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<b>CONSOLIDATED INCOME STATEMENT</b>
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In € thousands	Note	2017	2016
<b>Revenues</b>	4	4,987,469	4,722,062
Purchases used in production	5	(2,357,029)	(2,322,979)
Payroll costs	6	(255,592)	(242,853)
External charges	5	(417,159)	(342,071)
Taxes other than on income		(107,679)	(82,052)
Additions to provisions	9	(53,517)	(49,587)
Other income from operations	8	27,006	38,180
Other expenses from operations	8	(46,751)	(45,001)
<b>EBITDA<sup>(1)</sup></b>	1	<b>1,776,748</b>	<b>1,675,699</b>
Share-based payment expense	27	(4,120)	(1,979)
Depreciation, amortization and provisions for impairment of non-current assets	9	(910,655)	(929,610)
<b>Profit from ordinary activities</b>		<b>861,973</b>	<b>744,110</b>
Other operating income and expense, net	10	(905)	(4,463)
<b>Operating profit</b>		<b>861,068</b>	<b>739,647</b>
Income from cash and cash equivalents	11	13	72
Finance costs, gross	11	(27,965)	(43,830)
<b>Finance costs, net</b>	11	<b>(27,952)</b>	<b>(43,758)</b>
Other financial income	11	22	966
Other financial expenses	11	(63,364)	(49,302)
Corporate income tax	12	(366,031)	(245,600)
Share of profit of equity-accounted investees	20	873	723
<b>PROFIT FOR THE PERIOD</b>		<b>404,616</b>	<b>402,676</b>
<b>PROFIT FOR THE PERIOD FROM RECURRING OPERATIONS(2).....</b>		<b>480,282</b>	<b>402,676</b>
<i>Profit for the period attributable to:</i>			
▪ Owners of the Company		397,873	401,079
▪ Minority interests		6,743	1,597
<i>Earnings per share attributable to owners of the Company (in €):</i>			
▪ Basic earnings per share	13	6.76	6.84
▪ Diluted earnings per share	13	6.59	6.67

(1) See definition on page 18.

(2) See definition on page 18.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>
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In € thousands	Note	2017	2016
<b>PROFIT FOR THE PERIOD</b>		<b>404,616</b>	<b>402,676</b>
<ul style="list-style-type: none"> <li>➤ Items that may be subsequently reclassified to profit:           <ul style="list-style-type: none"> <li>▪ Fair value remeasurement of interest rate and currency hedging instruments               <ul style="list-style-type: none"> <li>Tax effect</li> </ul> </li> </ul> </li> </ul>	32/33  32/33	(1,300)  448 <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <b>(852)</b>	3,032  (1,044) <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <b>1,988</b>
<ul style="list-style-type: none"> <li>➤ Items that will not be reclassified to profit:           <ul style="list-style-type: none"> <li>▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions               <ul style="list-style-type: none"> <li>Tax effect</li> </ul> </li> </ul> </li> </ul>	6	(28) 10 <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <b>(18)</b>	(1,453) 500 <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <b>(953)</b>
<b>Other comprehensive income/(expense) for the period, net of tax</b>		<b>(870)</b>	<b>1,035</b>
Total comprehensive income for the period		<b>403,746</b>	<b>403,711</b>
Total comprehensive income for the period attributable to:			
<ul style="list-style-type: none"> <li>▪ Owners of the Company</li> <li>▪ Minority interests</li> </ul>		397,005 6,741	402,120 1,591

<b>CONSOLIDATED BALANCE SHEET – ASSETS</b>
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In € thousands	Note	At December 31, 2017	At December 31, 2016
Goodwill	16	214,818	214,818
Intangible assets	17	2,706,835	3,241,714
Property, plant and equipment	19	4,428,762	3,761,385
Investments in equity-accounted investees	20	15,647	14,723
Other long-term financial assets	21	36,852	18,513
Deferred income tax assets	12	20,997	11,131
Other non-current assets		0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,423,911</b>	<b>7,262,284</b>
Inventories	22	30,696	14,274
Current income tax assets		206	20,553
Trade and other receivables	23	724,882	674,190
Other short-term financial assets	21	246	246
Cash and cash equivalents	24	216,088	238,540
<b>TOTAL CURRENT ASSETS</b>		<b>972,118</b>	<b>947,803</b>
<b>ASSETS HELD FOR SALE</b>	<b>25</b>	<b>19,640</b>	<b>21,428</b>
<b>TOTAL ASSETS</b>		<b>8,415,669</b>	<b>8,231,515</b>

<b>CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES</b>
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In € thousands	Note	At December 31, 2017	At December 31, 2016
Share capital	26	13,082	13,038
Additional paid-in capital	26	432,685	418,381
Retained earnings and other reserves	26	2,928,299	2,570,359
<b>TOTAL EQUITY</b>		<b>3,374,066</b>	<b>3,001,778</b>
<i>Attributable to:</i>			
<i>. Owners of the Company</i>		<i>3,363,605</i>	<i>2,997,646</i>
<i>. Minority interests</i>		<i>10,461</i>	<i>4,132</i>
Long-term provisions	28	0	0
Long-term financial liabilities	29	2,168,446	1,391,164
Deferred income tax liabilities	12	0	0
Other non-current liabilities	30	713,575	1,490,952
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,882,021</b>	<b>2,882,116</b>
Short-term provisions	28	44,042	49,463
Taxes payable		8,277	3,032
Trade and other payables	30	1,610,464	1,804,973
Short-term financial liabilities	29	496,799	490,153
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,159,582</b>	<b>2,347,621</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,415,669</b>	<b>8,231,515</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
<b>Balance at January 1, 2016</b>	12,999	405,848	(2,455)	65,309	2,152,871	2,634,572	2,626	2,637,198
<b>Movements in 2016</b>								
▪ Profit for the period					401,079	401,079	1,597	402,676
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				1,988		1,988		1,988
✓ Impact of post-employment benefit obligations				(947)		(947)	(6)	(953)
<b>Total comprehensive income for the period</b>				<b>1,041</b>	<b>401,079</b>	<b>402,120</b>	<b>1,591</b>	<b>403,711</b>
▪ Capital increase	39	12,533				12,572		12,572
▪ Dividends paid by Iliad SA					(24,062)	(24,062)		(24,062)
▪ Dividends paid by subsidiaries							(196)	(196)
▪ Purchases/sales of own shares			(15,660)	(631)		(16,291)		(16,291)
▪ Impact of stock options				1,957		1,957	23	1,980
▪ Impact of changes in minority interests in subsidiaries				(13,222)		(13,222)	88	(13,134)
<b>Balance at December 31, 2016</b>	13,038	418,381	(18,115)	54,454	2,529,888	2,997,646	4,132	3,001,778
<b>Balance at January 1, 2017</b>	13,038	418,381	(18,115)	54,454	2,529,888	2,997,646	4,132	3,001,778
<b>Movements in 2017</b>								
▪ Profit for the period					397,873	397,873	6,743	404,616
▪ Other comprehensive income/(expense) for the period, net of tax:								
✓ Impact of interest rate and currency hedges				(852)		(852)		(852)
✓ Impact of post-employment benefit obligations				(16)		(16)	(2)	(18)
<b>Total comprehensive income for the period</b>				<b>(868)</b>	<b>397,873</b>	<b>397,005</b>	<b>6,741</b>	<b>403,746</b>
▪ Capital increase	44	14,304				14,348		14,348
▪ Dividends paid by Iliad SA					(25,910)	(25,910)		(25,910)
▪ Dividends paid by subsidiaries							(143)	(143)
▪ Purchases/sales of own shares			(3,224)	359		(2,865)		(2,865)
▪ Impact of stock options and free shares				4,031		4,031	89	4,120
▪ Impact of changes in minority interests in subsidiaries				(20,650)		(20,650)	(358)	(21,008)
<b>Balance at December 31, 2017</b>	13,082	432,685	(21,339)	37,326	2,901,851	3,363,605	10,461	3,374,066

## CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	2017	2016
<b>Profit for the period</b> (including minority interests)		<b>404,616</b>	<b>402,676</b>
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		906,550	883,451
-/+ Unrealized gains and losses on changes in fair value		3,469	(416)
+/- Expenses and income related to stock options and other share-based payments		4,120	1,979
+/- Other income and expenses, net		49,011	37,205
+/- Gains and losses on disposals of assets		(3,002)	(9,691)
+/- Dilution gains and losses		0	0
+/- Share of profit of equity-accounted investees	20	(873)	(723)
- Dividends (investments in non-consolidated undertakings)		0	0
<b>Cash flows from operations after finance costs, net, and income tax</b>		<b>1,363,891</b>	<b>1,314,481</b>
+ Finance costs, net	11	27,952	43,758
+/- Income tax expense (including deferred taxes)	12	366,031	245,599
<b>Cash flows from operations before finance costs, net, and income tax (A)</b>		<b>1,757,874</b>	<b>1,603,838</b>
- Income tax paid (B)		(333,734)	(239,365)
+/- Change in operating working capital requirement (including employee benefit obligations) (C)	14	(74,900)	25,627
<b>= NET CASH GENERATED FROM OPERATING ACTIVITIES (D) = (A) + (B) + (C)</b>		<b>1,349,240</b>	<b>1,390,100</b>
- Acquisitions of property, plant and equipment and intangible assets	14	(2,067,810)	(1,777,273)
+ Disposals of property, plant and equipment and intangible assets		12,382	9,578
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustments		(21,009)	(13,134)
+/- Effect of changes in Group structure – disposals		0	10,000
+/- Change in outstanding loans and advances		(18,041)	314
+ Cash inflows from assets held for sale		3,314	10,097
- Cash outflows for assets held for sale		(214)	(243)
<b>= NET CASH USED IN INVESTING ACTIVITIES (E)</b>		<b>(2,091,378)</b>	<b>(1,760,661)</b>
+ Proceeds from capital increases:			
. Paid by owners of the Company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on exercise of stock options		17,854	9,791
-/+ Own-share transactions		(2,864)	(16,291)
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(25,910)	(24,062)
. Dividends paid to minority shareholders of consolidated companies		(143)	(196)
+ Proceeds from new borrowings		846,806	547,078
- Repayment of borrowings (including finance leases)	29	(87,892)	(573,560)
- Net interest paid (including on finance leases)		(26,370)	(55,071)
<b>= NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES (F)</b>		<b>721,481</b>	<b>(112,311)</b>
+/- Effect of exchange-rate movements on cash and cash equivalents (G)		(333)	55
<b>= NET CHANGE IN CASH AND CASH EQUIVALENTS – (D) + (E) + (F) + (G)</b>		<b>(20,990)</b>	<b>(482,817)</b>
Cash and cash equivalents at beginning of year	14	235,729	718,546
Cash and cash equivalents at end of year	14	214,739	235,729



<b>NOTE 1: ACCOUNTING PRINCIPLES AND POLICIES</b>
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***1-1. GENERAL INFORMATION***

Iliad SA is a *société anonyme* registered in France and listed on Eurolist by Euronext Paris under the symbol "ILD".

The Iliad Group (the "Group") is a leading player in the French retail telecommunications market.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2017 on March 12, 2018 and their publication date was set for March 13, 2018. These financial statements will only be definitive after approval by the Company's shareholders at the Annual General Meeting scheduled to be held on May 16, 2018.

***1-2. APPLICABLE ACCOUNTING STANDARDS***

The principal 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 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 in the process of 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. New standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2017:

- **Amendments to IAS 7 – Disclosure Initiative.** These amendments introduce additional paragraphs to IAS 7 which require entities to provide information to help users of financial statements evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

To meet this requirement, the following changes in liabilities arising from financing activities must be disclosed:

- ✓ changes from financing cash flows;
- ✓ changes arising from obtaining or losing control of subsidiaries or other businesses;
- ✓ the effect of changes in foreign exchange rates and changes in fair values.

The disclosure requirement also applies to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

These amendments are not relevant to the Group.

- **Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses.** These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, in order to address diversity in practice.

