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CONSOLIDATED INCOME STATEMENT

(in € thousands)	Note	2011	2010
Revenues	4	**2,122,050**	**2,038,255**
Purchases used in production	5	(951,660)	(899,488)
Payroll costs	6	(129,010)	(104,436)
External charges		(147,295)	(144,093)
Taxes other than on income		(17,257)	(37,251)
Additions to provisions	9	(29,559)	(28 982)
Other income from operations	8	27,264	23,517
Other expenses from operations	8	(41,134)	(49,408)
EBITDA (1)	1	***833,399***	***798,114***
Share-based payment expense	26	(10,036)	(8,117)
Depreciation, amortization and provisions for impairment of non-current assets	9	(325,171)	(312,066)
Profit from ordinary activities		**498,192**	**477,931**
Other operating income and expense, net	10	(4,645)	60,950
Operating profit		**493,547**	**538,881**
Income from cash and cash equivalents	11	6,368	2,320
Finance costs, gross	11	(53,160)	(44,015)
Finance costs, net	11	**(46,792)**	**(41,695)**
Other financial income	11	0	0
Other financial expenses	11	(33,961)	(7,779)
Corporate income tax	12	(160,962)	(176,269)
Profit for the period from continuing operations		**251,832**	**313,138**
Profit for the period		**251,832**	**313,138**
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS (2)		**254,800**	**273,173**
Attributable to:			
▪ *Owners of the Company*		*251,593*	*313,161*
▪ *Minority interests*		*239*	*(23)*
Earnings per share (in €):			
▪ *Basic earnings per share*	*13*	*4.60*	*5.74*
▪ *Diluted earnings per share*	*13*	*4.44*	*5.52*
Earnings per share from continuing operations (in €):			
▪ *Basic earnings per share*	*13*	*4.60*	*5.74*
▪ *Diluted earnings per share*	*13*	*4.43*	*5.52*

(1) See definition on page 14
(2) See definition on page 14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € thousands)	Note	2011	2010
PROFIT FOR THE PERIOD		**251,832**	**313,138**
▪ Fair value gains/(losses) on interest rate and currency hedging instruments, net of tax		(4,116)	7,274
Total income and expenses recognized directly in equity		**(4,116)**	**7,274**
Total comprehensive income for the period		**247,716**	**320,412**

Note: Minority interests have not been analyzed as they represent a non-material amount.

PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS

(in € thousands)	Note	2011	2010
PROFIT FOR THE PERIOD		**251,832**	**313,138**
▪ Other operating income and expense, net		4,645	(60,950)
▪ Corresponding tax impact		(1,677)	20,985
▪ Profit, net of taxes, from discontinued operations and assets held for sale		0	0
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS		**254,800**	**273,173**

CONSOLIDATED BALANCE SHEET – ASSETS

(in € thousands)	Note	At December 31, 2011	At December 31, 2010
Goodwill	16	214,728	214,248
Intangible assets	17	1,025,611	299,242
Property, plant and equipment	19	1,947,300	1,337,119
Other long-term financial assets	20	7,635	12,934
Deferred income tax assets	12	8,734	24
Other non-current assets		0	40,822
TOTAL NON-CURRENT ASSETS		**3,204,008**	**1,904,389**
Inventories	21	26,477	888
Current income tax assets		21	698
Trade and other receivables	22	199,686	167,125
Other short-term financial assets	20	16,877	2,687
Cash and cash equivalents	23	357,449	344,853
TOTAL CURRENT ASSETS		**600,510**	**516,251**
ASSETS HELD FOR SALE	**24**	**54,860**	**71,574**
TOTAL ASSETS		**3,859,378**	**2,492,214**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

(in € thousands)	Note	At December 31, 2011	At December 31, 2010
Share capital	25	12,641	12,121
Additional paid-in capital	25	304,987	98,660
Retained earnings and other reserves	25	1,206,293	967,558
TOTAL EQUITY		**1,523,921**	**1,078,339**
. Attributable to owners of the Company		***1,523,121***	***1,077,867***
. Minority interests		***800***	***472***
Long-term provisions	27	1,388	1,393
Long-term financial liabilities	28	1,149,744	999,967
Deferred income tax liabilities	12	7,745	12,760
Other non-current liabilities	29	307,388	1,874
TOTAL NON-CURRENT LIABILITIES		**1,466,265**	**1,015,994**
Short-term provisions	27	29,910	24,357
Taxes payable		33,387	1,785
Trade and other payables	29	628,770	335,542
Short-term financial liabilities	28	177,125	36,197
TOTAL CURRENT LIABILITIES		**869,192**	**397,881**
TOTAL EQUITY AND LIABILITIES		**3,859,378**	**2,492,214**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Total equity
Total equity at January 1, 2010	**12,096**	**93,362**	**(2,750)**	**23,908**	**637,794**	**764,410**
Movements in 2010						
▪ Profit for the period					313,138	313,138
▪ Income and expenses recognized directly in equity:						
✓ Impact of interest rate and currency hedges				7,274		7,274
Total comprehensive income for the period				***7,274***	***313,138***	***320,412***
▪ Capital increase	25	5,298				5,323
▪ Dividends paid by Iliad SA					(20,174)	(20,174)
▪ Dividends paid by subsidiaries					(43)	(43)
▪ Purchases/sales of own shares			294			294
▪ Impact of stock options				8,117		8,117
▪ Other movements						
Total equity at December 31, 2010	12,121	98,660	(2,456)	39,299	930,715	**1,078,339**

(in € thousands)	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Total equity
Total equity at January 1, 2011	**12,121**	**98,660**	**(2,456)**	**39,299**	**930,715**	**1,078,339**
Movements in 2011						
▪ Profit for the period					251,832	251,832
▪ Income and expenses recognized directly in equity:						
✓ Impact of interest rate and currency hedges				(4,116)		(4,116)
Total comprehensive income for the period				***(4,116)***	***251,832***	***247,716***
▪ Capital increase	520	206,327				206,847
▪ Dividends paid by Iliad SA					(21,884)	(21,884)
▪ Dividends paid by subsidiaries					(173)	(173)
▪ Purchases/sales of own shares			3,036			3,036
▪ Impact of stock options				10,036		10,036
▪ Other movements				4		4
Total equity at December 31, 2011	12,641	304,987	580	45,223	1,160,490	**1,523,921**

