-term debt	BB	Ba3	BB
Outlook	Stable	Stable	Stable

The iliad Group

The iliad Group draws on its solid profitability, available cash and bank credit facilities, as well as its access to various sources of financing (banks, bond markets and money markets) to ensure that it has the requisite funds to finance its business development.

At December 31, 2022, the iliad Group's borrowings as described above were not subject to any liquidity risk and it had not breached any of the covenants applicable to its various bank credit facilities (including the EIB loans, the KFW IPEX-Bank loans and its syndicated facilities), at the level of both iliad and Play.

Overall, the iliad Group was not exposed to any liquidity risk at that date in view of the profitability of its operations, the maturity schedule of its debt (see Note 30), its access to financing, and its level of debt.

At December 31, 2022, the covenants applicable to iliad (which take the form of financial ratios), as agreed on following the various amendments to iliad's loan agreements described in Note 30 were as follows:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2022
• €2,000 million RCF (borrower – iliad) • €2,000 million mid-term facility (borrower – iliad) • €1,000 million term loan (borrower – iliad) • €900 million term loan (borrower – iliad) • €200 million EIB loan – 2016 (borrower – iliad) • €300 million EIB loan – 2018 (borrower – iliad) • €300 million EIB loan – 2020 (borrower – iliad) • €300 million EIB loan – 2022 (borrower – iliad) • €90 million KFW loan – 2017 (borrower – iliad) • €150 million KFW loan – 2019 (borrower – iliad)	iliad Group leverage ratio < 3.75	Early repayment	Leverage ratio: 3.1

At December 31, 2022, the covenants applicable to Play (which take the form of financial ratios), as agreed on following the various amendments to Play's loan agreements, were as follows:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2022
• PLN 3,500m term loan (borrower: P4) • PLN 2,000m RCF (borrower: P4) • PLN 5,500 million facility (borrower – P4) • PLN 470 million EIB facility (borrower – P4) • PLN 500 million BGK facility (borrower – P4) • PLN 464 million ECA facility (borrower – P4)	Play's leverage ratio < 3.25	Early repayment	Leverage ratio: 2.6

The Group's financial covenants (leverage) included in its lending agreements relate to its ratio of net debt to consolidated EBITDAaL for the period, as presented in the financial statements, with adjustments to EBITDAaL as defined in the lending agreements.

Lastly, in some of its bank loan agreements, the iliad Group has undertaken to keep the Play sub-group's leverage ratio below 3.25, calculated using the same method as that for iliad's bank covenant, as set out above.

Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly short-term investments – as well as trade and other receivables (see Note 33).

The financial assets that could expose the Group to credit or counterparty risk chiefly correspond to:

- trade receivables: at December 31, 2022, trade receivables represented a gross amount of €1,257 million and a net amount of €1,161 million (see Note 24). The Group's exposure to customer credit risk is monitored daily through cash collection and debt recovery processes. Debt collection agencies are used to recover any receivables that remain unpaid after the reminder process;
- short-term investments: other than the sight deposits used for its routine cash requirements, the Group's policy is to invest its surplus cash in (i) short-term money market instruments, generally for a period of less than one month, or (ii) certificates of deposit with a maturity of no more than three months, in compliance with the rules of diversification and counterparty quality.

Analysis of trade receivables

At December 31, 2022 trade receivables totaled €1,257 million and provisions for doubtful receivables amounted to €96 million.

At the same date, most past-due receivables were classified as doubtful. The amount of past-due trade receivables that had not been written down at the year-end was not material. The amount of past-due trade receivables that had not been written down at the year-end was not material.

Concentration risk

The iliad Holding Group is not exposed to any concentration risk in view of its high number of customers (subscribers).