The Group has applied these amendments.

- **Amendments to IFRS 4 – Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*.** The new standard on financial instruments – IFRS 9 (which will replace IAS 39) – will come into effect before the future standard on insurance contracts, which will replace IFRS 4. This situation could lead to temporary volatility in reported results for the entities concerned. The amendments to IFRS 4 are intended to address this problem and the amended version of the standard:

- ✓ Gives all companies that issue insurance contracts the option to recognize in other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new standard on insurance contracts is issued.
- ✓ Gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. These companies will continue to apply IAS 39 during that period.

These amendments are not relevant to the Group.

### 1-2.3. Standards, amendments and interpretations that could be early adopted in 2017:

- **IFRS 9, Financial Instruments (final version) and amendments to IFRS 9, IFRS 7 and IAS 39, effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.** The final version of IFRS 9 brings together the three phases of the IASB's project to replace IAS 39: classification and measurement, impairment and hedge accounting. The improvements introduced by the standard include:
  - ✓ A logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.
  - ✓ A single, forward-looking "expected loss" impairment model.
  - ✓ A substantially-reformed approach to hedge accounting.

The amendments to IFRS 9 also introduce enhanced disclosure requirements with the aim of improving the information provided to investors.

- **IFRS 15, Revenue from Contracts with Customers, effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted.** The core principle of IFRS 15 is for entities to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
- **Clarifications to IFRS 15, Revenue from Contracts with Customers.** These amendments to IFRS 15 clarify how the principles of IFRS 15 should be applied and mainly comprise illustrative examples as well as amendments to the Basis for Conclusions. They clarify how to:
  - ✓ identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
  - ✓ determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
  - ✓ determine whether the revenue from granting a license should be recognized at a point in time or over time.
- **IFRS 16, Leases, effective for annual periods beginning on or after January 1, 2019.** IFRS 16, Leases replaces IAS 17 and its associated interpretative guidance. The main change the new standard introduces is that lessees will be required to recognize all leases on their balance sheets, which will increase the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements in IFRS 16. The standard does not change how service contracts are accounted for, but it does give some useful guidance on how to distinguish between the lease and service components of complex contracts.

The Group has not early adopted the above standards or amendments.

The amendments related to IFRS 15 in particular are not expected to have a material impact in view of the structure of the Group's commercial offerings and the accounting methods applied. This is due to the fact that the Group proposes no-commitment service offerings at prices that do not change over the subscription period (i.e. it has no "subsidized" offerings). In addition, most of the Group's customers sign up online or through the Group's own physical stores (i.e. it has no third-party distribution). This unique positioning in the telecommunications sector means that IFRS 15 will have virtually no impact on the Group's consolidated financial statements for 2018.

The only expected impacts will be in terms of presentation, as follows:

- Based on an analysis of all of its services and related supplier contracts to determine whether it is the principal or agent under these agreements in accordance with IFRS 15, as from 2018 the Group will be required to reclassify, as a deduction from revenues, approximately €100 to €150 million worth of purchases used in production. This concerns revenues from calls to special numbers and mobile applications.

Lastly, to facilitate year-on-year comparisons, the Group has elected to apply the full retrospective approach for its transition to IFRS 15 and therefore present the revenues in its 2018 financial statements as if it were applying the new standard in both 2018 and 2017.

Concerning IFRS 16, the Group is currently analyzing the impacts that this new standard will have on its 2019 financial statements in view of its business as a landline and mobile telecommunications operator, and given the large number of lease contracts signed by the Group that could potentially fall within the scope of the standard.

#### **1-2.4. New standards and amendments that were not applicable in 2017 (as not yet endorsed by the European Union):**

- **Annual Improvements to IFRSs (2015-2017 cycle).**
  - ✓ IAS 12, Income Taxes: clarifying the recognition of the tax consequences of dividends.
  - ✓ IAS 23, Borrowing Costs: clarifying how an entity determines the amount of borrowing costs eligible for capitalization when it borrows funds generally and uses them to obtain a qualifying asset.

- ✓ IFRS 11, Joint Arrangements: clarifying that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.
  - ✓ IFRS 3, Business Combinations: clarifying that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- **Annual improvements to IFRSs (2014-2016 cycle)**, which comprise amendments to three standards, as follows:
    - ✓ IFRS 1, First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters.
    - ✓ IFRS 12, Disclosures of Interests in Other Entities: Clarification of the scope of the standard in relation to disclosure requirements.
    - ✓ IAS 28, Investments in Associates and Joint Ventures: Clarification that the election to measure at fair value through profit or loss is available on an investment-by-investment basis.
  - **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** These amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business as defined in IFRS 3 (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture should only be recognized to the extent of unrelated investors' interests in the associate or joint venture.
  - **Effective Date of Amendments to IFRS 10 and IAS 28, which postpones the effective date of these amendments.**
  - **Amendments to IAS 28, “Long-term Interests in Associates and Joint Ventures”.** These amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity’s net investment in these investees but to which the equity method is not applied. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the associate or joint venture or assessment of impairment in accordance with IAS 28).
  - **Amendments to IAS 40, Investment Property – Transfers of Investment Property, applicable as from January 1, 2018.** These narrow-scope amendments are intended to clarify the application of paragraphs 57 and 58 of IAS 40. The amended standard states that an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.

- **Amendments to IFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions, applicable as from January 1, 2018.** These amendments provide requirements on the accounting for:
  - ✓ the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - ✓ share-based payment transactions with net settlement features for withholding tax obligations; and
  - ✓ a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
  
- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation.** These amendments address the issue of how to account for the frequent case of debt instruments that have prepayment features with negative compensation (i.e. the borrower is permitted to prepay the instrument at an amount that could be less than the unpaid principal and interest).
  
- **IFRS 17 - Insurance Contracts** IFRS 17 replaces IFRS 4, which was issued as an interim standard in 2004. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for based on present values instead of historical cost and the information will be updated regularly.
  
- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration.** The objective of IFRIC 22 is to clarify how the date of the transaction should be assessed for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration in a foreign currency.
  
- **IFRIC 23 – Uncertainty over Income Tax Treatments.** IFRIC 23 clarifies how to apply the recognition and measurement provisions in IAS 12, Income Taxes, where there is uncertainty over income tax treatments. The interpretation states that entities should use judgment to decide whether each uncertain tax treatment should be considered independently or whether some tax treatments should be considered together, when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The Group is currently analyzing the impacts of applying the above standards, amendments and interpretations.

### ***1-3. CONSOLIDATION***

#### ***Consolidation methods***

##### **Subsidiaries**

Subsidiaries are entities that are controlled by the Group.

Control is presumed to exist when the 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 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 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 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 Group's consolidated financial statements from the date significant influence arises to the date significant influence ceases.

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

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

### **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 measured initially at their fair values at the acquisition date, 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 date of acquisition.

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on 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 on goodwill may not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 thousands of euros.

### ***Foreign currency translation***

Assets and liabilities of Group companies that are denominated in foreign currencies are translated into euros at the year-end rate. Income and expense items are translated at average exchange rates for the year.

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 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 11);
- current and deferred taxes;
- profit from discontinued operations and assets held for sale; and
- 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.

The Group has elected to present two additional indicators of earnings performance in its income statement:

#### ➤ EBITDA

EBITDA is a key indicator of the Group's operating performance and corresponds to profit from ordinary activities before:

- depreciation, amortization and impairment of property, plant and equipment and intangible assets; and
  - share-based payment expense.
- Profit for the period from recurring operations

This corresponds to profit for the period excluding the impact of the additional and exceptional income tax contribution.

### ***1-5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

#### ***Revenues***

Revenues from the Group's operations are recognized and presented as follows in accordance with IAS 18, Revenue:

- Revenues from usage of connection time are recognized in the period in which the usage takes place.
- Revenues from subscriptions and flat-fee packages are recognized over the period covered by the subscriptions or packages.
- Revenues from the sale of mobile phones 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 Group applies IAS 17 when recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IAS 17, 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 IAS 17.

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 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 the figures for attributable profit for the period and the weighted average number of shares outstanding for the impact of all potentially dilutive equity 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:

- 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) its intention to complete the intangible asset and use or sell it;
- 3) its ability to use or sell the asset;
- 4) how the intangible asset will generate probable future economic benefits;

- 5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- 6) 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 a business combination. 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 recorded 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. The Group's 3G and 4G licenses in France are being amortized on a straight-line basis over a period of 18 years on average.

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 national roaming agreement is amortized over a period of four years as from the effective date of the last addendum signed between the two operators. Amortization is spread over the period based on decreasing volumes between 2017 and 2020.

- Software, which is amortized on a straight-line basis over a period of one to three years.
- The Alice customer base, which is being amortized over a period of 12 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: 4 to 18 years;

- computer equipment: 3 to 5 years;
- office furniture and equipment: 2 to 10 years;
- modems: 5 years;
- access fees for co-location facilities used to conduct unbundling operations are depreciated over a period of 15 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 term of use of the fiber concerned.

At each reporting date, the Group assesses whether the depreciation schedules 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.

### ***Finance leases***

Material assets acquired under finance leases are capitalized in the consolidated financial statements.

In accordance with IAS 17, leases are considered to be finance leases when they have the effect of transferring to the lessee substantially all the risks and rewards inherent to ownership of the leased asset.

In such cases:

- At the commencement of the lease term, the assets acquired are recognized in the balance sheet based on the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are subsequently depreciated over their useful lives.
- The related obligation is recorded as a financial liability and is repaid based on the lease terms.
- Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

### ***Impairment of 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 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 for trading are classified as financial assets at fair value through profit or loss and are recognized as current assets. Gains and losses arising from changes in the fair value of these assets are recognized in the income statement.
- Financial assets that the Group has the intention and ability to hold to maturity are classified as held-to-maturity investments and are measured at amortized cost. Gains and losses on these investments are recognized in the income statement when they are realized.
- Loans and receivables are also measured at amortized cost, with gains and losses recognized in the income statement when they are repaid or settled.
- The Group's other investments are classified as available-for-sale financial assets and are measured at fair value. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. When an available-for-sale financial asset is sold any impairment losses previously recognized in equity are removed from equity and recognized in the income statement.

### ***Inventories***

Inventories are recognized at the lower of cost and 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 estimated selling price less any related selling expenses.

### ***Receivables***

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of short-term receivables with no stated interest rate is measured at the original invoice amount if the effect of discounting is immaterial.

A provision for impairment of trade receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The likelihood of collection is estimated based on the best possible assessment of the risk of non-recovery of the receivable concerned.

### ***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 by 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 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 balance sheet 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 carrying amount and fair value less costs to sell.

### ***Own shares***

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 balance sheet 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.

### Convertible bonds

The fair value of the liability component of convertible bonds is determined based on prevailing market interest rates for similar bonds with no conversion rights. This amount is recognized as a liability based on amortized cost until the liability is settled when the bonds are converted or reach maturity. The balance of the bond issue proceeds is allocated to the conversion option and recognized in equity, net of tax.

## ***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 in line with vesting.

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 the following:

- 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. 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 balance sheet 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).



### ***Stock options and share grants***

In accordance with IFRS 2, Share-based Payment, stock options, employee share issues and grants of shares of 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 Iliad 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 Iliad 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 activities***

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet 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 Notes 32 and 33. The full 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 expires or is sold, terminated or exercised;
- the Group no longer expects the forecast transaction to occur; or
- the original hedged item affects profit.

**NOTE 2: SCOPE OF CONSOLIDATION****List of consolidated companies and consolidation methods**

The list of consolidated companies and the consolidation methods used is provided in Note 36.

**Changes in scope of consolidation in 2017**

In 2017, Iliad SA acquired:

- the entire capital of Fibre Inc., Iliad 6 and Iliad 7 following the creation of these companies during the year; and
- 70% of Iliad 78 and 50% of Sepia following the creation of these companies during the year.