Note: Minority interests have not been analyzed as they represent a non-material amount.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Note	2011	2010
Profit for the period (including minority interests)		**251,832**	**313,138**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges (excluding restructuring costs)		341,455	367,532
-/+ Unrealized gains and losses on changes in fair value		520	3,712
+/- Expenses and income related to stock options and other share-based payments		10,036	8,117
-/+ Other income and expenses, net		19,287	(1)
-/+ Gains and losses on disposals of assets		(2,011)	(6,844)
-/+ Dilution gains and losses		0	0
+/- Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
- Restructuring costs		0	0
Cash flows from operations after finance costs, net, and income tax (excluding restructuring costs)		621,119	685,654
+ Finance costs, net	11	46,792	41,695
+/- Income tax expense (including deferred taxes)	12	160,962	176,269
Cash flows from operations before finance costs, net, and income tax (excluding restructuring costs) (A)		**828,873**	**903,618**
- *Income tax paid* **(B)**		(97,133)	(11,608)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	47,900	(17,123)
= Net cash generated from operating activities before restructuring costs (D) = (A + B + C)		**779,640**	**874,887**
- Restructuring costs **(E)**		0	0
= Net cash generated from operating activities after restructuring costs (F) = (D + E)		**779,640**	**874,887**
- Acquisitions of property, plant and equipment and intangible assets	14	(1,179,756)	(783,579)
+ Disposals of property, plant and equipment and intangible assets		12,292	41,148
- 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 earn-outs		(586)	(300)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		(1,330)	(418)
+ Cash inflows from assets held for sale		21,391	4,714
- Cash outflows for assets held for sale		(8,389)	(44,203)
+/- Other		0	(11,109)
= NET CASH USED IN INVESTING ACTIVITIES (G)		**(1,156,378)**	**(793,747)**
+ Proceeds from capital increases:			
. Paid by owners of the Company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on the exercise of stock options		5,660	5,739
-/+ Own-share transactions		(178)	294
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(21,884)	(20,174)
. Dividends paid to minority shareholders of consolidated companies		(173)	(43)
+ Proceeds from new borrowings		1,045,128	683,870
- Repayment of borrowings (including finance leases)	28	(617,295)	(1,009,115)
- Net interest paid (including on finance leases)		(21,486)	(34,649)
= NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES (H)		**389,772**	**(374,078)**
+/- Effect of exchange-rate movements on cash and cash equivalents **(I)**		(35)	9
= NET CHANGE IN CASH AND CASH EQUIVALENTS (F + G + H + I)		**12,999**	**(292,929)**
Cash and cash equivalents at beginning of year	14	337,469	630,398
Cash and cash equivalents at year-end	14	350,468	337,469

NOTE 1: ACCOUNTING PRINCIPLES

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 Company's registered office is located at 16 rue de la Ville l'Evêque, 75008 Paris, France.

The Iliad Group is a leading operator in the French Internet access and telecommunications markets. Its businesses are conducted by Free (an alternative ADSL broadband operator that uses the Free and Alice brands), Free Infrastructure (optical fiber), One.Tel (a landline telephony operator), IFW (specialized in Wimax), and Free Mobile (mobile telephony).

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2011 on March 6, 2012 and their publication date was set for March 8, 2012. These financial statements will only be definitive after approval by the Company's shareholders at the Annual Shareholders' Meeting scheduled to be held on May 24, 2012.

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.

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 which are 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The following new standards, amendments to existing standards and interpretations were mandatory for the first time for the financial year beginning January 1, 2011:

- *IAS 24 (Revised), Related Party Disclosures* (applicable for annual periods beginning on or after January 1, 2011). The objective of the revised IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. This standard has been applied by Group Management.

The following new standards, amendments to existing standards and interpretations were mandatory for the first time for the financial year beginning January 1, 2011, but did not impact the Group's financial statements:

- *Amendments to IFRIC 14, Pre-payments of a Minimum Funding Requirement* (applicable for annual periods beginning on or after January 1, 2011). These amendments provide that when an entity is subject to minimum funding requirements under an employee benefit plan, any prepayments it makes to cover those requirements can be treated as an asset. The amendments are not relevant to the Iliad Group.

The following new standards, amendments to existing standards and interpretations were applicable for annual periods beginning on or after January 1, 2011, but are not currently relevant to the Group's operations:

- *Amendments to IFRS 7, Disclosures – Transfers of Financial Assets* (applicable for annual periods beginning on or after July 1, 2011). These amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. They also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period. These amendments are not relevant to the Iliad Group.

The following new standards related to consolidation were not applicable at December 31, 2011 and have not yet been approved by the European Union:

- *IFRS 10, Consolidated Financial Statements.* This standard provides for a single consolidation model by establishing control as the basis for consolidation. The consolidated financial statements presented by the Iliad Group already comply with IFRS 10.

- *IFRS 11, Joint Arrangements*. This standard focuses on the rights and obligations of joint arrangements rather than their legal form. It addresses inconsistencies in the reporting of joint arrangements by requiring a single method – the equity method – to account for interests in jointly controlled entities and joint ventures. However, under IFRS 11 joint operations will continue to be consolidated on a proportionate basis. This standard will not affect the Iliad Group because the Company exercises control over all of its subsidiaries within the meaning of IFRS 10.

- *IFRS 12, Disclosure of Interests in Other Entities*. This standard presents in a single IFRS the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. Its aim is to establish disclosure objectives according to which an entity discloses information that enables users of its financial statements to understand the basis of control over other entities and the interest that non-controlling interests have in the group's activities and cash flows, and to evaluate (i) any restrictions on the entity's ability to access or use assets, and settle liabilities, of the group, and (ii) the entity's exposure to risks associated with its interests in unconsolidated structured entities. The Group will analyze the disclosures that will be required in accordance with this new standard.

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, generally accompanying a shareholding representing more than one half of the voting rights.

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.

Accounting policies of subsidiaries 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, associates 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, 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 fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. 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 effected, the combination is accounted for using those provisional values and any adjustments made as a result of completing the initial accounting are recognized within 12 months of the acquisition date.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share 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 associates. 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 accumulated impairment losses. Impairment losses on goodwill are not 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; and
- profit from discontinued operations and assets held for sale.