Note 35 Off-balance sheet commitments and contingencies

35.1 Commitments related to telecom licenses

France

900 MHz – 1,800 MHz – 2,100 MHz license

On January 14, 2018, the Group (through its subsidiary, Free Mobile), along with France's other mobile operators, entered into an agreement with the French government aimed at improving the national coverage of ultra-fast mobile networks through increased use of active and passive RAN sharing. By way of this agreement, the Group undertook to (i) deploy 2,000 four-operator RAN sharing sites in "white spots", (ii) deploy 3,000 sites in "gray spots" (located in priority rollout areas), and (iii) increase its mobile radio-telephone coverage level by end-2029 to 99.6% of the population (indoor coverage equivalent). These commitments were reflected in the obligations set out in the renewal of the 900 MHz, 1,800 MHz and 2,100 MHz licenses (Decision No. 2018-0681 and No. 2018-1391). The commitments were supported by various government measures, notably stability of annual license fees for the 900, 1,800 and 2,100 MHz licenses and the five-year exemption of sites deployed in white and gray spots from the "IFER" network tax until the end of 2022.

2,600 MHz license

By way of decision 2011-1169 dated October 11, 2011, ARCEP authorized Free Mobile to use a block of frequencies in the 2.6 GHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this authorization – which has been given for a renewable 20-year period – require the Free Mobile network to provide very high-speed mobile broadband coverage to 75% of the population by 2023. This milestone had already been reached at the end of 2020.

1,800 MHz license

By way of decision 2014-1542 dated December 16, 2014, ARCEP authorized Free Mobile to use a block of frequencies in the 1,800 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this authorization – which has been given for a period of 20 years – require the Free Mobile network to provide very high-speed broadband coverage to 75% of the French population by October 2023. This milestone had already been reached at the end of 2020.

700 MHz license

By way of decision 2015-1567 dated December 8, 2015, ARCEP authorized Free Mobile to use 10 MHz in the 700 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use, subject to rollout and coverage obligations. One of these obligations is that the Free Mobile network is required to provide very high-speed broadband coverage to 98% of the French population by January 2027 (milestone already reached) and to 99.6% by 2030.

5G license: 3,400-3,800 MHz

By way of decision 2020-1255 dated November 12, 2020, ARCEP authorized Free Mobile to use 70 MHz in the 3,400-3,800 MHz band in Metropolitan France to set up and operate a mobile communications network for public use. The rollout and wholesale offer obligations imposed under this authorization – which has been given for a 15-year period that can be renewed for a further five years – notably require Free Mobile to emit the allocated frequencies from 3,000 sites by December 31, 2022 (milestone achieved), from 8,000 sites by December 31, 2024, and from 10,500 sites by December 31, 2025, and meet reasonable requests for the supply of services for vertical markets.

Licenses for French overseas *départements* and *collectivités*

By way of decision 2016-1520, ARCEP authorized Free Mobile to use the following frequencies (authorizations transferred to Free Caraïbe by decision 2017-1037 dated September 5, 2017):

- Guadeloupe and Martinique:
  - Frequencies in the 800 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.
- French Guiana:
  - Frequencies in the 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.
- Saint-Barthélémy and Saint-Martin:
  - Frequencies in the 800 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

This decision contained a number of obligations for the Group concerning (i) network rollouts and coverage, (ii) compliance with the terms of the cross-border coordination agreements entered into with France's neighboring countries, and (iii) regional economic development, employment and investment.

Following the auctions in which the company is a bidder and if it is selected, Free Caraïbe will be required to enter into additional commitments in 2023 in connection with the allocation of 5G frequencies in these same territories (mainly 700 MHz and 3.5 GHz). These commitments include rollout obligations and obligations to develop new services on the mobile network (e.g., VO-WiFi or fixed access to mobile Internet).

Italy

The decision issued on November 4, 2016 by the Italian Ministry of Economic Development (MiSE) approving the transfer of the licenses to use a portfolio of 35 MHz (duplex) frequencies (see Note 17, "Intangible Assets") to iliad Italia (an iliad Holding Group subsidiary) contained a number of coverage obligations, whereby iliad Italia must:

- provide 2,100 MHz (or 900 MHz) coverage to the main towns and cities of Italy's regions by June 30, 2022 and those of the provinces by December 31, 2024;
- provide 2,600 MHz coverage to 40% of the population 48 months after the 2,600 MHz frequencies become available.