**Other changes in scope of consolidation in 2017**

On December 20, 2017 the Group announced its acquisition, for c. €320 million, of a 31.6% minority interest in eir – Ireland’s incumbent telecom operator – alongside NJJ (Xavier Niel’s private holding company). The existing shareholders of eir – Anchorage Capital Group, L.L.C. and Davidson Kempner Capital Management LP – have retained an interest in the company, through a 35.5% equity stake and a non-recourse loan instrument.

Iliad’s minority stake in eir forms the basis of a strategic partnership with a leading telecom operator, with a possibility of ultimately taking over control of the company thanks to a call option granted by NJJ.

This call option is exercisable in 2024 and would enable Iliad to acquire 80% of NJJ’s stake in eir (i.e. 26.3% of eir’s capital) at a 12.5% discount to fair market value, as determined by an independent valuation expert, and with a floor calculated based on an annual yield of 2%.

In the medium term through this investment, Iliad expects to benefit from a dividend stream and a double-digit return on equity. Over the medium/long-term, Iliad has the possibility of ultimately taking control of a strategic asset thanks to the call option on 26.3% of eir’s capital granted by NJJ exercisable in 2024.

This minority investment in eir will be accounted for by the equity method.

The completion of the transaction, which is scheduled for the first half of 2018, is subject to clearance from the relevant authorities.

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Group makes estimates and assumptions concerning the future. It continually evaluates 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 and judgments used by the Group relate to:

- useful lives and impairment of non-current assets;
- assessment of doubtful receivables and calculating the corresponding impairment losses;
- the length 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;
- estimation of future cash outflows for certain operating licenses granted to the Group for which the definitive prices have not yet been set.

**NOTE 4: REVENUES**

Consolidated revenues rose from €4.7 billion in 2016 to nearly €5 billion in 2017, driven by the success of the Group's mobile telephony offerings.

As substantially all of its operations are currently in France, the Group only has one geographic segment. As the Group had not yet begun its commercial operations in Italy at December 31, 2017, it did not make any changes to its geographic segment reporting at that date. It will change the presentation of its geographic segment reporting when commercial operations in Italy are launched and this presentation may be changed again in the future, depending on operating criteria and the development of the Group's businesses.

**NOTE 5: PURCHASES USED IN PRODUCTION AND EXTERNAL CHARGES**

Purchases used in production mainly include:

- interconnection costs invoiced by other operators (including roaming charges);
- costs relating to unbundling operations;
- acquisitions of goods and services for resale or for use in designing goods or services invoiced by the Group.

External charges primarily comprise:

- logistics and dispatch costs;
- leasing expenses (including leases entered into for network development purposes, such as “mobile” sites);
- marketing and advertising costs;
- external service provider fees;
- subcontracting costs.

<b>NOTE 6: HUMAN RESOURCES DATA</b>
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### Payroll costs

Payroll costs break down as follows:

In € thousands	2017	2016
▪ Wages and salaries	(195,508)	(182,199)
▪ Payroll taxes	(60,084)	(60,654)
<b>Total</b>	<b>(255,592)</b>	<b>(242,853)</b>

### Number of employees at year-end

The Group's headcount can be analyzed as follows by category:

Number of employees at year-end	At December 31, 2017	At December 31, 2016
▪ Management	1,216	1,137
▪ Other	8,496	7,762
<b>Total</b>	<b>9,712</b>	<b>8,899</b>

### Post-employment benefits

The methods used for recognizing and measuring pension and other post-employment benefit obligations comply with IAS 19R, Employee Benefits (see Note 1).

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2017 and 2016:

	2017	2016
▪ Discount rate	1.75%	1.75%
▪ Long-term inflation rate	2%	2%
▪ Mortality table	INSEE 2012-2014	INSEE 2012-2014
▪ Type of retirement	Voluntary	Voluntary
▪ Retirement age		
- Management	Statutory retirement age	Statutory retirement age
- Other	Post 2014 French pension reform and the 2015 French Social Security Financing Act	Post 2014 French pension reform and the 2015 French Social Security Financing Act

Movements in the Group's post-employment benefit obligations in 2017 and 2016 can be analyzed as follows:

<b>In € thousands</b>	<b>2017</b>	<b>2016</b>
Present value of obligation at beginning of year:	16,149	11,226
▪ Current service cost	2,839	2,166
▪ Loss/(gain) from changes in assumptions		
▪ Interest expense	(110)	1,879
▪ Plan amendments	283	276
▪ Experience (gains)/losses	24	1,046
▪ Benefit payments	136	(426)
	(41)	(18)
<b>Total</b>	<b>19,280</b>	<b>16,149</b>

The impact on equity of the Group's post-employment benefit obligations was a negative €26 thousand (before tax) at December 31, 2017 and the amount recognized in the income statement for the year then ended corresponded to a €3,105 thousand expense.

<b>NOTE 7: DEVELOPMENT COSTS</b>
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Development costs include the following:

- The cost of designing new products, adapting existing products to the Internet, and searching or creating databases for new applications. These costs are primarily incurred by Freebox.
- Specific development costs for remote processing and/or storage of information by Online.
- 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 2017 are presented net of any related research tax credits.

In € thousands	2017	2016
<ul style="list-style-type: none"> <li>▪ Capitalized development costs</li> <li>▪ Development costs recognized directly in the income statement</li> </ul>	<ul style="list-style-type: none"> <li>(6,915)</li> <li>(670)</li> </ul>	<ul style="list-style-type: none"> <li>(7,076)</li> <li>(217)</li> </ul>
<b>Total</b>	<b>(7,585)</b>	<b>(7,293)</b>



<b>NOTE 8: OTHER INCOME AND EXPENSES FROM OPERATIONS</b>
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“Other income from operations” breaks down as follows:

<b>In € thousands</b>	<b>2017</b>	<b>2016</b>
. Proceeds from sales of non-current assets	12,894	20,479
. Customer contract termination fees	6,088	11,949
. Other revenues	8,024	5,752
<b>Total other income from operations</b>	<b>27,006</b>	<b>38,180</b>

“Other expenses from operations” can be analyzed as follows:

<b>In € thousands</b>	<b>2017</b>	<b>2016</b>
. Carrying amount of divested non-current assets	(6,680)	(6,592)
. Royalties and similar fees	(38,978)	(35,420)
. Bad debts	(76)	(71)
. Other	(1,017)	(2,918)
<b>Total other expenses from operations</b>	<b>(46,751)</b>	<b>(45,001)</b>

<b>In € thousands</b>	<b>2017</b>	<b>2016</b>
Other income and expenses from operations, net	<b>(19,745)</b>	<b>(6,821)</b>

<b>NOTE 9: DEPRECIATION, AMORTIZATION AND PROVISIONS</b>
--

The following tables show the breakdown between the various components of depreciation, amortization and provisions:

**Depreciation, amortization and provisions for impairment of non-current assets**

In € thousands	2017	2016
▪ Depreciation and amortization expense:		
. Intangible assets	(234,661)	(281,626)
. Property, plant and equipment	(677,812)	(647,723)
▪ Additions to provisions for impairment of non-current assets:		
. Property, plant and equipment	(7)	(1,898)
▪ Depreciation/amortization of investment grants		
. Intangible assets	1,026	1,191
. Property, plant and equipment	799	446
<b>Total</b>	<b>(910,655)</b>	<b>(929,610)</b>

**Additions to provisions for contingencies and charges and impairment of current assets**

In € thousands	2017	2016
▪ Provisions for contingencies and charges	2,852	1,787
▪ Provisions for impairment of inventories and trade receivables	(56,369)	(51,374)
<b>Total</b>	<b>(53,517)</b>	<b>(49,587)</b>

**NOTE 10: OTHER OPERATING INCOME AND EXPENSE, NET**

This item represented a net expense of €905 thousand in 2017, compared with a net expense of €4,463 thousand in 2016.

See Note 25 for further details.

<b>NOTE 11: FINANCIAL INCOME AND EXPENSES</b>
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Financial income and expenses can be analyzed as follows:

In € thousands	2017	2016
▪ Income from cash and cash equivalents	13	72
▪ Finance costs, gross		
. Interest on borrowings	(26,017)	(41,177)
. Finance lease payments	(1,948)	(2,653)
Sub-total – Finance costs, gross	<u>(27,965)</u>	<u>(43,830)</u>
<b>Finance costs, net</b>	<b>(27,952)</b>	<b>(43,758)</b>
▪ Other financial income	22	966
Sub-total – Other financial income	<u>22</u>	<u>966</u>
▪ Other financial expenses		
. Translation adjustments/Hedging expense	(192)	(847)
. Discounting expense	(62,694)	(48,220)
. Other	(478)	(235)
Sub-total – Other financial expenses	<u>(63,364)</u>	<u>(49,302)</u>
<b>Other financial expenses, net</b>	<b>(63,342)</b>	<b>(48,336)</b>
<b>Net financial expense</b>	<b>(91,294)</b>	<b>(92,094)</b>

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 29) as well as discounting expense.

Finance costs, gross, comprises interest on borrowings and finance lease payments.

Discounting expense mainly concerns trade payables with maturities of more than one year. The year-on-year increase in this item was chiefly due to the discounting expense related to the Group's various Italian licenses (see Note 17).

<b>NOTE 12: CORPORATE INCOME TAX</b>
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*Analysis of the corporate income tax charge*

The Group's corporate income tax charge breaks down as follows:

In € thousands	2017	2016
Current taxes		
▪ on income	(336,425)	(199,377)
▪ on value added (CVAE)	(39,016)	(32,401)
<b>Current income tax charge</b>	<b>(375,441)</b>	<b>(231,778)</b>
Deferred taxes		
▪ on income	9,410	(13,822)
▪ on value added (CVAE)	0	0
<b>Deferred income tax benefit/(charge)</b>	<b>9,410</b>	<b>(13,822)</b>
<b>Total tax charge</b>	<b>(366,031)</b>	<b>(245,600)</b>

Out of the total year-on-year increase in the Group's corporate income tax charge in 2017, €76 million is attributable to the exceptional income tax contribution introduced by France's Amended Finance Act for 2017 and only applicable to fiscal 2017.

**Tax group**

Iliad has set up a tax group, which at end-2017 included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is outside France.

## **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.

	<b>2017</b>	<b>2016</b>
<b>Profit for the period</b>	<b>404,616</b>	<b>402,676</b>
▪ Corporate income tax	366,031	245,600
<b>Consolidated profit from continuing operations before tax</b>	<b>770,647</b>	<b>648,276</b>
<b><i>Theoretical tax rate</i></b>	<b>34.43%</b>	<b>34.43%</b>
▪ Net impact of permanent differences	+3.37%	+4.10%
▪ Impact of unrecognized tax loss carryforwards	0	0
▪ Impact of different tax rates	+9.64%	-0.70%
▪ Other impacts	+0.06%	+0.06%
<b><i>Effective tax rate</i></b>	<b>47.50%</b>	<b>37.89%</b>

## **Unrecognized deferred tax assets**

Unrecognized deferred tax assets concern:

- Tax loss carryforwards of companies outside the Iliad 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 based on the projected future earnings of the companies concerned using information available at the balance sheet date, or when the companies concerned have been historically loss-making and their turnaround is in progress.

Unrecognized deferred tax assets totaled €804 thousand at December 31, 2017 versus €814 thousand at December 31, 2016.

<b>NOTE 13: BASIC AND DILUTED EARNINGS PER SHARE</b>
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### Basic earnings per share

Number of shares used for the calculation	2017	2016
<ul style="list-style-type: none"> <li>▪ Number of shares at the year-end</li> <li>▪ Weighted average number of shares</li> </ul>	59,032,661 58,849,298	58,837,338 58,644,235

### Diluted earnings per share

	2017	2016
<b>Profit for the period attributable to owners of the Company</b>	397,873	401,079
Interest expense on OCEANE convertible bonds	0	0
<b>Diluted profit for the period attributable to owners of the Company</b>	397,873	401,079
<b>Weighted average number of shares outstanding (after dilution)</b>		
<ul style="list-style-type: none"> <li>▪ Weighted average number of shares outstanding (see above)</li> <li>▪ Number of share equivalents: <ul style="list-style-type: none"> <li>• Stock options and free share grants</li> </ul> </li> </ul>	58,849,298 1,561,912	58,644,235 1,449,408
<b>Maximum weighted average number of shares after dilution</b>	<b>60,411,210</b>	<b>60,093,643</b>
<b>Diluted earnings per share (in €)</b>	<b>6.59</b>	<b>6.67</b>

### Dilutive instruments

As Iliad's average share price in 2017 was €210.81, all of the Group's stock option plans were considered to be dilutive during the year.