Profit from ordinary activities corresponds to operating profit as defined above, before "Other operating income and expense, net". These items include income and expenses which 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 Iliad 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 before non-recurring items

This line corresponds to profit for the period adjusted for the impacts of:

- other operating income and expense, net of the corresponding tax impact; and
- profit, net of taxes, from discontinued operations and assets held for sale.

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 sales 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 the latter is responsible for supplying 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.

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, foreign currency monetary items are translated at the applicable closing rate and any exchange differences are recognized in profit as follows:

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

Earnings per share

The Iliad Group presents basic and diluted earnings per share.

Basic earnings per share is calculated by dividing attributable profit for the period 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 incurred in relation to designing new equipment and 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 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 systematically 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 license period from the date when the related network is technically ready for the service to be marketed.

  Impairment losses recognized following impairment tests are recorded in the income statement under "Other operating income and expense, net" below profit from ordinary activities;

- 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
▪ Computer equipment	3 to 5 years
▪ Office furniture and equipment	2 to 10 years
▪ Modems	4 to 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 five years.

- Amounts paid as consideration for obtaining indefeasible rights of use (IRU) 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 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 asset covered by the lease.

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 under debt, 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 presented in the income statement.

- Financial assets that the Iliad Group has the intention and ability to hold to maturity are classified as held-to-maturity investments and 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 a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in the income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

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 realized 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 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 to "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.

<u>Interest-bearing borrowings</u>

Interest-bearing borrowings are initially recognized at fair value, net of directly attributable transaction costs incurred. They are subsequently measured at amortized cost.

<u>Convertible bonds</u>

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 Iliad 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 benefits 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 Group'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.

Stock option plans

In accordance with IFRS 2, *Share-based Payment*, share purchase and subscription options, employee share issues, and share grants to Group 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 range 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 period between the grant date and the exercise date), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

A certain number of Group employees have been granted shares in a subsidiary 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, including in particular the estimated turnover of beneficiaries, a discount in respect of the non-transferability 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 definitive 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. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are 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 31 and 32. 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.

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 35 for the year ended December 31, 2011 and Note 36 for the year ended December 31, 2010.

CHANGES IN SCOPE OF CONSOLIDATION IN 2011

Changes in the scope of consolidation in 2011 are set out in the table in Note 37.

The main changes concerned the following:

- The formation in January 2011 of Free Fréquences, a simplified joint-stock company (*société par actions simplifée*) that is wholly-owned by Iliad S.A. through both direct and indirect interests and was fully consolidated at December 31, 2011. Free Fréquences' corporate purpose is to supply certain assets (through leases, sub-leases etc.) and generally to carry out any actions required for enabling the use of radio frequencies that it holds.

- The formation in April 2011 of Télécom Academy "Privé", a private limited company (*société à responsabilité limitée*) that is directly wholly-owned by Iliad S.A. and was fully consolidated at December 31, 2011. The corporate purpose of Télécom Academy "Privé" is to provide – either directly or through sub-contractors – continuing education courses, management consulting and coaching services, and advice and assistance to the Group's training structures.

Also during the year, the Group set up several new companies whose corporate purpose is to create and operate call centers as well as to provide all types of service in the area of communications. These companies – which were fully consolidated at December 31, 2011 – primarily include:

- Management Centre de Relation Abonné (MCRA), a simplified joint-stock company set up in May 2011 which is wholly-owned by Iliad S.A.

- Qualipel, a simplified joint-stock company set up in June 2011 which is indirectly wholly-owned by Iliad S.A.

- Equaline, a simplified joint-stock company set up in November 2011 which is indirectly wholly-owned by Iliad S.A.

- Certicall, a simplified joint-stock company set up in November 2011 which is indirectly wholly-owned by Iliad S.A.

- Mobipel, a simplified joint-stock company set up in November 2011 which is indirectly wholly-owned by Iliad S.A.

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 (i) useful lives and impairment of non-current assets and (ii) assessment of doubtful receivables and calculation of the corresponding provisions.

NOTE 4: REVENUES

An analysis of revenues by operating segment is provided in Note 15.

As substantially all of the Group's operations are conducted in France, presenting data by geographic region would not be meaningful.

NOTE 5: PURCHASES USED IN PRODUCTION

Purchases used in production include:

- interconnect costs invoiced by other operators;
- costs relating to unbundling operations;
- acquisitions of goods and services for resale or for use in designing goods or services invoiced by the Group.

NOTE 6: HUMAN RESOURCES DATA

Payroll costs

Payroll costs break down as follows:

(in € thousands)	2011	2010
▪ Wages and salaries	94,690	74,797
▪ Payroll taxes	34,320	29,639
Total	**129,010**	**104,436**

Number of employees at year-end

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

	At Dec. 31, 2011	At Dec. 31, 2010
▪ Management	666	580
▪ Other	4,989	3,775
Total	**5,655**	**4,355**

Headcount by segment is presented in the "Employee numbers by operating segment" table in Note 15 "Segment information".

Post-employment benefits

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

Post-employment benefit obligations totaled €2,620,000 at December 31, 2011, compared with €1,874,000 at December 31, 2010.

The following main economic assumptions were used to measure the Group's post-employment benefit obligation at December 31, 2011 and 2010:

	2011	2010
▪ Discount rate	4.50%	4.75%
▪ Inflation rate	2%	2%
▪ Salary growth rate	3%	3%
▪ Mortality table	INSEE 2007-2009	INSEE 2006-2008
▪ Type of retirement	Voluntary	Voluntary
▪ Retirement age		
- Management - Other	Statutory retirement age post 2010 French pension reform and the 2012 French Social Security Financing Act	Statutory retirement age post 2010 French pension reform

NOTE 7: DEVELOPMENT COSTS

Development costs include the following:

- the cost of designing new products, tailoring existing products to the Internet, and researching or creating databases for new applications (see Note 1). These costs are primarily incurred by Freebox;
- specific development costs relating to the process for laying optical fiber. These costs are mainly incurred by Free Infrastructure;
- the technological development costs incurred in the mobile telephony business, notably concerning the network's architecture and functionalities. These costs are mainly incurred by Free Mobile.

Development costs that are recognized directly in the income statement are presented net of any related research tax credits.