By way of decision no. 231/18/CONS, the Italian telecoms regulator, AGCOM, set out the coverage obligations applicable to the operators allocated 5G frequencies in Italy. Pursuant to the decision, iliad Italia is required to:

- roll out its network and use the 3,600 MHz frequencies allocated to it within two years of them becoming available;
- provide 3,600 MHz coverage to 5% of the population in each of Italy's regions within 48 months of the frequencies being allocated;
- provide 700 MHz coverage to 80% of the Italian population 36 months after the frequencies become available (June 2022 at the latest) and to 99.4% of the population 54 months after the frequencies become available. The second milestone may be achieved through roaming or frequency sharing agreements, for example;
- provide 700 MHz coverage across the main transport hubs, including ports, within 42 months, and across the main tourist areas within 66 months of them being identified.

Poland

2,100 MHz and 900 MHz licenses

At the publication date of these financial statements, the Group considers that it has fulfilled its coverage obligations imposed in the decisions relating to the allocation of frequencies in the 2,100 MHz and 900 MHz bands.

1,800 MHz license

The June 14, 2013 decision to allocate frequencies in the 1,800 MHz band to the Group contained several regulatory obligations to be met by the Group. These primarily concerned making investments in the telecom network, corresponding to 3,200 sites within no more than 24 months of being allocated the frequencies. 50% of the overall investments had to be made in rural or suburban areas or in towns with fewer than 100,000 inhabitants. Additionally, the Group had to start providing services using the 1,800 MHz frequencies within no more than 12 months of the date on which they were allocated. At the publication date of these financial statements, the Group had fulfilled all of these obligations.

800 MHz license

The January 25, 2016 decision to allocate frequencies in the 800 MHz band to the Group – which was replaced by a decision dated June 23, 2016 – contains several regulatory obligations that the Group has to meet. These primarily concern making investments in the telecom network covering (i) 83% of the municipalities defined as "white spots" in Appendix 2 of the decision, within no more than 24 months of the date on which the frequencies were allocated, (ii) 90% of the municipalities referred to in Appendix 3 of the decision, within no more than 36 months of said decision, and (iii) 90% of the municipalities referred to in Appendix 4 of the decision, within no more than 48 months of said decision. Additionally, the Group had to start providing services using the 800 MHz frequencies within no more than 12 months of the date on which they were allocated. At the publication date of these financial statements, the Group had fulfilled these investment obligations.

2,600 MHz license

Four decisions dated January 25, 2016 allocating frequencies in the 2,600 MHz band to the Group require the Group to start providing services using those frequencies within no more than 36 months of their allocation date. The Group has met this requirement.

35.2 Partnerships with Cellnex

Under the industrial partnership agreements entered into with Cellnex in 2019 for France and Italy and in 2021 for Poland, the iliad Holding Group has undertaken to build site infrastructure and sell it to Cellnex pursuant to a build-to-suit program.

The iliad Holding Group's minimum commitments under this partnership are at least 2,500 sites for France, 1,000 sites for Italy and 1,871 sites for Poland. At December 31, 2022, the minimum commitment had been reached for France and Italy.

35.3 Other commitments

At December 31, 2022, the Group had received commitments giving it access to:

- a €2,000 million revolving credit facility, none of which had been used at December 31, 2022;
- a PLN 2,000 million revolving credit facility, none of which had been used at December 31, 2022;
- a €1,250 million mid-term credit facility, of which €1,050 million was available for drawdown at December 31, 2022;
- a €300 million revolving credit facility, none of which had been used at December 31, 2022.