<b>NOTE 14: ANALYSIS OF THE CONSOLIDATED STATEMENT OF CASH FLOWS</b>
--

### 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.

### Changes in operating working capital requirement

Changes in operating working capital requirement during 2017 and 2016 can be analyzed as follows:

2017	Note	Balance at Jan. 1, 2017	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2017
▪ Net inventories	22	14,274	16,422		0	0	30,696
▪ Net trade receivables	23	453,120	38,399		0	0	491,519
▪ Other net receivables	23	221,070	15,799		0	(3,506)	233,363
▪ Trade payables (suppliers of goods and services)	30	(506,522)	16,535		0	0	(489,987)
▪ Other payables		(334,399)		(12,255)	0	(26)	(346,680)
<b>TOTAL</b>		<b>(152,457)</b>	<b>87,155</b>	<b>(12,255)</b>	<b>0</b>	<b>(3,532)</b>	<b>(81,089)</b>
<b>Change in operating working capital requirement in 2017</b>			<b>74,900</b>				

2016	Note	Balance at Jan. 1, 2016	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2016
▪ Net inventories	22	25,628	0	(11,354)	0	0	14,274
▪ Net trade receivables	23	447,398	5,722	0	0	0	453,120
▪ Other net receivables	23	236,920	0	(18,630)	0	2,780	221,070
▪ Trade payables (suppliers of goods and services)	30	(550,110)	43,588	0	0	0	(506,522)
▪ Other payables		(287,992)	0	(44,953)	0	(1,454)	(334,399)
<b>TOTAL</b>		<b>(128,156)</b>	<b>49,310</b>	<b>(74,937)</b>	<b>0</b>	<b>1,326</b>	<b>(152,457)</b>
<b>Change in operating working capital requirement in 2016</b>			<b>(25,627)</b>				



## Other receivables

	Note	At December 31, 2017	At December 31, 2016
Trade and other receivables:	23	724,882	674,190
▪ Net trade receivables	23	(491,519)	(453,120)
<b>Other receivables</b>		<b>233,363</b>	<b>221,070</b>

## Other payables

	Note	At December 31, 2017	At December 31, 2016
Trade and other payables:	30	2,324,039	3,295,925
▪ Suppliers of goods and services (incl. VAT)	30	(489,987)	(506,522)
▪ Suppliers of non-current assets (excl. VAT)		(1,487,372)	(2,455,004)
<b>Other payables</b>		<b>346,680</b>	<b>334,399</b>

## Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

	Note	2017	2016
▪ Acquisition of intangible assets	17	216,205	1,266,660
▪ Remeasurement of intangible assets	17	(520,013)	
▪ Acquisition of property, plant and equipment	19	1,336,460	1,185,868
▪ Suppliers of non-current assets (excl. VAT):			
. at January 1		2,455,004	1,722,620
. at December 31		(1,487,372)	(2,455,004)
▪ Other		67,256	57,129
<b>Total</b>		<b>2,067,810</b>	<b>1,777,273</b>

### Cash and cash equivalents

	Note	Cash and cash equivalents at December 31, 2017	Cash and cash equivalents at December 31, 2016
Cash (including currency hedges)	24	100,067	15,993
Marketable securities	24	116,021	222,547
<b>Sub-total</b>		<b>216,088</b>	<b>238,540</b>
Bank overdrafts	29	(1,349)	(2,811)
<b>Total</b>		<b>214,739</b>	<b>235,729</b>

### Non-monetary flows relating to investing and financing activities

The following table presents transactions carried out by the Group that did not have an impact on cash flows, and which are therefore not included in the statement of cash flows:

In € thousands	2017	2016
▪ Acquisitions of assets under finance leases	20,126	9,776

**NOTE 15: SEGMENT INFORMATION**

Following the launch of its mobile offerings in early 2012, the Group has redefined its business segments, with the creation of a single reportable segment called Retail Telecom.

In addition, as substantially all of its operations are in France, the Group only has one geographic segment.

As the Group had not yet begun its commercial operations in Italy at December 31, 2017, it did not make any changes to its geographic segment reporting at that date. The material underlying assets recognized in relation to Italy in the Group's consolidated financial statements at December 31, 2017 mainly correspond to licenses (see Note 17 – Intangible assets). The Group will change the presentation of its geographic segment reporting when commercial operations in Italy are launched and this presentation may be changed again in the future, depending on operating criteria and the development of the Group's businesses.

**NOTE 16: GOODWILL**

The carrying amount of the Group's goodwill was €214,818 thousand at both December 31, 2017 and 2016.

<b>NOTE 17: INTANGIBLE ASSETS</b>
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Intangible assets break down as follows:

In € thousands	At December 31, 2017			At December 31, 2016		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
<b>Acquisitions:</b>						
▪ 3G licenses - France	323,021	107,232	215,789	323,022	89,287	233,735
▪ 4G licenses - France	1,265,817	126,703	1,139,114	1,585,599	76,343	1,509,256
▪ Wimax license	54,266	53,183	1,083	54,266	51,016	3,250
▪ Licenses - French overseas <i>départements and collectivités</i>	6,772	0	6,772	6,772	0	6,772
▪ Licenses - Italy	921,031	0	921,031	919,469	0	919,469
▪ Alice customer base	25,000	19,445	5,555	25,000	17,362	7,638
▪ Other intangible assets	1,364,255	954,755	409,500	1,350,034	796,950	553,084
<b>Internally-generated intangible assets:</b>						
▪ Development costs	17,296	9,305	7,991	15,485	6,975	8,510
<b>Total</b>	<b>3,977,458</b>	<b>1,270,623</b>	<b>2,706,835</b>	<b>4,279,647</b>	<b>1,037,933</b>	<b>3,241,714</b>

**France:**

In January 2010, the Group was issued France's fourth 3G mobile telecommunications license in return for consideration of €242.7 million. In accordance with IAS 23 the carrying amount of this asset in the balance sheet includes related borrowing costs.

In September 2011, the Group was allocated a license for 20 MHz (duplex) of spectrum in the new generation 4G (2.6 GHz) frequency band for a cost of €278.1 million. The carrying amount of this asset includes related borrowing costs in accordance with IAS 23. This spectrum has been used since December 2013.

In December 2014 the Group was granted a license to use 5 MHz (duplex) in the 1,800 MHz (4G) frequency band, which it has used since October 2015, and in September 2015 it was granted a license to use an additional 10 MHz in the 1,800 MHz (4G) frequency band, which has been used since May 2016.

Following a mobile frequency auction carried out in France, in November 2015 the Group was allocated 10 MHz (duplex) in the 700 MHz (4G) band for €933 million, payable in four installments, of which two were paid in 2016 and a third in 2017.

This frequency band will be gradually brought into service between 2016 and 2019 as it becomes available. An initial tranche was brought into service in 2016, representing 20.66% of the 700 MHz frequency band and no new tranches were brought into service in 2017.

In November 2016 the Group was allocated 3G and 4G spectrum in the following French overseas *départements* and *collectivités*: Guadeloupe, Martinique, French Guiana, Saint-Barthélemy and Saint Martin.

Since 2012 the Group has accelerated the rollout of its mobile operations, which has resulted in the signature of agreements granting it certain long-term rights, some of which were extended in 2017.

## Italy

In July 2016, the Group signed an agreement with the Hutchison and VimpelCom groups as part of the plan to merge their H3G and Wind subsidiaries. This agreement provided for Iliad to acquire assets that will ultimately enable it to enter the market in Italy as the fourth mobile operator.

The assets transferred to the Group pursuant to this agreement include licenses to use a portfolio of 2x35 MHz frequencies (2x5 MHz in the 900 MHz band, 2x10 MHz in the 1,800 MHz band, 2x10 MHz in the 2,100 MHz band and 2x10 MHz in the 2,600 MHz band) at a cost of €450 million (excluding extensions and transfer taxes), to be paid between 2017 and 2019. The first payment to Wind/Tre – amounting to €50 million – was made in the first half of 2017 and the remaining estimated installments are €190 million in 2018 and €210 million in 2019.

In addition, in the second half of 2017 the Group paid €220 million to the Italian government for the extension and 4G refarming of 1,800 MHz spectrum for up until 2029.

Lastly, the Group became the legal owner of the licenses for the above portfolio of 2x35 MHz frequencies in Italy following a decision issued by the Italian Ministry of Economic Development (MiSE) on November 4, 2016. The estimated duration of these licenses includes the extension periods provided for by Italian law until the end of 2029. The Group recognized under intangible assets the estimated amount it has to pay to the MiSE by 2021 for the extension and 4G refarming of the 900 and 2,100 MHz spectrum for the period from December 2021 through December 2029.

During a transition period that will expire at the end of 2019 at the latest, a portion of the frequency portfolio will be used by Wind/H3G.

In accordance with IAS 38, the Group recognized an €895.9 million intangible asset in 2017, corresponding to the present value of the expected cash outflows for the Italian spectrum licenses. The discount rate used to calculate this intangible asset was 2.11%, corresponding to the average interest rate on the Group's borrowing for the second half of 2016. The contra-entry to the recognition of this €895.9 million intangible asset was recorded in trade payables at December 31, 2017.

Borrowing costs capitalized in previous years relating to the Group's licenses represented a gross amount of €66 million at December 31, 2017. The amount capitalized during the year was €10 million.

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 € thousands	2017	2016
Net at January 1	3,241,714	2,253,356
Additions:		
· acquisitions	216,205	1,266,660
· asset remeasurement	(520,013)	
· internally-generated intangible assets	4,124	3,932
Reclassifications	2	(154)
Other	(1,562)	(1,645)
Amortization and impairment	(233,635)	(280,435)
<b>Net at December 31</b>	<b>2,706,835</b>	<b>3,241,714</b>

In accordance with IAS 38, the licenses for the spectrum in the 1,800 MHz band allocated to the Group in 2014 and 2015 were capitalized based on the discounted amount of the expected related cash outflows estimated by the Group because the final amount of these licenses was not known.

During 2017, the French electronic communications regulatory authority (*Autorité de Régulation des Communications Electroniques et des Postes – ARCEP*) issued a decision setting the total amount payable for these licenses, which was less than the Group's initial estimate. Consequently, the Group remeasured the related asset based on the amount set in ARCEP's decision.

### 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 € thousands	At December 31, 2017	At December 31, 2016
▪ Licenses	1,644,246	1,594,318
▪ Other	1,733	334,411
<b>Total</b>	<b>1,645,979</b>	<b>1,928,729</b>

**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.

The Group does not have any intangible assets with indefinite useful lives.

**Impairment tests**

As over 99% of the Group's revenue is derived from the Retail Telecom cash-generating unit (CGU), the fair value less costs to sell of this CGU was determined by reference to the Group's market value, which is considerably higher than the carrying amount of the assets allocated to the CGU. Accordingly, the Group did not recognize any impairment losses on this CGU's goodwill or intangible assets in 2017.

Similarly, there were no indications that the value of the Mobile business's intangible assets in progress were impaired.