(in € thousands)	2011	2010
▪ Amortization of capitalized development costs	1,047	788
▪ Development costs recognized directly in the income statement	844	1,918
Total	**1,891**	**2,706**

NOTE 8: OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

(in € thousands)	2011	2010
. Proceeds from sales of non-current assets	7,774	17,682
. Customer contract termination fees	13,077	
. Other	6,413	5,835
Total other income from operations	**27,264**	**23,517**

"Other expenses from operations" can be analyzed as follows:

(in € thousands)	2011	2010
. Carrying amount of divested non-current assets	(5,228)	(10,838)
. Royalties and similar fees	(27,254)	(34,441)
. Bad debts	(4,935)	(2,231)
. Other	(3,717)	(1,898)
Total other expenses from operations	**(41,134)**	**(49,408)**

NOTE 9: DEPRECIATION, AMORTIZATION AND PROVISIONS

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)	2011	2010
▪ Depreciation and amortization expense:		
. Intangible assets	5,118	4,773
. Property, plant and equipment	320,787	308,064
▪ Provisions for impairment of property, plant and equipment	451	127
▪ Amortization of investment grants recognized as intangible assets	(1,185)	(898)
Total	**325,171**	**312,066**

The high level of depreciation of property, plant and equipment reflects the major capital expenditure projects carried out by the Group in recent years.

Additions to other provisions

(in € thousands)	2011	2010
▪ Provisions for contingencies and charges	6,759	610
▪ Provisions for impairment of inventories and trade receivables	22,800	28,372
Total	**29,559**	**28,982**

NOTE 10: OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €4,645,000 in 2011, compared with net income of €60,950,000 in 2010.

(in € thousands)	2011	2010
▪ Other operating income and expense, net	(4,645)	60,950
Total	**(4,645)**	**60,950**

Comments on the 2011 figure

See Note 24.

Comments on the 2010 figure

The €60.9 million in net income recorded under "Other operating income and expense, net" in 2010 reflected the combined impact of:

- €125 million in non-recurring income;
- a €40 million write-down of the Wimax license, reflecting the Group's assessment of its likely future use;
- additions to provisions for claims and litigation and general contingencies to reflect unfavorable changes in certain situations for the Group during the year.

NOTE 11: FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

(in € thousands)	2011	2010
▪ Income from cash and cash equivalents	6,368	2,320
▪ Finance costs, gross	(53,160)	(44,015)
Finance costs, net	**(46,792)**	**(41,695)**
▪ Other financial income and expenses:		
. Translation adjustments/Hedging expense	(11,671)	(7,824)
. Discounting expense	(15,915)	0
. Other	(6,375)	45
Net financial expense	**(80,753)**	**(49,474)**

Net financial expense primarily concerns the costs of the Group's various sources of financing (see Note 28).

Income from cash and cash equivalents corresponds to income from short-term investments.

Finance costs, gross, comprises interest on borrowings and finance leases.

The expense for the year relating to the Group’s OCEANE bonds includes interest payable both on the bonds and on the bond premium.

Discounting expense concerns trade payables with maturities of more than one year.

NOTE 12: CORPORATE INCOME TAX

Analysis of the corporate income tax charge

The corporate income tax charge breaks down as follows:

(in € thousands)	2011	2010
Current taxes		
▪ on income	155,034	(21,750)
▪ on value added (CVAE)	17,328	13,908
Current income tax charge (benefit)	**172,362**	**(7,842)**
Deferred taxes		
▪ on income	(7 809)	189 564
▪ on value added (CVAE)	(3 591)	(5 453)
Deferred income tax charge (benefit)	**(11,400)**	**184,111**
Total tax charge	**160,962**	**176,269**

Tax group

The Iliad Group has set up a tax group, which at end-2011 included all consolidated companies except for (i) companies that are less than 95%-owned by the Group, (ii) companies that were set up in 2011, and (iii) 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.

(in € thousands)	2011	2010
Profit for the period	**251,832**	**313,138**
▪ Corporate income tax	160,962	176,269
▪ Profit, net of taxes, from discontinued operations	0	0
Consolidated profit from continuing operations before tax	**412,794**	**489,407**
Theoretical tax rate	***36.10%***	***34.43%***
▪ Net impact of permanent differences	0.64%	0.18%
▪ Impact of unrecognized tax loss carryforwards	0.06%	0.11%
▪ Impact of different tax rates	0.04%	0.02%
▪ Other impacts	2.15%	1.28%
Effective tax rate	***38.99%***	***36.02%***

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- tax loss carryforwards of companies outside the Iliad tax group which 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 €2,625,000 at December 31, 2011, compared with €4,242,000 one year earlier.

NOTE 13: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share

Number of shares used for the calculation	2011	2010
▪ Number of shares at the year-end	57,042,092	54,696,740
▪ Weighted average number of shares	54,731,420	54,563,253

Diluted earnings per share

(in € thousands)	2011	2010
Profit for the period attributable to owners of the Company	251,593	313,161
Interest expense on OCEANE convertible bonds (net of tax)	9,517	9,568
Diluted profit for the period attributable to owners of the Company	261,110	322,729
Weighted average number of shares outstanding (after dilution)		
▪ Weighted average number of shares outstanding (see above)	54,731,420	54,563,253
▪ Number of share equivalents:		
. Stock options	497,122	188,676
. OCEANE bonds	3,652,092	3,754,968
Maximum weighted average number of shares after dilution	**58,880,634**	**58,506,897**
Diluted earnings per share (in €)	**4.44**	**5.52**

Instruments with no dilutive impact

As Iliad's average share price in 2011 was €85.17, the stock options granted in November 2011 did not have a dilutive impact.

NOTE 14: NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows from operating activities

Net cash generated from operating activities is determined by the indirect method, which consists of adding back to or deducting from profit for the period:

- all non-cash transactions;
- deferrals or adjustments concerning past or future cash inflows or outflows related to operations; and
- all cash flows relating to investing or financing activities.