In addition, under the strategic partnership entered into with InfraVia through IFT (a company specially created for the purpose of the partnership) a no-recourse financing arrangement amounting to €2,150 million has been set up.

The iliad Holding Group has given the following commitments in relation to this arrangement:

- A letter of commitment stating that the iliad Holding Group will make shareholder contributions, in line with its interest in IFT, in order to support IFT's strong business development in the first five years of its formation, with the total contributions representing up to €230 million (of which an aggregate €87 million had been contributed as at December 31, 2022).
- The standard collateral for no-recourse financing (pledges of IFT shares and various assets).

At December 31, 2022:

- other commitments given by the iliad Holding Group amounted to €180 million and mainly corresponded to iliad Italia's bank guarantee concerning 900 MHz and 2,100 MHz frequencies;
- other commitments received by the iliad Holding Group totaled €1 million.

35.4 Guarantees given

The iliad Holding Group has not given any specific financial guarantees in return for its existing borrowing facilities with banks.

The following financial guarantees have been granted by the iliad Holding Group: (i) a guarantee deposit given by Holdco II SAS for bank loans and bond debt set up by iliad Holding in connection with Holdco II's simplified public tender offer for iliad SA's shares, and (ii) a guarantee deposit granted by iliad Holding SAS and Holdco II SAS for amounts borrowed under the super senior revolving credit facility set up simultaneously with the above credit facilities.

35.5 Collateralized debt

None of the iliad Holding Group's other assets have been used as collateral for any debt.

Standard sureties (pledges of iliad SA and Holdco II SAS shares held by Holdco II SAS and iliad Holding SAS respectively, amounts owed by iliad SA to Holdco II SAS, amounts owed by iliad SA and Holdco II SAS to iliad Holding SAS, Holdco II SAS's and iliad Holding SAS's bank accounts) have been granted by the iliad Holding Group as security for bank loans and bond debt set up by iliad Holding in connection with Holdco II's simplified public tender offer for iliad SA's shares.

35.6 Claims and litigation

The Group is involved in a number of labor, regulatory, tax and commercial disputes in connection with its business.

The main legal proceedings currently in progress are as follows:

France – Dispute with Bouygues Telecom

In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom's position in this case, which it does not consider to be founded. Bouygues Telecom estimated its alleged losses at €813 million. By way of a decision on February 27, 2019, the Paris Commercial Court dismissed all of Bouygues Telecom's claims and ordered it to pay Free Mobile €350,000 in costs pursuant to Article 700 of the French Civil Procedure Code. On February 10, 2020, Bouygues Telecom appealed this decision. On September 24, 2021, the Paris Court of Appeal ruled in favor of Free Mobile, upholding the decision of the Paris Commercial Court and ordering Bouygues Telecom to pay €350,000 in costs pursuant to Article 700 of the French Civil Procedure Code. Bouygues Telecom further appealed to the French Court of Cassation on March 9, 2022. On December 7, 2022, the Court of Cassation dismissed Bouygues Telecom's appeal and ordered it to pay Free Mobile an amount of €3,000 pursuant to Article 700 of the French Civil Procedure Code.

France – Dispute with UFC

On March 11, 2019, the French consumer group, UFC, used the powers granted to it under Article 623-1 of the French Consumer Code to file a petition against Free Mobile with the Paris District Court (Tribunal de Grande Instance). UFC is claiming that Free Mobile failed to respect its contractual obligations because it charged nine subscribers for not returning their rented phones, whereas the subscribers had allegedly provided proof that they had sent back the devices in accordance with Free Mobile's General Terms and Conditions of Subscription. UFC requested the court to order Free Mobile (i) to reimburse the expenses wrongly charged, and (ii) publish the requisite information to make the consumers concerned aware of their right to compensation. UFC's claims were dismissed on December 13, 2022, as the court ruled that the rental of a mobile phone is excluded from the scope of the group's proceedings. UFC was ordered to pay €8,000 under Article 700 of the French Civil Procedure Code. It appealed the decision and the proceedings are still ongoing.