<b>NOTE 19: PROPERTY, PLANT AND EQUIPMENT</b>
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Property, plant and equipment can be analyzed as follows:

In € thousands	At December 31, 2017			At December 31, 2016		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings <sup>(1)</sup>	159,760	11,080	148,680	156,298	8,736	147,562
▪ Network usage rights	189,337	95,785	93,552	187,556	86,834	100,722
▪ Service access fees	720,852	343,820	377,032	660,916	301,302	359,614
▪ Network equipment <sup>(2)</sup>	5,956,737	2,691,028	3,265,709	4,991,343	2,278,041	2,713,302
▪ Other	648,955	105,166	543,789	520,438	80,253	440,185
<b>Total</b>	<b>7,675,641</b>	<b>3,246,879</b>	<b>4,428,762</b>	<b>6,516,551</b>	<b>2,755,166</b>	<b>3,761,385</b>
(1) of which finance leases	84,868	7,625	77,243	86,950	6,028	80,922
(2) of which finance leases	184,937	130,721	54,216	164,810	113,522	51,288

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 € thousands	2017	2016
Net at January 1	3,761,385	3,229,231
Acquisitions(*)	1,356,587	1,195,490
Disposals	(6,681)	(9,629)
Reclassifications	(2)	154
Other	(5,507)	(4,686)
Depreciation and impairment	(677,020)	(649,175)
<b>Net at December 31</b>	<b>4,428,762</b>	<b>3,761,385</b>
(*) Acquisitions excluding assets acquired under finance leases	1,336,460	1,185,868

During 2017 the Group kept up its capital spending drive for growth projects. This included the following:

- Further investments as part of the FTTH network rollout, with an acceleration in rollouts in “averagely populated areas”, and an increase in the number of subscribers being connected up to fiber.
- Mobile-related capital expenditure, reflecting the significant progress made in the mobile network rollout and technological upgrades, particularly for 4G.
- Capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses).
- Investment in the hosting business, which is growing rapidly.
- Initial capital outlay for the Italian mobile business.

### **Impairment of property, plant and equipment**

Items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In 2017, 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 € thousands	At December 31, 2017	At December 31, 2016
▪ Land and buildings	41,882	44,162
▪ Network usage rights	2,781	2,277
▪ Network equipment	565,936	582,084
<b>Total</b>	<b>610,599</b>	<b>628,523</b>

<b>NOTE 20: EQUITY-ACCOUNTED INVESTEEES</b>
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On November 6, 2015, Iliad acquired a 50% stake in SAS Télécom Réunion Mayotte for €24 million. This company is accounted for using the equity method in the Group's consolidated financial statements. The share of profit of equity-accounted companies (corresponding to SAS Télécom Reunion Mayotte) breaks down as follows:

In € thousands	2017	2016
Share of profit of equity-accounted investees before tax	1,708	1,075
Share of tax of equity-accounted investees	(835)	(352)
<b>Share of profit of equity-accounted investees after tax</b>	<b>873</b>	<b>723</b>

Movements in the Group's investments in equity-accounted investees were as follows in 2017 and 2016:

In € thousands	2017	2016
At January 1	14,723	24,000
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
<b>Investments in equity-accounted investees at January 1</b>	<b>14,723</b>	<b>24,000</b>
<b>Movements</b>		
Share of profit of equity-accounted investees	873	723
Dividends paid	0	0
Translation adjustments	0	0
Transfers, capital increases and other movements	0	0
Capital reductions	0	(10,000)
Acquisitions and change in scope of consolidation	51	0
Other	0	0
<b>Investments in equity-accounted investees at December 31</b>	<b>15,647</b>	<b>14,723</b>

In 2017, Iliad SA acquired a 50% stake in Sepia, a new entity specifically set up for housing certain real-estate assets of the Telecom Reunion Mayotte sub-group.

The following table sets out the key financial information of the Telecom Reunion Mayotte sub-group, based on its most recently published consolidated financial statements prepared in accordance with IFRS:

<b>In € thousands</b>	<b>2017</b>	<b>2015/2016</b>
<b>Revenues</b>	<b>57,898</b>	<b>50,478</b>
Profit for the period	1,746	1,432
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>1,746</b>	<b>1,432</b>
Non-current assets	94,970	90,424
Current assets	19,555	26,810
Non-current liabilities	(60,070)	(49,967)
Current liabilities	(23,593)	(37,821)
<b>Total net assets</b>	<b>30,862</b>	<b>29,446</b>

Iliad's consolidated financial statements 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.

<b>NOTE 21: OTHER FINANCIAL ASSETS</b>
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Other financial assets break down as follows by nature:

In € thousands	At December 31, 2017	At December 31, 2016
	Net	Net
<b>Other long-term financial assets</b>		
▪ Other investment securities	19,056	1,933
▪ Loans and receivables	10,911	10,564
▪ Guarantee deposits	6,885	6,016
<b>Total other long-term financial assets</b>	<b>36,852</b>	<b>18,513</b>
<b>Other short-term financial assets</b>		
▪ Loans and receivables	246	246
<b>Total other short-term financial assets</b>	<b>246</b>	<b>246</b>
<b>Total other financial assets</b>	<b>37,098</b>	<b>18,759</b>

Other financial assets are classified as short-term when they are due within one year and as long-term when they are due beyond one year.

Other financial assets break down as follows by function:

In € thousands	At December 31, 2017 Net	At December 31, 2016 Net
▪ Financial assets at fair value through profit or loss	0	0
▪ Held-to-maturity investments	0	0
▪ Loans and receivables issued by the Group	18,042	16,826
▪ Available-for-sale financial assets	19,056	1,933
<b>Total other financial assets</b>	<b>37,098</b>	<b>18,759</b>

Movements in net other financial assets can be analyzed as follows:

<b>In € thousands</b>	<b>2017</b>	<b>2016</b>
Net at January 1	18,759	8,509
Acquisitions	18,515	10,816
Redemptions and repayments	0	0
Impact of changes in Group structure:	0	0
Disposals	(1,929)	(566)
Additions to provisions	1,753	0
<b>Net at December 31</b>	<b>37,098</b>	<b>18,759</b>

Acquisitions and redemptions and repayments in 2016 and 2017 primarily concerned movements in guarantee deposits paid and receivables due in more than one year.

<b>NOTE 22: INVENTORIES</b>
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Inventories break down as follows:

<b>In € thousands</b>	<b>At December 31, 2017</b>	<b>At December 31, 2016</b>
Raw materials	1,352	1,490
Work-in-progress	0	0
Finished products	32,590	16,336
<b>Inventories – gross</b>	<b>33,942</b>	<b>17,826</b>
Provisions:		
. raw materials	(1,258)	(1,367)
. finished products	(1,988)	(2,185)
<b>Total provisions</b>	<b>(3,246)</b>	<b>(3,552)</b>
<b>Inventories – net</b>	<b>30,696</b>	<b>14,274</b>

The provisions for impairment recognized against inventories of mobile phones notably take into account (i) inventories that are damaged and therefore not available for sale, and (ii) inventories of old models that are no longer marketed by the Group.

<b>NOTE 23: TRADE AND OTHER RECEIVABLES</b>
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Trade and other receivables break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
<b>Trade and other receivables</b>		
Trade receivables	566,769	549,111
Advances and prepayments	12,408	5,737
Tax receivables (VAT)	130,860	111,150
Sundry receivables	17,409	51,603
Prepaid expenses	72,686	52,580
<b>Total – gross</b>	<b>800,132</b>	<b>770,181</b>
Provisions for trade receivables	(75,250)	(95,991)
Provisions for other receivables	0	0
<b>Net trade and other receivables</b>	<b>724,882</b>	<b>674,190</b>
Net trade receivables	491,519	453,120
Net other receivables	233,363	221,070



<b>NOTE 24: CASH AND CASH EQUIVALENTS</b>
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Cash and cash equivalents can be analyzed as follows:

In € thousands	At December 31, 2017		At December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITS) <b>Net value</b>	116,021	116,021	222,547	222,547
<b>Cash</b> (excluding bank overdrafts)	100,067	100,067	15,993	15,993
<b>Total – net</b>	<b>216,088</b>	<b>216,088</b>	<b>238,540</b>	<b>238,540</b>

The Group’s policy is to invest its cash in instruments that qualify as cash equivalents within the meaning of 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*).

<b>NOTE 25: ASSETS HELD FOR SALE</b>
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Assets held for sale break down as follows:

<b>In € thousands</b>	<b>At December 31, 2017</b>	<b>At December 31, 2016</b>
Buildings held for sale	19,640	21,428
<b>Total</b>	<b>19,640</b>	<b>21,428</b>

In line with its strategy of acquiring premises where required for rolling out its FTTH network, the Group has purchased certain buildings of which it intends to only keep part for its future operations. The remaining portion of these buildings will therefore be sold.

The portions of these buildings that the Group intends to subsequently sell have been classified under “Assets held for sale”. A specialist subsidiary is responsible for managing the transactions.

Assets held for sale had no related material liabilities at either December 31, 2016 or 2017.

Gains and losses arising on sales of these buildings, including the impact of any related provisions, are presented in the consolidated income statement under “Other operating income and expense, net”.

<b>NOTE 26: EQUITY</b>
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## Share capital

### *Capital increase following exercise of stock options*

The stock options granted by the Group on June 14, 2007 and August 30, 2007 have been exercisable since June 14, 2012 and August 30, 2012, respectively. The stock options granted on November 5, 2008 have been exercisable since November 5, 2013. The first tranche of the stock options granted on August 30, 2010 has been exercisable since August 29, 2014 and the second tranche since August 29, 2015. Lastly, the stock options granted on November 7, 2011 have been exercisable since November 6, 2016.

During 2017, 195,323 options were exercised for the same number of new shares. The Company's share capital therefore increased by €44 thousand to €13,082 thousand at December 31, 2017 from €13,038 thousand one year earlier.

At December 31, 2017 the Group held 123,495 Iliad shares. In order to cover part of the dilution related to the exercise of stock options, in late 2016 the Company bought back 85,393 of its own shares at an average price of €178.48 per share. These shares will be canceled in early 2018

At December 31, 2017, Iliad's ownership structure was as follows:

<b>Shareholder</b>	<b>Number of shares</b>	<b>%</b>
Executive Management	32,783,528	55.53
Public	26,249,133	44.47
<b>Total</b>	<b>59,032,661</b>	<b>100.00</b>

### **Dividend paid and dividend recommended to shareholders at the Annual General Meeting**

The dividend paid in 2017 for 2016 totaled €25,910 thousand. No interim dividend was paid in 2017.

At the next Annual General Meeting, shareholders will be asked to approve a dividend payment of €0.68 per share.

### **Cash flow hedge reserve**

Hedges were in place until May 26, 2016 to cover the Group's exposure to changes in interest rates on bank borrowings.

<b>NOTE 27: STOCK OPTION AND SHARE GRANT PLANS</b>
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### Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2017 and prior years, and outstanding at the year-end.

#### **At December 31, 2017**

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2017	Number of options granted in 2017	Number of options forfeited in 2017	Number of options exercised in 2017	Number of exercisable options outstanding at Dec. 31, 2017	Number of non-exercisable options outstanding at Dec. 31, 2017
<b>Iliad</b>								
May 29, 2006	June 14, 2007	74.62	125	0	0	125	0	0
May 29, 2006	Aug. 30, 2007	68.17	16,908	0	0	16,908	0	0
May 29, 2008	Nov. 5, 2008	53.79	59,541	0	0	15,642	43,899	0
May 29, 2008	Aug. 30, 2010	67.67	211,505	0	0	80,890	130,615	0
May 24, 2011	Nov. 7, 2011	84.03	305,132	0	0	81,758	223,374	0

#### **At December 31, 2016**

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2016	Number of options granted in 2016	Number of options forfeited in 2016	Number of options exercised in 2016	Number of exercisable options outstanding at Dec. 31, 2016	Number of non-exercisable options outstanding at Dec. 31, 2016
<b>Iliad</b>								
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	Aug. 30, 2007	68.17	26,707	0	0	9,799	16,908	0
May 29, 2008	Nov. 5, 2008	53.79	83,787	0	0	24,246	59,541	0
May 29, 2008	Aug. 30, 2010	67.67	296,290	0	0	84,785	211,505	0
May 24, 2011	Nov. 7, 2011	84.03	363,000	0	0	57,868	305,132	0

### Exercise dates of options

The exercise dates for the outstanding stock options are as follows:

Date of plan launch	Exercise dates
June 14, 2007	Options exercisable since June 14, 2012
August 30, 2007	Options exercisable since August 30, 2012
November 5, 2008	Options exercisable since November 5, 2013
August 30, 2010	30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015
November 7, 2011	Options exercisable since November 6, 2016

### Fair value of options granted

The fair value of the options granted was calculated using the Black & Scholes option pricing model.