Changes in operating working capital requirement

Changes in operating working capital requirement during 2011 and 2010 can be analyzed as follows:

(in € thousands) 2011	Note	Balance at Jan. 1, 2011	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2011
▪ Net inventories	21	888	25,589				26,477
▪ Net trade receivables	22	94,819	9,939				104,758
▪ Net other receivables	22	72,306	24,859			(2,237)	94,928
▪ Supplier payables	29	(159,520)		(86,666)		379	(245,807)
▪ Other payables		(80,229)		(21,621)		(4)	(101,854)
Total		**(71,736)**	**60,387**	**(108,287)**		**(1,862)**	**(121,498)**
Change in operating working capital requirement in 2011				**(47,900)**			

(in € thousands) 2010	Note	Balance at Jan. 1, 2010	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2010
▪ Net inventories	21	719	169				888
▪ Net trade receivables	22	103,665		(8,846)			94,819
▪ Net other receivables	22	78,659		(5,962)		(391)	72,306
▪ Supplier payables	29	(193,138)	33,993			(375)	(159,520)
▪ Other payables		(77,998)		(2,231)			(80,229)
Total		**(88,093)**	**34,162**	**(17,039)**		**(766)**	**(71,736)**
Change in operating working capital requirement in 2010			**17,123**				

Other receivables

This item can be analyzed as follows:

(in € thousands)	Note	2011	2010
Trade and other receivables	22	199,686	167,125
▪ Net trade receivables	22	(104,758)	(94,819)
Recognized in statement of cash flows		**94,928**	**72,306**

Other payables

This item can be analyzed as follows:

(in € thousands)	Note	2011	2010
Trade and other payables	29	936,158	337,416
▪ Suppliers of goods and services (incl. VAT)	29	(245,807)	(159,520)
▪ Suppliers of non-current assets (excl. VAT)		(588,497)	(97,567)
▪ Other		0	(100)
Recognized in statement of cash flows		**101,854**	**80,229**

Acquisitions of non-current assets

Acquisitions of non-current assets can be analyzed as follows:

(in € thousands)	Note	2011	2010
▪ Intangible assets	17	754,565	262,827
▪ Property, plant and equipment	19	902,085	535,930
▪ Suppliers of non-current assets (excl. VAT):			
. at beginning of year		97,567	93,498
. impact of changes in Group structure		0	0
. at year-end		(588,497)	(97,567)
▪ Other		14,036	(11,109)
Recognized in statement of cash flows		**1,179,756**	**783,579**

Cash and cash equivalents

(in € thousands)	Note	Cash and cash equivalents at Dec. 31, 2011	Cash and cash equivalents at Dec. 31, 2010
Cash (including currency hedges)	23	10,839	32,430
Marketable securities	23	346,610	312,423
Sub-total		***357,449***	***344,853***
Bank borrowing facilities	28	(6,981)	(7,384)
Total		**350,468**	**337,469**

Non-monetary flows relating to investing and financing activities

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

(in € thousands)	2011	2010
▪ Acquisitions of assets under finance leases	20,429	56,790

NOTE 15: SEGMENT INFORMATION

Reportable segments

The Group reports information on operating segments based on its business segments.

As almost all of its operations are in France, the Group only has one geographic segment.

Segment reporting format

The Group has two operating segments, identified using criteria directly based on its organizational structure and internal reporting systems as defined by the Management Committee:

- The **Broadband** segment, which includes Internet service provider operations, hosting services, user assistance operations, Wimax activities, operations related to the rollout of the FTTH (fiber-to-the-home) networks, mobile telephony, and online gambling games and sports betting.

- The **Traditional Telephony** segment, which includes switched landline telephony, directory services and insurance brokerage operations.

This segment reporting format complies with the criteria in IFRS 8.

These segments may change in the future, depending on operating criteria and the development of the Group's businesses, particularly following the commercial launch of the Group's mobile business on January 10, 2012.

Analysis of the consolidated income statement by operating segment

(in € thousands) 2011	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	2,111,340	10,710		**2,122,050**
Inter-segment revenues	2,436	23,470	(25,906)	**0**
Total revenues	2,113,776	34,180	(25,906)	**2,122,050**
Earnings				
EBITDA	840,792	(7,393)	0	**833,399**
Share-based payment expense	(8,650)	(1,386)	0	**(10,036)**
Depreciation, amortization and provisions for impairment of non-current assets	(324,939)	(232)	0	**(325,171)**
Profit/(loss) from ordinary activities	507,203	(9,011)	0	**498,192**

(in € thousands) 2010	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	2,024,851	13,404		**2,038,255**
Inter-segment revenues	3,810	27,718	(31,528)	**0**
Total revenues	2,028,661	41,122	(31,528)	**2,038,255**
Earnings				
EBITDA	798,787	(673)	0	**798,114**
Share-based payment expense	(6,912)	(1,205)	0	**(8,117)**
Depreciation, amortization and provisions for impairment of non-current assets	(311,923)	(143)	0	**(312,066)**
Profit/(loss) from ordinary activities	479,952	(2,021)	0	**477,931**

Capital expenditure by operating segment

(in € thousands) 2011	Broadband	Traditional Telephony	Inter-segment	Total
Intangible assets	318,446	8	0	**318,474**
Property, plant and equipment	856,297	4,985	0	**861,282**

(in € thousands) 2010	Broadband	Traditional Telephony	Inter-segment	Total
Intangible assets	262,787	40	0	**262,827**
Property, plant and equipment	520,570	187	0	**520,757**

Employee numbers by operating segment

2011	Broadband	Traditional Telephony	Inter-segment	Total
Number of employees at year-end	5,584	71	0	**5,655**

2010	Broadband	Traditional Telephony	Inter-segment	Total
Number of employees at year-end	4,293	62	0	**4,355**

Analysis of consolidated assets by operating segment

(in € thousands) At December 31, 2011	Broadband	Traditional Telephony	Total
Non-current assets (excluding taxes)	**3,186,066**	**9,208**	**3,195,274**
Current assets (excl. cash and cash equivalents and tax receivables)	**282,207**	**15,693**	**297,900**
Inventories	26,477	0	**26,477**
Trade and other receivables	183,993	15,693	**199,686**
Other short-term financial assets	16,877	0	**16,877**
Assets held for sale	54,860	0	**54,860**
Cash and cash equivalents			**357,449**

(in € thousands) At December 31, 2010	Broadband	Traditional Telephony	Total
Non-current assets (excluding taxes)	**1,852,605**	**10,938**	**1,863,543**
Current assets (excl. cash and cash equivalents and tax receivables)	**233,872**	**8,402**	**242,274**
Inventories	888	0	**888**
Trade and other receivables	158,723	8,402	**167,125**
Other short-term financial assets	2,687	0	**2,687**
Assets held for sale	71,574	0	**71,574**
Cash and cash equivalents			**344,853**

Analysis of consolidated equity and liabilities by operating segment (excluding OCEANE convertible bonds)