France – Tax disputes

The iliad Group has filed a claim with the competent authorities for the refund of VAT payments following a dispute with the tax authorities (see Note 24).

In addition, the iliad Group has been the subject of tax audits for the period 2019-2022 and some of its subsidiaries have received tax deficiency notices. The proposed adjustments have been contested in their entirety and additional responses have been provided to the tax authorities. However, in accordance with accounting principles, the Group has made a best estimate of these risks in the financial statements at December 31, 2022.

Poland – Antitrust proceedings

In June 2015, Play applied to the Warsaw District Court claiming PLN 316 million from Orange Polska, Polkomtel and T-Mobile Polska. This amount comprises PLN 231 million in damages for unfair competition – arising from the defendants applying excessive costs for voice connections with the Play network for the period from July 1, 2009 through March 31, 2012 – plus capitalized interest. In July 2018, Play extended its application by claiming an additional PLN 314 million (including PLN 258 million in damages plus capitalized interest) for the subsequent period from April 1, 2012 through December 31, 2014. On December 27, 2018, the court rejected Play's initial claim for PLN 316 million. Play appealed this decision and in a ruling dated December 28, 2020, the Warsaw Court of Appeal overturned the judgment of the first instance court and ordered the case to be judged again. The claim for PLN 316 million and the claim for the additional PLN 314 million are still in progress before the Warsaw District Court. In September 2019, Play withdrew its claims against T-Mobile but maintained those against Orange and Polkomtel. As it is not certain that Play will receive the amounts it has claimed, the iliad Holding Group has not recognized any related income in its consolidated financial statements.

Poland – Call termination charges

Claim lodged by Polkomtel

In December 2018, Polkomtel lodged a claim for the Polish Treasury or Play to be ordered (on a joint and several basis) to pay it (i) the call termination charges that Polkomtel would have received from Play if the the Polish telecoms regulator (UKE) had not reduced the call termination rate by way of a decision that was subsequently canceled by a court as it was held to be unlawful, and (ii) accumulated interest as from the date the claim was lodged. At this stage of the proceedings it is difficult to assess the legal risk relating to this claim.

Claim lodged by Play

In July 2019, Play lodged a claim for T-Mobile to be ordered to pay it (i) the call termination charges that Play would have received from T-Mobile if the UKE had not reduced the call termination rate by way of decisions that were subsequently canceled by a court as they were held to be unlawful, and (ii) accumulated interest as from the date the claim was lodged. In a decision dated December 30, 2020, the Arbitration Tribunal hearing the case rejected Play's claim (with a dissenting opinion from one of the arbitrators) and ordered Play to reimburse the costs incurred by T-Mobile for the arbitration procedure. On April 26, 2021, Play applied to the Warsaw Court of Appeal for the arbitration decision to be overturned. On June 13, 2022, Play's claim was dismissed by the Court of Appeal.

Poland – UOKiK/UKE/Other

Play is involved in a number of proceedings, including procedures launched by the President of the UKE and the President of the UOKIK (the Polish Office of Competition and Consumer Protection) as well as proceedings resulting from appeals against decisions made by those regulatory bodies. On September 2, 2016, the President of the UOKIK launched proceedings against UPC regarding unfair clauses concerning price increases, a guaranteed a minimum offer of TV programs, technician fees and contract termination fees. On July 17, 2019, the President of the UOKIK issued a decision prohibiting the application of the above-mentioned clauses, ordering UPC to pay a fine of PLN 32 million and imposing on it an obligation to compensate customers. UPC appealed the decision before the Warsaw District Court. On November 23, 2022, the Warsaw District Court confirmed its decision as to the obligation to compensate customers, which had been overturned. UPC and the President of the UOKIK may appeal.

On December 1, 2022, the President of the UOKIK launched proceedings against P4 regarding practices against the collective interest of consumers, which in the opinion of the UOKIK President consist of the application of a contractual clause canceling the application of a discount on subscriptions in case of late payment by customers.