The main assumptions applied under this model were as follows:

	August 30, 2010	November 7, 2011
Quantity	427,350	404,800
Per-share exercise price	€67.67	€84.03
Life of the options	5 years	5 years
Underlying volatility	25%	20%
Annual cost (in € thousands)	1,356	1,708
Maturity	August 29, 2015	November 6, 2016

The expense recorded in relation to these plans totaled €1,813 thousand in 2017 and €1,451 thousand in 2016.

## **Share grant plans**

### ***Free Mobile***

Following an authorization given by its sole shareholder in May 2010, Free Mobile set up a share grant plan involving shares representing up to 5% of its share capital.

During 2010 and 2011, 23 employees and executive officers were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent valuer. The option can be exercised from July 1, 2019.

The expense recorded in relation to these plans totaled €510 thousand in 2016 and €2,290 thousand in 2017.

### ***Online***

Following an authorization given at the Shareholders' Meeting of December 3, 2012, Online set up a share grant plan involving shares representing up to 1% of its share capital.

The first allocation under this plan took place in 2012 when an employee was granted shares representing 0.2% of Online's share capital.

The shares vested after a period of two years and this vesting period was followed by a two-year lock-up period during which the beneficiary was not entitled to sell the vested shares.

The expense recognized for this plan amounted to €19 thousand in 2016 and €12 thousand in 2017.

### ***Iliad***

Following an authorization given at the Shareholders' Meeting of May 19, 2016, Iliad set up a share grant plan involving shares representing up to 0.5% of its share capital.

During 2017, the Company granted shares to 61 employees and executive officers under this plan, representing 0.5% of its share capital.

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to conditions relating to their presence within the Group and the following performance conditions for each tranche:

- ✓ October 30, 2020: 40% of the shares will vest if the EBITDA margin in France for 2019 is greater than the EBITDA margin in France for 2017;
- ✓ October 30, 2021: 10% of the shares will vest if the EBITDA margin in France for 2020 is greater than 40%;

- ✓ October 30, 2022: 10% of the shares will vest if the total number of fiber subscribers is greater than 1.7 million at October 1, 2022;
- ✓ October 30, 2023: 40% of the shares will vest if the total number of fiber subscribers is greater than 2.5 million at October 1, 2023.

The expense recognized in 2017 for this plan amounted to €3,625 thousand.

<b>NOTE 28: PROVISIONS</b>
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The provisions for contingencies and charges recognized at December 31, 2017 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks and employee-related risks.

These provisions break down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
<b>Long-term provisions</b>		
Provisions for charges	0	0
<b>Total long-term provisions</b>	<b>0</b>	<b>0</b>
<b>Short-term provisions</b>		
Provisions for contingencies	43,476	48,897
Provisions for charges	566	566
<b>Total short-term provisions</b>	<b>44,042</b>	<b>49,463</b>
<b>Total provisions for contingencies and charges</b>	<b>44,042</b>	<b>49,463</b>

Provisions are considered to be long-term when the Group does not expect to use them within 12 months of the balance sheet date. In all other cases they are deemed to be short-term.

Movements in provisions for contingencies and charges were as follows in 2017:

In € thousands	At Dec. 31, 2016	Increases in 2017	Decreases in 2017 (utilizations)	Decreases in 2017 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2017
Provisions for claims and litigation and general contingencies	48,897	9,124	(2,429)	(11,976)	0	(140)	43,476
Provisions for charges	566	0	0	0	0	0	566
<b>Total</b>	<b>49,463</b>	<b>9,124</b>	<b>(2,429)</b>	<b>(11,976)</b>	<b>0</b>	<b>(140)</b>	<b>44,042</b>

Movements in provisions for contingencies and charges were as follows in 2016:

In € thousands	At Dec. 31, 2015	Increases in 2016	Decreases in 2016 (utilizations)	Decreases in 2016 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2016
Provisions for claims and litigation and general contingencies	99,299	1,417	(48,085)	(3,770)	0	36	48,897
Provisions for charges	0	566	0	0	0	0	566
<b>Total</b>	<b>99,299</b>	<b>1,983</b>	<b>(48,085)</b>	<b>(3,770)</b>	<b>0</b>	<b>36</b>	<b>49,463</b>



<b>NOTE 29: FINANCIAL LIABILITIES</b>
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Financial liabilities can be analyzed as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Bank borrowings	854,154	710,758
Bonds	1,287,345	643,032
Finance lease liabilities	24,847	35,272
Other	2,100	2,102
<b>Total long-term financial liabilities</b>	<b>2,168,446</b>	<b>1,391,164</b>
Bank borrowings and commercial paper	463,333	457,733
Finance lease liabilities	25,405	24,412
Bank overdrafts	1,349	2,811
Cash flow hedges	278	0
Other	6,434	5,197
<b>Total short-term financial liabilities</b>	<b>496,799</b>	<b>490,153</b>
<b>TOTAL</b>	<b>2,665,245</b>	<b>1,881,317</b>

Financial liabilities are classified as short-term when they have a maturity of less than one year and as long-term when their maturity is beyond one year.

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2017 and 2016:

In € thousands	2017	2016
Borrowings at January 1	1,881,317	1,911,496
New borrowings(*)	866,932	556,854
Repayments of borrowings	(87,892)	(573,560)
Change in bank overdrafts	(1,462)	1,289
Impact of cash flow hedges	278	(3,448)
Other	6,072	(11,314)
<b>Total borrowings at December 31</b>	<b>2,665,245</b>	<b>1,881,317</b>
(*) New borrowings excluding finance lease liabilities	846,806	547,078

## **Bonds**

On November 26, 2015 the Group issued €650 million worth of bonds paying interest at 2.125% per year. These bonds will be redeemed at face value at maturity on December 5, 2022.

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

## **Guarantees given**

The Group has not given any specific guarantees in return for its existing borrowing facilities with banks other than those specified below.

## **Description of the Group's main bank borrowing facilities outstanding at December 31, 2017**

### ***A €1,400 million syndicated credit facility***

The Group has a €1,400 million syndicated credit facility set up with a pool of 12 international banks. As the second extension option for this facility was exercised in 2017, the facility now matures in 2022.

The applicable interest rate is based on Euribor plus a margin of between 0.35% and 1.10% per year depending on the Group's leverage ratio.

The financial covenants for this syndicated credit facility are described in Note 33.

### ***A €500 million term loan***

On January 8, 2016, the Group signed a new syndicated loan agreement with a pool of 11 international banks for an aggregate amount of €500 million.

This term loan – which has a five-year maturity expiring in 2021 – had been fully drawn down at December 31, 2017.

The financial covenants for this syndicated loan are described in Note 33.

### ***Loans granted by the European Investment Bank (EIB)***

In 2010, the EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan has a 10-year term and is repayable in installments.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of next-generation landline networks. This loan also has a 10-year term and is repayable in installments.

Both of these loans had been fully drawn down at December 31, 2017. The first, second and third repayment installments of €25 million, €42 million and €58 million were made during 2015, 2016 and 2017 respectively.

On December 8, 2016, the EIB granted Iliad another €200 million loan to help finance its rollout of optical fiber networks. This loan – which matures in 2030 and is repayable in installments as from 2020 – had been fully drawn down at December 31, 2017.

The financial covenants applicable to these loans are described in Note 33.

#### **A €90 million bilateral credit facility with KFW IPEX-Bank**

On December 13, 2017, the Group set up a €90 million credit facility with KFW IPEX-Bank to help finance the Group's rollout of its FTTH network. This facility took the form of a loan repayable in installments with the final installment due in a maximum of 11 years.

The applicable interest rate is based on Euribor for the period plus a margin of between 0.90% and 1.10% per year depending on the Group's leverage ratio. None of this facility had been drawn down at December 31, 2017.

The financial covenants applicable to this credit facility are described in Note 33.

#### ***A €1 billion short-term commercial paper program***

During the first half of 2012, the Group set up a €500 million commercial paper program in order to diversify the sources and maturities of its financing. In 2015, the Group increased the amount of this program from €500 million to €800 million.

As part of the annual renewal process for this program, the Group further increased its amount from €800 million to €1 billion in early 2017.

At December 31, 2017, €405 million of this program (which corresponds to variable-rate financing) had been used.

#### **Breakdown of borrowings by type of rate**

Borrowings after hedging at the year-end can be analyzed as follows by type of rate:

In € thousands	At December 31, 2017	At December 31, 2016
Fixed-rate borrowings	1,760,142	980,664
Variable-rate borrowings	905,103	900,653
Total borrowings	2,665,245	1,881,317

## Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2017.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	58,333	654,154	200,000	912,487
Bonds	0	644,369	642,976	1,287,345
Commercial paper	405,000	0	0	405,000
Finance lease liabilities	25,405	24,539	308	50,252
Bank overdrafts	1,349	0	0	1,349
Other	6,712	0	2,100	8,812
<b>Total borrowings</b>	<b>496,799</b>	<b>1,323,062</b>	<b>845,384</b>	<b>2,665,245</b>
Trade payables	1,301,393	68,872	624,923	1,995,188
<b>Total committed financing facilities</b>	<b>1,798,192</b>	<b>1,391,934</b>	<b>1,470,307</b>	<b>4,660,433</b>

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2016:

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	58,233	695,700	15,058	768,991
Bonds	0	0	643,032	643,032
Commercial paper	399,500	0	0	399,500
Finance lease liabilities	24,412	34,072	1,200	59,684
Bank overdrafts	2,811	0	0	2,811
Other	5,197	0	2,102	7,299
<b>Total borrowings</b>	<b>490,153</b>	<b>729,772</b>	<b>661,392</b>	<b>1,881,317</b>
Trade payables	1,501,404	1,238,428	236,375	2,976,207
<b>Total committed financing facilities</b>	<b>1,991,557</b>	<b>1,968,200</b>	<b>897,767</b>	<b>4,857,524</b>

## Description of the Group's main finance leases outstanding at December 31, 2017

At December 31, 2017, the Group's total finance lease liabilities amounted to €50 million versus €60 million one year earlier.

### *Real estate finance leases*

The Group purchases premises to house the technical equipment required for rolling out its FTTH network. As part of this process, in January 2007 Iliad entered into a master agreement to finance the purchase of such premises through a real estate finance lease with a 12-year term, following which the related assets may be acquired for a token amount of €1.

The agreement does not contain any contingent lease payments or renewal options and does not impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

### ***Equipment finance leases***

As part of its operations, the Group holds several items of equipment (mainly switching equipment and IT servers) under finance leases with terms of between three and seven years.

None of these finance leases contain any contingent lease payments or impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

All of the contracts include bargain purchase options at the end of the lease term.

### **Present value of future minimum lease payments due under finance leases**

The following table presents a reconciliation between total future minimum lease payments due under finance leases at December 31, 2017 and their present value.

<b>In € thousands</b>	<b>Due within 1 year</b>	<b>Due in 1 to 5 years</b>	<b>Due beyond 5 years</b>	<b>Total</b>
Future minimum lease payments	25,915	26,277	310	<b>52,502</b>
Present value	25,219	24,327	264	<b>49,810</b>

Present value is determined by applying a 2.76% discount rate, which corresponds to the Group's average rate of gross borrowings for 2017.