(in € thousands) At December 31, 2011	Broadband	Traditional Telephony	Total
Non-current liabilities (excl. deferred taxes)	**1,457,988**	**532**	**1,458,520**
Long-term provisions	1,002	386	**1,388**
Long-term financial liabilities	1,149,744	0	**1,149,744**
Other non-current liabilities	307,242	146	**307,388**
Current liabilities (excl. taxes payable)	**822,805**	**13,000**	**835,805**
Short-term provisions	29,790	120	**29,910**
Trade and other payables	615,922	12,848	**628,770**
Short-term financial liabilities	177,093	32	**177,125**

(in € thousands) At December 31, 2010	Broadband	Traditional Telephony	Total
Non-current liabilities (excl. deferred taxes)	**1,002,692**	**542**	**1,003,234**
Long-term provisions	1,002	391	**1,393**
Long-term financial liabilities	999,923	44	**999,967**
Other non-current liabilities	1,767	107	**1,874**
Current liabilities (excl. taxes payable)	**380,484**	**15,612**	**396,096**
Short-term provisions	24,060	297	**24,357**
Trade and other payables	326,949	8,593	**335,542**
Short-term financial liabilities	29,475	6,722	**36,197**

NOTE 16: GOODWILL

The main movements in goodwill in 2011 and 2010 were as follows:

(in € thousands)	2011	2010
Carrying amount at January 1	214,248	214,048
Increase following acquisitions:		
▪ Freebox	480	0
Other movements:		
▪ IFW	0	200
Carrying amount at December 31	**214,728**	**214,248**

NOTE 17: INTANGIBLE ASSETS

Intangible assets break down as follows:

(in € thousands)	At December 31, 2011			At December 31, 2010		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
▪ Wimax license	54,296	40,181	14,115	54,296	40,000	14,296
▪ 3G license	264,801	0	264,801	252,640	0	252,640
▪ 4G license	280,976	0	280,976	0	0	0
▪ Alice customer base	25,000	6,945	18,055	25,000	4,862	20,138
▪ Other	447,442	3,275	444,167	12,363	2,670	9,693
Internally-generated intangible assets:						
▪ Development costs	6,651	3,154	3,497	4,582	2,107	2,475
Total	**1,079,166**	**53,555**	**1,025,611**	**348,881**	**49,639**	**299,242**

Following an impairment test carried out in 2010, the Group recorded a €40 million impairment loss on its Wimax license, which was maintained in 2011 as there were no changes in circumstances that justified its reversal. In addition, the Group has started to amortize this license since the commercial launch of its Wimax offerings in late 2011.

In January 2010, the Iliad 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 20MHz of spectrum in the new generation 4G (2.6 GHz) frequency band for a cost of €278.1 million.

Also in 2011, the Group accelerated the rollout of its mobile network in preparation for its launch in early 2012. This resulted in the signature of agreements granting the Group certain long-term rights.

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.

Changes in net intangible assets can be analyzed as follows:

(in € thousands)	2011	2010
Net at January 1	299,242	80,291
. Acquisitions	752,496	261,532
. Internally-generated intangible assets	2,069	1,295
Reclassifications	(23,310)	0
Other	(953)	(40,000)
Amortization	(3,933)	(3,876)
Net at December 31	**1,025,611**	**299,242**

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 Iliad 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 Broadband 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 CGU. Accordingly, the Group did not recognize any impairment losses on this CGU’s goodwill or intangible assets in 2011.

The impairment test carried out on the Group’s Wimax license in 2011 did not result in any adjustments to the asset’s carrying amount.

Similarly, no adjustments were required to be made to the carrying amount of the mobile telephony business’s intangible assets in progress.

NOTE 19: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

(in € thousands)	At December 31, 2011			At December 31, 2010		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings (1)	125,801	1,364	124,437	119,163	845	118,318
▪ Network usage rights	175,917	44,834	131,083	161,544	37,059	124,485
▪ Service access fees	576,307	353,044	223,263	529,338	331,950	197,388
▪ Network equipment (2)	2,143,588	824,096	1,319,492	1,496,301	687,087	809,214
▪ Other	157,994	8,969	149,025	91,298	3,584	87,714
Total	**3,179,607**	**1,232,307**	**1,947,300**	**2,397,644**	**1,060,525**	**1,337,119**
(1) of which finance leases	90,645	647	89,998	85,934	251	85,683
(2) of which finance leases	69,232	40,273	28,959	55,548	32,445	23,103

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.

Changes in net property, plant and equipment can be analyzed as follows:

(in € thousands)	2011	2010
Net at January 1	1,337,119	1,087,470
Acquisitions (*)	922,514	592,720
Disposals	(9,747)	(38,502)
Reclassifications	22,387	3,622
Other	(3,735)	0
Depreciation	(321,238)	(308,191)
Net at December 31	**1,947,300**	**1,337,119**
(*) Acquisitions excluding assets acquired under finance leases	902,085	535,930

During 2011 the Group kept up its capital spending drive for growth projects. This included the following:

- ADSL-related capital expenditure incurred to extend the coverage of the optical fiber network (including through IRUs) and further improve and renew network equipment. In 2011 the Group unbundled more than 500 new France Telecom sites;
- expenditure to expand and manage the ADSL subscriber base (including investments in Freebox and AliceBox modems and service access fees);
- further investments as part of its FTTH rollout;

- further capital outlay for the Group's mobile telephony network after Iliad was awarded a 3G mobile telephony license in January 2010.

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. No such events or changes in circumstances were identified at December 31, 2011.

Assets under construction

The carrying amount of assets under construction is included in the carrying amounts of each item of property, plant and equipment, as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
▪ Land and buildings	94,662	98,724
▪ Network usage rights	15,385	14,705
▪ Network equipment	495,384	351,757
Total	**605,431**	**465,186**

NOTE 20: OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

(in € thousands)	At December 31, 2011 Net	At December 31, 2010 Net
Other long-term financial assets		
▪ Loans	477	3,287
▪ Other investment securities	1,827	3,828
▪ Guarantee deposits	5,331	5,819
Total other long-term financial assets	**7,635**	**12,934**
Other short-term financial assets		
▪ Loans	16	16
▪ Cash flow hedges	16,861	2,671
Total other short-term financial assets	**16,877**	**2,687**
Total other financial assets	**24,512**	**15,621**

Other short-term and long-term financial assets correspond to the portion of receivables due within one year and beyond one year respectively.