Note 36 Events after the reporting date

Completion of the RAN sharing agreement with W3

On January 3, 2023, iliad Italia and W3 completed the RAN sharing agreement relating to Italy, having obtained clearance from the relevant authorities. Under this agreement, iliad Italia has purchased, for €319 million, 50% of the shares in the joint venture that owns the network and operates the RAN sharing services on behalf of iliad and W3. Payment of the purchase price is to be spread over four years. This joint operation will be recognized in the financial statements of the iliad Holding Group with effect from January 3, 2023 for the amount of the Group's share in the joint operation's assets, liabilities, income and expenses.

Issue of a €500 million bond in February 2023

On February 8, 2023, iliad successfully placed a €500 million bond issue with a 7-year maturity. The bonds are redeemable at maturity on February 15, 2030, and pay interest at 5.625% per year.

Following this issue, on February 20, 2023 the Group repaid in full the amounts drawn down on its mid-term facility, amounting to €200 million.

Dispute with Bouygues Telecom

On February 23, the Paris Commercial Court ruled in the case between Free and Bouygues Telecom regarding the bundling of smartphone and mobile plans («subsidized» offers). This ruling ordered Bouygues Telecom to pay €308 million in damages to Free. Bouygues Telecom has appealed this decision before the Paris Court of Appeal. Under current accounting rules, income resulting from a favorable ruling in a dispute can only be recognized when the case is closed. Accordingly, no income was recorded in this respect in the iliad Holding Group's financial statements in 2022.

Note 37 List of main consolidated companies at December 31, 2022

The following table includes the Group's main legal holdings.

	Registration number	Head office	Percentage ownership at Dec. 31, 2022	Percentage ownership at Dec. 31, 2021	Consolidation method in 2022
iliad Holding 16 rue de la Ville l'Évêque 75008 Paris, France	814 040 689	Paris	100.00%	100.00%	Full
Holdco II 16 rue de la Ville l'Évêque 75008 Paris, France	844 857 268	Paris	97.43%	97.41%	Full
Holdco III 16 rue de la Ville l'Évêque 75008 Paris, France	908 731 912	Paris	100.00%	100.00%	Full
iliad 11 16 rue de la Ville l'Évêque 75008 Paris, France	891 404 998	Paris	100.00%	100.00%	Full
iliad 16 rue de la Ville l'Évêque 75008 Paris, France	342 376 332	Paris	96.93%	97.27%	Full

— LIST OF COMPANIES IN THE ILIAD GROUP (% OWNED BY ILIAD)