<b>NOTE 30: TRADE AND OTHER PAYABLES</b>
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This item breaks down as follows:

In € thousands	At December 31, 2017	At December 31, 2016
<b>Trade and other payables recorded under other non-current liabilities:</b>		
Trade payables	693,795	1,474,803
Accrued taxes and employee-related payables	19,280	16,149
Other	500	0
<b>Sub-total</b>	<b>713,575</b>	<b>1,490,952</b>
<b>Trade and other payables recorded under current liabilities:</b>		
Trade payables	1,301,393	1,501,404
Advances and prepayments	397	1,282
Accrued taxes and employee-related payables	262,070	260,391
Other	5,170	1,166
Deferred income	41,434	40,730
<b>Sub-total</b>	<b>1,610,464</b>	<b>1,804,973</b>
<b>Total</b>	<b>2,324,039</b>	<b>3,295,925</b>

Total trade payables can be analyzed as follows:

In € thousands	At December 31, 2017	At December 31, 2016
Suppliers of goods and services	489,987	506,522
Suppliers of non-current assets	1,505,201	2,469,685
<b>Total</b>	<b>1,995,188</b>	<b>2,976,207</b>

<b>NOTE 31: RELATED-PARTY TRANSACTIONS</b>
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Related-party transactions solely correspond to transactions with key management personnel.

### 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 Group, these persons correspond to members of the Board of Directors of Iliad SA and members of the Management Committee.

- Compensation paid to the ten members of the Group's key management personnel in 2017 and 2016 breaks down as follows:

In € thousands	2017	2016
▪ Total compensation	2,200	2,148
▪ Share-based payments	2,018	389
<b>Total</b>	<b>4,218</b>	<b>2,537</b>

No liabilities have been recognized in the balance sheet in relation to compensation payable to key management personnel.

### Impact of Free Mobile share grants

Following an authorization given by its sole shareholder in May 2010, Free Mobile set up a share grant plan involving shares representing up to 5% of its share capital.

During 2010 and 2011, 23 employees and executive officers were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent valuer. An initial cash settlement for part of the entitlements was authorized in 2015.

On March 9, 2016, Iliad SA's Board of Directors authorized a second cash settlement for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. This cash settlement represented a maximum of 10% of the beneficiaries' Free Mobile shares initially granted and the per-share price was determined by an independent valuer.

On March 6, 2017, Iliad SA's Board of Directors authorized another cash settlement for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. This cash settlement represented a maximum of 12.5% of the beneficiaries' Free Mobile shares initially granted and the per-share price was determined by an independent valuer.

**Impact of Iliad share grants**

Following an authorization given at the Shareholders' Meeting of May 19, 2016, Iliad set up a share grant plan involving shares representing up to 0.5% of its share capital.

During 2017, the Company granted shares to 61 employees and executive officers under this plan, representing 0.5% of its share capital.

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to conditions relating to their presence within the Group and the performance conditions described in Note 27.

**Transaction with Monaco Telecom**

Iliad has signed an agreement with Monaco Telecom, a Monaco-based company controlled by a party related to the Group, to lease sites containing the Group's equipment. The amount invoiced by Monaco Telecom for making these sites available totaled €1,550 thousand in 2017.



<b>NOTE 32: FINANCIAL INSTRUMENTS</b>
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### Reconciliation by class of instrument and accounting category

In € thousands	Assets carried at fair value through profit or loss	Other available-for-sale financial assets	Cash flow hedges	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
<b>At December 31, 2017</b>							
Cash	100,067					100,067	100,067
Marketable securities	116,021					116,021	116,021
Trade receivables				491,519		491,519	491,519
Other receivables				233,363		233,363	233,363
Other short-term financial assets				246		246	246
Other long-term financial assets		19,056		17,796		36,852	36,852
Long-term financial liabilities					(2,168,446)	(2,168,446)	(2,168,446)
Short-term financial liabilities					(496,799)	(496,799)	(496,799)
Other non-current liabilities					(713,575)	(713,575)	(713,575)
Other current liabilities					(1,610,464)	(1,610,464)	(1,610,464)
<b>Total</b>	<b>216,088</b>	<b>19,056</b>	<b>0</b>	<b>742,924</b>	<b>(4,989,284)</b>	<b>(4,011,216)</b>	<b>(4,011,216)</b>

In € thousands	Assets carried at fair value through profit or loss	Other available-for-sale financial assets	Cash flow hedges	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
<b>At December 31, 2016</b>							
Cash	15,993					15,993	15,993
Marketable securities	222,547					222,547	222,547
Trade receivables				453,120		453,120	453,120
Other receivables				221,070		221,070	221,070
Other short-term financial assets				246		246	246
Other long-term financial assets		1,933		16,580		18,513	18,513
Long-term financial liabilities					(1,391,164)	(1,391,164)	(1,391,164)
Short-term financial liabilities					(490,153)	(490,153)	(490,153)
Other non-current liabilities					(1,490,952)	(1,490,952)	(1,490,952)
Other current liabilities					(1,804,973)	(1,804,973)	(1,804,973)
<b>Total</b>	<b>238,540</b>	<b>1,933</b>	<b>0</b>	<b>691,016</b>	<b>(5,177,242)</b>	<b>(4,245,753)</b>	<b>(4,245,753)</b>

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.

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 correspond to cash and cash equivalents and are measured by reference to a quoted market price in an active market where such a market exists.
- Loans and receivables primarily comprise trade receivables and a number of other short-term receivables.
- Liabilities carried at amortized cost – calculated using the effective interest method – essentially correspond to borrowings, trade payables and other short- and long-term 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 (i) trade receivables and payables; and (ii) 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 balance sheet date.
- The fair value of liabilities related to finance leases corresponds to their carrying amount in view of their differing forms and maturities.

**NOTE 33: FINANCIAL RISK MANAGEMENT****Market risks****Foreign exchange risk**

The Group's functional currency is the euro. However, it purchases certain goods and services outside the eurozone 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 one and a half years.

The Group has chosen to hedge its exposure to foreign exchange risk through purchases of currency futures and options in order to obtain a guaranteed floor rate.

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was not material in 2017.

At December 31, 2017 all of these currency hedges qualified as cash flow hedges under IAS 39.

Currency hedges had a negative impact of €2,940 thousand on the Group's income statement in 2017 and a negative €852 thousand impact on equity.

**Interest rate risk**

As part of its interest rate risk management policy and in order to reduce the volatility of its future cash flows relating to interest payments on its borrowings, in prior years the Group set up swaps to convert variable-rate borrowings into fixed-rate borrowings. These swaps expired in the first half of 2016.

As a significant portion of the Group's borrowings is now at fixed rates (bonds and EIB loans), the Group did not consider it necessary to set up any new interest rate swaps.

The Group does not have any exposure to interest rate risk on its finance leases as the contracts concerned are primarily at fixed rates.

In view of the high proportion of fixed-rate borrowings, the Group now has very little exposure to fluctuations in interest rates.

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, 2017.

<b>In € thousands</b>	<b>Due within 1 year</b>	<b>Due in 1 to 5 years</b>	<b>Due beyond 5 years</b>	<b>Total</b>
Financial liabilities	496,799	1,323,062	845,384	2,665,245
Financial assets	246	29,967	6,885	37,098
Net position before hedging	<b>496,553</b>	<b>1,293,095</b>	<b>838,499</b>	<b>2,628,147</b>
Off-balance sheet position	0	0	0	0
Net position after hedging	<b>496,553</b>	<b>1,293,095</b>	<b>838,499</b>	<b>2,628,147</b>

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 €2,770 thousand increase or decrease in profit for the period.

### **Equity risk**

The Group does not hold any equities in its investment portfolio apart from non-material stakes in two companies.

It does, however, hold a number of its own shares but in view of the very low number concerned any change in the Iliad share price would have a negligible impact on the Group's profit and equity (see Note 26).

### **Liquidity risk**

The Group draws on its solid profitability, available cash, available credit facilities, bond issues, and 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, 2017 the 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 (the EIB loans, KFW IPEX Bank credit facility and the syndicated facilities).

These covenants (which take the form of financial ratios) were as follows at December 31, 2017:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2017
<ul style="list-style-type: none"> <li>• €1,400 million credit facility (Borrower – Iliad)</li> <li>• €500 million term loan (Borrower – Iliad)</li> <li>• €150 million EIB loan granted in 2010 (Borrower – Iliad)</li> <li>• €200 million EIB loan granted in 2012 (Borrower – Iliad)</li> <li>• €200 million EIB loan granted in 2016 (Borrower – Iliad)</li> <li>• €90 million KFW credit facility granted in 2017 (Borrower – Iliad)</li> </ul>	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1  Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1  Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Leverage ratio: 1.34     Interest cover ratio: 65.40

- The Group's leverage ratio corresponds to the ratio of consolidated net debt to EBITDA (excluding provisions) for the period.
- The interest cover ratio represents the ratio of consolidated EBITDA (excluding provisions) to net financial expenses for the period.

At December 31, 2017 the Group was not exposed to any liquidity risk in view of the profitability of its operations, the maturity schedule of its debt (see Note 29) and its low leverage.

### **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 32, "Financial instruments").

The financial assets that could expose the Group to credit or counterparty risk chiefly correspond to the following:

- Trade receivables: at December 31, 2017, trade receivables represented a gross amount of €567 million and a net amount of €492 million (see Note 23, “Trade and other receivables”). The Group’s exposure to customer credit risk is monitored daily through cash collection and debt recovery processes. The Group uses the services of specific debt collection agencies to recover any receivables that remain unpaid after the reminder process.
- Short-term investments: the Group’s policy is to invest in (i) money-market securities (commercial paper with maturities of less than three months), or (ii) certificates of deposit with maturities of less than three months, or (iii) other monetary instruments with short-term maturities, generally not exceeding one month. It also takes care to ensure good diversification amongst high quality counterparties.

At December 31, 2017 the Group’s short-term investments amounted to €116 million (see Note 24, “Cash and cash equivalents”). As a result of the policy described above, these investments do not expose the Group to a significant level of counterparty risk.

### *Analysis of trade receivables*

At December 31, 2017 trade receivables totaled €567 million and provisions for doubtful receivables amounted to €75 million.

At the same date, substantially all past-due receivables were classified as doubtful and provisions had been recorded based on statistical recovery rates. The amount of past-due trade receivables that had not been written down at the year-end was not material.

### **Concentration risk**

The Group is not exposed to any concentration risk in view of its high number of customers (subscribers).

<b>NOTE 34: OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES</b>
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### 1 - Lease commitments

Lease expenses recognized in the income statement break down as follows:

In € millions	2017	2016
▪ Minimum lease payments	173	134
▪ Contingent lease payments	0	0
▪ Sub-leases	0	0
<b>Total</b>	<b>173</b>	<b>134</b>

The table below analyzes the Group's lease commitments at December 31, 2017 by type of leased asset and maturity.

(In € millions) Type of leased asset	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Real estate	26	55	24	<b>105</b>
Vehicles	9	6	0	<b>15</b>
Other	133	509	154	<b>796</b>
<b>Total</b>	<b>168</b>	<b>570</b>	<b>178</b>	<b>916</b>

None of the Group's lease arrangements contain material contingent lease payments or renewal options, nor do they impose any specific restrictions, for example concerning dividends, additional debt or further leasing.

### 2 - Network-related commitments

#### Network investments

At December 31, 2017 the Group had €186.3 million worth of commitments related to future network investments.

## **Capacity purchases**

(In € millions) Type of commitment	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Capacity purchases	59	74	0	133
<b>Total</b>	<b>59</b>	<b>74</b>	<b>0</b>	<b>133</b>

### **3 – Other commitments**

#### ***3-1 – Commitments related to telecom licenses***

##### **France**

On January 14, 2018, the Group (through its Free Mobile subsidiary), along with France’s other mobile operators, signed 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 has undertaken to (i) deploy 2,000 four-operator RAN-sharing sites in “white spots” within five years, (ii) deploy 3,000 sites in “gray spots” (located in priority rollout areas) within five years, and (iii) increase its coverage level by end-2029 if it obtains frequencies in the 900 MHz band following the 900 MHz refarming procedure. In return for these commitments, the government has undertaken not to increase the annual license fees for the 900, 1,800 and 2,100 MHz licenses and to grant the sites deployed in white and gray spots an exemption from the “IFER” network tax up until 2022.