Other financial assets break down as follows by function:

(in € thousands)	At December 31, 2011 Net	At December 31, 2010 Net
▪ Financial assets at fair value through profit or loss	18,689	2,686
▪ Held-for-trading investments	0	0
▪ Held-to-maturity investments	0	0
▪ Loans and receivables issued by the Group	5,823	9,122
▪ Available-for-sale financial assets	0	3,813
Total other financial assets	**24,512**	**15,621**

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

(in € thousands)	2011	2010
Net at January 1	15,621	12,533
Acquisitions	2,834	6,660
Redemptions and repayments	(1,504)	(6,242)
Impact of changes in Group structure	0	0
Additions to provisions	(6,629)	1
Impact of cash flow hedges	14,190	2,671
Net at December 31	**24,512**	**15,621**

Acquisitions and redemptions and repayments in 2010 and 2011 primarily concerned movements in guarantee deposits paid.

Additions to provisions recorded in 2011 relate to a project from which the Group has decided to withdraw.

NOTE 21: INVENTORIES

Inventories break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Raw materials	836	644
Work-in-progress	0	0
Finished products	26,096	474
Inventories – gross	**26,932**	**1,118**
Provisions:		
. raw materials	(434)	(209)
. finished products	(21)	(21)
Total provisions	**(455)**	**(230)**
Inventories – net	**26,477**	**888**

The year-on-year increase in inventories of finished products was primarily due to mobile terminals purchased in preparation for the launch of the mobile network in early 2012.

NOTE 22: TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Trade and other receivables		
Trade receivables	149,095	139,689
Advances and prepayments	1,308	1,187
Tax receivables (VAT)	57,718	43,970
Other	17,626	11,221
Prepaid expenses	19,495	17,148
Total – gross	**245,242**	**213,215**
Provisions for trade receivables	(44,337)	(44,870)
Provisions for other receivables	(1,219)	(1,220)
Net trade and other receivables	**199,686**	**167,125**

Net trade receivables	104,758	94,819
Net other receivables	94,928	72,306

NOTE 23: CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

(in € thousands)	At December 31, 2011		At December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Certificates of deposit				
Net value	**70,010**	**70,010**	**45,000**	**45,000**
Mutual funds (UCITs)				
Net value	**276,600**	**276,600**	**267,423**	**267,423**
Cash	**10,839**	**10,839**	**32,430**	**32,430**
Total, net	**357,449**	**357,449**	**344,853**	**344,853**

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
- subject to an insignificant risk of changes in value.

Consequently, the Group invests its surplus cash in certificates of deposit with maturities of less than three months as well as in UCITs that fall into the "euro monetary" classification of the French securities regulator (AMF).

NOTE 24: ASSETS HELD FOR SALE

Assets held for sale break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Buildings held for sale	54,860	71,574
Total	**54,860**	**71,574**

In line with its strategy of acquiring the premises necessary 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 portion of the buildings acquired that the Group intends to subsequently sell have been classified under "Assets held for sale". A specialist subsidiary is responsible for managing these transactions.

Assets held for sale had no related liabilities at December 31, 2010 or 2011.

An analysis of assets held for sale is provided by operating segment in Note 15.

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

NOTE 25: EQUITY

Share capital

Capital increase following the conversion of OCEANE bonds

In June 2006, Iliad carried out an issue of OCEANE bonds convertible into new shares and/or exchangeable for existing shares. The bonds were convertible/exchangeable at any time from the bond issue date (June 29, 2006) until the seventh working day preceding their maturity and redemption date (December 22, 2011).

Based on the conversion requests received by the December 22, 2011 final exercise date, and taking into account the delivery of 35,700 existing Iliad shares held by the Company, the number of new shares issued for allocation to OCEANE bondholders amounted to 2,260,524. The issuance of these new shares resulted in a €501,000 increase in the Company's capital from €12,121,000 to €12,622,000. The amount of their par value as well as a total issue premium of €202,924,000 have been paid up in full.

Capital increase following exercise of stock options

Stock options granted by the Iliad Group on January 20, 2004 have been exercisable by their beneficiaries since January 20, 2008. Similarly, the first tranche of the stock options granted on December 20, 2005 has been exercisable since December 20, 2009 and the second tranche since December 20, 2010.

In 2011, 84,828 stock options were exercised for the same number of new shares. The Group's share capital therefore increased by €19,000 from €12,622,000 to €12,641,000 at December 31, 2011.

At December 31, 2011 the Group held 23,571 Iliad shares.

At that date, Iliad’s ownership structure was as follows:

Shareholder	Number of shares	%
Executive Management	36,093,445	63.28
Public	20,948,647	36.72
Total	**57,042,092**	**100.00**

Dividends paid and dividends recommended to shareholders at the Annual General Meeting

The dividend paid in 2011 for 2010 totaled €21,884,000. No interim dividend was paid in 2011.

At the next Annual General Meeting, shareholders will be invited to approve a dividend payment of €0.37 per share.

Cash flow hedge reserve

Hedges were set up in 2008 to cover the Group's exposure to changes in interest rates on bank borrowings taken out in 2008 and 2009.

These hedges are described in Note 32.

At December 31, 2010 and 2011 the cash flow hedge reserve (net of the tax effect) had negative balances of €10,286,000 and €23,548,000 respectively.

NOTE 26: STOCK OPTION PLANS

The following tables summarize the main features of the various stock option plans approved in 2011 and prior years, and outstanding at the year-end.