	Registration number	Head office	Percentage ownership at Dec. 31, 2022	Percentage ownership at Dec. 31, 2021	Consolidation method in 2022
Assunet 16 rue de la Ville l'Évêque 75008 Paris, France	421 259 797	Paris	89.96%	89.96%	Full
Centrapel 8 rue de la Ville l'Évêque 75008 Paris, France	434 130 860	Paris	100.00%	100.00%	Full
Certicall 40 avenue Jules Cantini 13006 Marseille, France	538 329 913	Marseille	100.00%	100.00%	Full
Connexy 3 rue Paul Brutus 13015 Marseille, France	848 895 173	Marseille	100.00%	/	Full
Equaline 18 rue du Docteur G. Pery 33300 Bordeaux, France	538 330 358	Bordeaux	100.00%	100.00%	Full
F Distribution 8 rue de la Ville l'Évêque 75008 Paris, France	528 815 376	Paris	100.00%	100.00%	Full
Fibre Inc 1209 Orange Street, Wilmington, New Castle County, 19801 Delaware, USA	/	Wilmington	100.00%	100.00%	Full
Freebox 16 rue de la Ville l'Évêque 75008 Paris, France	433 910 619	Paris	97.99%	97.99%	Full
Free Caraïbe 3 rue de la carrière 97200 Fort-de France, Martinique	808 537 641	Fort-de France, Martinique	100.00%	100.00%	Full
Free 8 rue de la Ville l'Évêque 75008 Paris, France	421 938 861	Paris	100.00%	100.00%	Full
Free Infrastructure 16 rue de la Ville l'Évêque 75008 Paris, France	488 095 803	Paris	100.00%	100.00%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2022	Percentage ownership at Dec. 31, 2021	Consolidation method in 2022
Free Fréquences 16 rue de la Ville l'Évêque 75008 Paris, France	529 917 833	Paris	100.00%	99.98%	Full
Free Mobile 16 rue de la Ville l'Évêque 75008 Paris, France	499 247 138	Paris	100.00%	99.86%	Full
Free Pro (ex-Jaguar Network) 3 rue Paul Brutus 13015 Marseille, France	439 099 656	Marseille	100.00%	75.54%	Full
Free Réseau 16 rue de la Ville l'Évêque 75008 Paris, France	419 392 931	Paris	100.00%	100.00%	Full
IH 8 rue de la Ville l'Évêque 75008 Paris, France	441 532 173	Paris	100.00%	100.00%	Full
iliad 10 16 rue de la Ville l'Évêque 75008 Paris, France	844 880 492	Paris	100.00%	100.00%	Full
iliad 6 16 rue de la Ville l'Évêque 75008 Paris, France	834 309 486	Paris	100.00%	100.00%	Full
IFT 31 rue de la Baume 75008 Paris, France	852 619 352	Paris	48.98%	48.98%	Equity
IFW 16 rue de la Ville l'Évêque 75008 Paris, France	400 089 942	Paris	100.00%	100.00%	Full
iliad 78 16 rue de la Ville l'Évêque 75008 Paris, France	834 315 673	Paris	78.45%	78.45%	Full
iliad Customer Care Viale Restelli Francesco 1/A Milan, Italy	/	Milan	100.00%	100.00%	Full
iliad Italia Holding S.p.A Viale Restelli Francesco 1/A Milan, Italy	/	Milan	100.00%	100.00%	Full
iliad Investments 16 rue de la Ville l'Évêque 75008 Paris, France	919 740 605	Paris	40.85%	/	Equity
iliad Italia S.p.A Viale Restelli Francesco 1/A Milan, Italy	/	Milan	97.73%	97.89%	Full
iliad Purple 16 rue de la Ville l'Évêque 75008 Paris, France	537 915 050	Paris	92.57%	93.00%	Full
Immobilière iliad 16 rue de la Ville l'Évêque 75008 Paris, France	501 194 419	Paris	100.00%	100.00%	Full
IRE 16 rue de la Ville l'Évêque 75008 Paris, France	489 741 645	Paris	100.00%	100.00%	Full
Jaguar Network Suisse rue des Paquis 11 1201 Geneva, Switzerland	/	Geneva	100.00%	75.54%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2022	Percentage ownership at Dec. 31, 2021	Consolidation method in 2022
JT Holding 3 rue Paul Brutus 13015 Marseille, France	801 382 300	Marseille	100.00%	75.54%	Full
Madiacom 44 rue Henri Becquerel Jarry 97122 Baie-Mahault, France	880 041 397	Baie-Mahault	50.00%	50.00%	Joint Operation
MCRA 8 rue de la Ville l'Évêque 75008 Paris, France	532 822 475	Paris	100.00%	100.00%	Full
Newco 25M 16 rue de la Ville l'Évêque 75008 Paris, France	910 077 478	Paris	49.50%	/	Equity
NJJ Boru 16 rue de la Ville l'Évêque 75008 Paris, France	833 797 467	Paris	49.00%	49.00%	Equity
On Tower France 31-33 rue de la Baume 75008 Paris, France	834 309 676	Boulogne-Billancourt	/	30.00%	Equity
On Tower Poland Wynalazek 1, 02-677 Warsaw, Poland	/	Poland	27.77%	37.20%	Equity
Online Immobilier 16 rue de la Ville l'Évêque 75008 Paris, France	537 915 019	Paris	97.58%	97.58%	Full
P4 SP. Z.O.O Wynalazek 1, 02-677 Warsaw, Poland	/	Poland	92.57%	93.00%	Full
Predictiv Pro S.A.S. 3 rue Paul Brutus 13015 Marseille, France	880 472 683	Marseille	100.00%	75.54%	Full
Protelco 8 rue de la Ville l'Évêque 75008 Paris, France	509 760 948	Paris	100.00%	100.00%	Full
Qualipel 61 rue Julien Grimau 94400 Vitry-sur-Seine, France	533 513 958	Vitry-sur-Seine	/	100.00%	
Resolution Call 7 Bld Mohamed V 20800 Mohammedia, Morocco	/	Morocco	100.00%	100.00%	Full
Scaleway 8 rue de la Ville l'Évêque 75008 Paris, France	433 115 904	Paris	97.58%	97.58%	Full
Scaleway US Corporation C/O IMS – 1700 W Irving Park, Suite 302 Chicago, IL 606013, USA	/	Chicago	97.58%	97.58%	Full
Solid 19 16 rue de la Ville l'Évêque 75008 Paris, France	790 148 944	Paris	100.00%	100.00%	Full
Telecom Academy « Privé » Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf Casablanca, Morocco	/	Morocco	100.00%	100.00%	Full