##### **3G license – 900/2,100 MHz**

ARCEP decision 2010-0043 dated January 12, 2010 authorizing Free Mobile to set up and operate a 3G network included a certain number of obligations, notably concerning the network’s commercial launch date, the rollout timeline and population coverage, as well as Free Mobile’s future service offering. Under these obligations, the Free Mobile network was required to cover 27% of the French population by the beginning of 2013, 75% by the beginning of 2015 and 90% by the beginning of 2018.

##### **4G license – 2,600 MHz**

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 cover 25% of the French population by 2015, 60% by 2019 and 75% by 2023.



### **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 1800 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use between January 2015 and October 2031. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 25% of the French population by October 2015, 60% by October 2019 and 75% by October 2023. Free Mobile will, however, be able to meet these coverage obligations using other frequencies that it is authorized to utilize.

### **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. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 98% of the French population by January 2027 and 99.6% by the end of 2030.

### **Licenses for French overseas *départements* and *collectivités***

By way of decision 2016-1520, ARCEP authorized Free Mobile to use the following frequencies:

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-Barthélemy 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.

By way of decision 2017-1037 dated September 5, 2017, ARCEP revoked spectrum license number 2016-1520, for which Free Mobile had requested a transfer, and granted to Free Caraïbe the license for the spectrum initially allocated to Free Mobile.

## Wimax license

In a decision dated December 9, 2003 (no. 031294), ARCEP granted IFW the right to use across Metropolitan France a block of frequencies in the 3.5 GHz band of the wireless local loop. In connection with this decision, IFW committed to guarantee a minimum population coverage rate – which varied depending on the region concerned – by December 31, 2011.

## 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 Group subsidiary) contained a number of coverage obligations, whereby Iliad Italia must:

- Be ready to market mobile services in the 1,800 MHz band by January 2020.
- Provide 2,100 MHz (or 900 MHz) coverage to the main towns and cities of Italy’s regions by July 1, 2022 and those of the provinces by January 1, 2025.
- Provide 2,600 MHz coverage to 20% of the Italian population 24 months after the 2,600 MHz frequencies become available (i.e. by end-June 2019) and to 40% of the population 48 months after these frequencies become available (i.e. by end-June 2021).

## 3-2 – Other commitments

At December 31, 2017 the Group had access to:

- A €1,400 million credit facility, none of which had been drawn down.
- A €1 billion commercial paper program, of which €405 million had been used.
- Three loans granted by the EIB representing an aggregate amount of €450 million, which had been fully drawn down.
  - A €500 million term loan, which had been fully drawn down.
  - A €90 million bilateral credit facility, none of which had been drawn down.

At the same date:

- Other commitments given by the Group amounted to €22.3 million.
- Other commitments received by the Group totaled €3 million.

Lastly, on December 20, 2017, the Group announced the acquisition of a minority stake in eir. The completion of this transaction is subject to clearance from the relevant authorities. The Group’s potential commitments, in the event that clearance is obtained, are set out in Note 2.

## Collateralized debt

None of the assets belonging to the Group have been used as collateral for any debt.

## Accrued discounted trade notes

The Group does not use this type of financing.

## 4 - Claims and litigation

The main legal proceedings currently affecting the Group are as follows:

### Disputes with SFR

On May 27, 2014, SFR filed an application with the Paris Commercial Court seeking €493.2 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses (including damage to brand image) that the plaintiff had allegedly suffered as a result of defamatory actions constituting unfair competition. Free Mobile, Free and Iliad contested SFR's position in this case and filed a counterclaim for defamatory actions constituting unfair competition, seeking €475 million in damages for Free Mobile and €88 million for Free. By way of a ruling dated January 29, 2018, after offsetting the claims and counter claims, the Paris Commercial Court ordered SFR to pay €5 million in compensation to Free Mobile.

On July 31, 2015, Free applied to the Paris Commercial Court for an injunction ordering Numericable-SFR to cease using the term "Fiber" when referring to access that end-connects subscribers by cable. Free claimed that this constituted unfair competition and parasitic business practice and also sued for damages for its related loss. The Court held that SFR and NC Numéricâble had engaged in misleading commercial practices in their use of the term "fiber" for the Red Fibre, Box Fibre Starter, Box Fibre Power and Box Fibre Family offerings due to the fact that the end-connection to subscribers is by cable. Consequently the court ruled against SFR and NC Numéricâble (on a joint and several basis) in relation to a number of the claims against them.

### Disputes 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 has estimated its alleged losses in relation to the case at €813 million. Proceedings are still ongoing.

On November 10, 2015, Free filed an application with the Paris Commercial Court for (i) an injunction ordering Bouygues Telecom to cease practices related to its marketing that constitute unfair competition and defamation, and (ii) damages for Free's related loss, which it is in the process of valuing. Proceedings are still ongoing.

### Fastweb dispute

On January 14, 2017, Fastweb filed an application with the European Court of Justice requesting an annulment of the European Commission's decision of September 1, 2016

authorizing, subject to certain conditions, the mergers of Hutchison's and VimpelCom's subsidiaries in Italy. Proceedings are still ongoing in this case.

<b>NOTE 35: EVENTS AFTER THE REPORTING DATE</b>
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On January 14, 2018, the Group (via its subsidiary Free Mobile), together with the other mobile network operators in France, signed an agreement with the French government aimed at improving ultra-fast mobile network coverage in France. The content of this agreement is described in Note 34 above.

On January 29, 2018, in connection with the dispute between the Group and SFR described in Note 34 above, the Paris Commercial Court issued a first-instance decision ordering SFR to pay €5 million in compensation to Free Mobile.

No other significant events that could have a material impact on the financial statements for the year ended December 31, 2017 occurred between January 1, 2018 and the date the financial statements were approved for issue.

<b>NOTE 36: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2017</b>
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The following table includes the Group's main legal holdings.

	<b>Registration number</b>	<b>Head office</b>	<b>Percentage ownership at Dec. 31, 2017</b>	<b>Percentage ownership at Dec. 31, 2016</b>	<b>Consolidation method in 2017</b>
<b>Iliad</b> 16 rue de la Ville l'Evêque 75008 Paris	342 376 332	Paris	100.00%	100.00%	Full
<b>Assunet</b> 16 rue de la Ville l'Evêque 75008 Paris	421 259 797	Paris	89.96%	89.96%	Full
<b>Centrapel</b> 8 rue de la Ville l'Evêque 75008 Paris	434 130 860	Paris	100.00%	100.00%	Full
<b>Certicall</b> 40 avenue Jules Cantini 13006 Marseille	538 329 913	Paris	100.00%	100.00%	Full
<b>Equaline</b> 18 rue du Docteur G. Pery 33300 Bordeaux	538 330 358	Paris	100.00%	100.00%	Full
<b>Free</b> 8 rue de la Ville l'Evêque 75008 Paris	421 938 861	Paris	100.00%	100.00%	Full
<b>Freebox</b> 16 rue de la Ville l'Evêque 75008 Paris	433 910 619	Paris	97.99%	97.99%	Full
<b>Free Caraïbe</b> 8 rue de la Ville l'Evêque 75008 Paris	808 537 641	Paris	100.00%	100.00%	Full
<b>F Distribution</b> 8 rue de la Ville l'Evêque 75008 Paris	528 815 376	Paris	100.00%	100.00%	Full
<b>Free Fréquences</b> 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	99.81%	99.79%	Full
<b>Free Infrastructure</b> 16 rue de la Ville l'Evêque 75008 Paris	488 095 803	Paris	100.00%	100.00%	Full
<b>Free Mobile</b> 16 rue de la Ville l'Evêque 75008 Paris	499 247 138	Paris	96.15%	95.72%	Full
<b>Free Réseau</b> 16 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	99.99%	99.99%	Full
<b>IFW</b> 8 rue de la Ville l'Evêque 75008 Paris	400 089 942	Paris	100.00%	100.00%	Full
<b>IH</b> 8 rue de la Ville l'Evêque 75008 Paris	441 532 173	Paris	100.00%	100.00%	Full
<b>Iliad 2</b> 16 rue de la Ville l'Evêque 75008 Paris	537 915 050	Paris	100.00%	100.00%	Full
<b>Free Carrier</b> 16 rue de la Ville l'Evêque 75008 Paris	790 148 944	Paris	100.00%	100.00%	Full
<b>Iliad 4</b> 16 rue de la Ville l'Evêque 75008 Paris	799 285 820	Paris	100.00%	100.00%	Full

<b>Iliad 6</b> 16 rue de la Ville l'Evêque 75008 Paris	834 309 486	Paris	100.00%	/	Full
<b>Iliad 7</b> 16 rue de la Ville l'Evêque 75008 Paris	834 309 676	Paris	100.00%	/	Full

	Registration number	Head office	Percentage ownership at at Dec. 31, 2017	Percentage ownership at Dec. 31, 2016	Consolidation method in 2016
<b>Iliad 78</b> 16 rue de la Ville l'Evêque 75008 Paris	834 315 673	Paris	70.00%	/	Full
<b>Iliad Gaming</b> 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	100.00%	Full
<b>Iliad Holding S.p.A</b> Largo Angelo Fochetti 29 Rome - Italy	/	Rome	100.00%	100.00%	Full
<b>Iliad Italia S.p.A</b> Largo Angelo Fochetti 29 Rome - Italy	/	Rome	100.00%	100.00%	Full
<b>Fibre Inc.</b> 1209 Orange Street, Wilmington New Castle County, 19801 Delaware – United States	/	Wilmington	100.00%	/	Full
<b>Immobilière Iliad</b> 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	Full
<b>IRE</b> 16 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	Full
<b>MCRA</b> 8 rue de la Ville l'Evêque 75008 Paris	532 822 475	Paris	100.00%	100.00%	Full
<b>Mobipel</b> 142-160 avenue de Stalingrad 92700 Colombes	538 168 675	Colombes	100.00%	100.00%	Full
<b>Online</b> 8 rue de la Ville l'Evêque 75008 Paris	433 115 904	Paris	95.05%	95.05%	Full
<b>Online Immobilier</b> 16 rue de la Ville l'Evêque 75008 Paris	537 915 019	Paris	95.05%	95.05%	Full
<b>Protelco</b> 8 rue de la Ville l'Evêque 75008 Paris	509 760 948	Paris	100.00%	100.00%	Full
<b>Qualipel</b> 61 rue Julien Grimau 94400 Vitry sur Seine	533 513 958	Vitry sur Seine	100.00%	100.00%	Full
<b>Sepia</b> 12 rue Henri Cornu – Technopole de la Réunion 97801 Saint Denis Cedex 9	Registration no. in progress	Saint Denis	50.00%	/	Equity
<b>Resolution Call</b> 7 Bld Mohamed V 20800 Mohammedia - Morocco	/	Morocco	100.00%	100.00%	Full
<b>Total Call</b> Technoparc – Route de Nouceur Sidi Maar Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full
<b>Telecom Academy "Privé"</b> Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf	/	Morocco	100.00%	100.00%	Full

Casablanca - Morocco					
<b>Télécom Réunion Mayotte</b> 68 rue du Faubourg Saint- Honoré 75008 Paris	812 123 214	Paris	50%	50%	Equity

### NOTE 37: AUDIT FEES

The following table shows the fees paid to the Statutory Auditors in 2016 and 2017:

<i>In € thousands</i>	<b>Pricewaterhouse Coopers</b>		<b>Deloitte &amp; Associés</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Statutory and contractual audits	354	320	256	253	610	573
Other services	193	48	48	0	241	48
<b>TOTAL FEES</b>	<b>547</b>	<b>368</b>	<b>304</b>	<b>253</b>	<b>851</b>	<b>621</b>

Services other than audit work provided during the year mainly concern:

- verifying the environmental, labor and social information presented in Iliad's management report;
- work relating to comfort letters for the October 2017 bond issue;
- reviewing anti-corruption measures (Sapin 2 Act);
- various statements.