	Registration number	Head office	Percentage ownership at Dec. 31, 2022	Percentage ownership at Dec. 31, 2021	Consolidation method in 2022
Telecom Réunion Mayotte 16 rue de la Ville l'Évêque 75008 Paris, France	812 123 214	Paris	50.00%	50.00%	Equity
Trax 16 rue de la Ville l'Évêque 75008 Paris, France	850 134 388	Paris	98.00%	98.00%	Full
Total Call Technoparc – Route de Nouceur Sidi Maar Casablanca, Morocco	/	Morocco	100.00%	100.00%	Full
Université F 233 16 rue de la Ville l'Évêque 75008 Paris, France	891 401 507	Paris	100.00%	/	Full

Note 38 Audit fees

In accordance with the disclosure requirements of standards 2016-08, 2016-09, 2016-10 and 2016-11 issued by France's accounting standards authority (the "ANC"), the table below sets out the amount of fees paid to the Statutory Auditors of iliad S.A. and its fully consolidated subsidiaries, not including fees invoiced by the Statutory Auditors' network firms:

	iliad Holding (excluding iliad)		The iliad Group		Total	
In € thousands	2022	2021	2022	2021	2022	2021
Statutory audit services	82	90	786	736	868	826
Non-audit services	0	195	168	270	168	465
TOTAL FEES	**82**	**285**	**954**	**1,006**	**1,036**	**1,291**

Services other than audit work provided during the year mainly concern:

- verifying the consolidated non-financial information statement presented in the iliad Group's management report;
- reviewing asset sale transactions;
- providing various statements.

SCHEDULE 8

Statutory Auditors' report on the consolidated financial statements

for the year ended December 31, 2022

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Sole Shareholder,

Opinion

In compliance with the engagement entrusted to us by the Sole Shareholder, we have audited the accompanying consolidated financial statements of Iliad Holding SAS for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from January 1, 2022 to the date of our report.

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we hereby inform you that the most significant assessments we made, in accordance with our professional judgment, concerned the appropriateness of the accounting principles applied, the reasonableness of the significant estimates used, and the overall presentation of the financial statements.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Chairman's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Chairman.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Neuilly-sur-Seine and Toulouse, April 7, 2023

The Statutory Auditors

PricewaterhouseCoopers Audit		FID Sud Audit
Thierry Leroux	Valérie Rigaud-Branquart	Thomas Lamarche

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