At December 31, 2011

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2011	Number of options granted in 2011	Number of options cancelled in 2011	Number of options exercised in 2011	Number of exercisable options outstanding at Dec. 31, 2011	Number of non-exercisable options outstanding at Dec. 31, 2011
Iliad								
December 12, 2003	January 20, 2004	16.30	28,245	0	0	21,375	6,870	0
December 12, 2003	December 20, 2005	48.44	227,712	0	0	63,453	164,259	0
May 29, 2006	June 14, 2007	74.62	162,455	0	0	0	0	162,455
May 29, 2006	August 30, 2007	68.17	680,300	0	17,078	0	0	663,222
May 29, 2008	November 5, 2008	53.79	577,400	0	13,200	0	0	564,200
May 29, 2008	August 30, 2010	67.67	182,250	0	19,800	0	0	162,450
May 29, 2008	August 30, 2010	67.67	425,250	0	46,200	0	0	379,050
May 24, 2011	November 7, 2011	84.03	0	404,800	6,600	0	0	398,200

At December 31, 2010

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2010	Number of options granted in 2010	Number of options cancelled in 2010	Number of options exercised in 2010	Number of exercisable options outstanding at Dec. 31, 2010	Number of non-exercisable options outstanding at Dec. 31, 2010
Iliad								
December 12, 2003	January 20, 2004	16.30	33,371	0	0	5,126	28,245	0
December 12, 2003	December 20, 2005	48.44	338,178	0	2,292	108,174	227,712	0
May 29, 2006	June 14, 2007	74.62	162,455	0	0	0	0	162,455
May 29, 2006	August 30, 2007	68.17	694,759	0	14,459	0	0	680,300
May 29, 2008	November 5, 2008	53.79	589,400	0	12,000	0	0	577,400
May 29, 2008	August 30, 2010	67.67	0	183,150	900	0	0	182,250
May 29, 2008	August 30, 2010	67.67	0	427,350	2,100	0	0	425,250

Exercise date of options

The exercise terms and conditions applicable to the outstanding stock options are as follows:

Date of plan launch	Exercise terms and conditions
January 20, 2004	Options exercisable since January 20, 2008
December 20, 2005	Half of the options exercisable since December 20, 2009 and half since December 20, 2010
June 14, 2007	Options exercisable from June 13, 2012
August 30, 2007	Options exercisable from August 30, 2012
November 5, 2008	Options exercisable from November 5, 2013
August 30, 2010	30% of the options exercisable from August 29, 2014 and 70% from August 29, 2015
November 7, 2011	Options exercisable from 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:

	06/14/2007	08/30/2007	11/05/2008	08/30/2010	08/30/2010	11/07/2011
Quantity	162,455	703,960	596,600	183,150	427,350	404,800
Per-share exercise price	€74.62	€68.17	€53.79	€67.67	€67.67	€84.03
Life of the options	5 years	5 years	5 years	4 years	5 years	5 years
Underlying volatility	22.50%	22.50%	30%	25%	25%	20%
Annual cost (in € thousands)	700	2,800	2,265	775	1,356	1,708
Maturity	06/13/2012	08/30/2012	11/05/2013	08/29/2014	08/29/2015	11/06/2016

The expense recorded in relation to these plans totaled €8,153,000 in 2011 and €7,145,000 in 2010.

Share grant plan

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, several employees and managers were granted shares representing 5% of Free Mobile's share capital. This plan includes an option to settle the share-based payment in Iliad shares, the price of which will be determined by an independent expert.

The shares will vest after a period of two years which will be followed by a two-year lock-up period during which the beneficiaries will not be able to sell their vested shares.

The expense recognized for this plan in 2011 and 2010 amounted to €1,883,000 and €972,000 respectively.

NOTE 27: PROVISIONS

The provisions recognized at December 31, 2011 are intended to cover the Group's commercial risks related to its operations, risks of tax reassessments and employee-related costs.

Provisions break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Long-term provisions		
Provisions for charges	1,388	1,393
Total long-term provisions	**1,388**	**1,393**
Short-term provisions		
Provisions for contingencies	29,910	23,945
Provisions for charges	0	412
Total short-term provisions	**29,910**	**24,357**
Total provisions	**31,298**	**25,750**

Provisions are considered to be "long-term" when the Iliad 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".

Provisions for contingencies and charges break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Provisions for contingencies	29,910	23,945
Provisions for charges	1,388	1,805
Total provisions for contingencies and charges	**31,298**	**25,750**

Movements in provisions for contingencies and charges were as follows in 2011:

(in € thousands)	At Dec. 31, 2010	Increases in 2011	Decreases in 2011 (utilizations)	Decreases in 2011 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2011
Provisions for claims and litigation and general contingencies	23,945	7,983	(1,161)	(852)	0	(5)	29,910
Provisions for charges	1,805	0	(44)	(372)	0	(1)	1,388
Total	**25,750**	**7,983**	**(1,205)**	**(1,224)**	**0**	**(6)**	**31,298**

Movements in provisions for contingencies and charges were as follows in 2010:

(in € thousands)	At Dec. 31, 2009	Increases in 2010	Decreases in 2010 (utilizations)	Decreases in 2010 (surplus provisions)	Changes in Group structure	Other movements	At Dec. 31, 2010
Provisions for claims and litigation and general contingencies	5,191	19,821	(480)	(594)		7	23,945
Provisions for charges	5,086	190	(3,204)	(267)			1,805
Total	**10,277**	**20,011**	**(3,684)**	**(861)**		**7**	**25,750**

The income statement impact of movements in provisions was as follows:

(in € thousands)	**2011**	**2010**
Profit from ordinary activities	5,559	3,074
Operating profit	0	(18,544)
Financial income and expense, net	(5)	4
Total	**5,554**	**(15,466)**

NOTE 28: FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Bank borrowings	531,224	578,123
Convertible bonds	0	323,030
Ordinary bonds	497,792	0
Borrowings related to finance leases	79,000	80,666
Cash flow hedges	36,851	13,086
Other	4,877	5,062
Total long-term financial liabilities	**1,149,744**	**999,967**
Bank borrowings	0	0
Convertible bonds	131,272	7,274
Borrowings related to finance leases	18,110	14,908
Other bank borrowing facilities	6,981	7,384
Cash flow hedges	0	2,601
Other	20,762	4,030
Total short-term financial liabilities	**177,125**	**36,197**
Total	**1,326,869**	**1,036,164**

Short- and long-term financial liabilities correspond to the portion of payables due within one year and beyond one year respectively.

All Group borrowings are in euros.

The table below summarizes movements in borrowings in 2011 and 2010:

(in € thousands)	At December 31, 2011	At December 31, 2010
Borrowings at January 1	1,036,164	1,298,778
New borrowings (*)	1,065,557	740,660
Repayments of borrowings	(617,295)	(1,009,115)
Conversion of OCEANE bonds	(206,637)	0
Change in other bank borrowing facilities	(403)	5,283
Impact of changes in Group structure	0	0
Interest on OCEANE bonds and bond premium	7,606	7,307
Impact of cash flow hedges	21,164	(11,093)
Other	20,713	4,344
Total borrowings at December 31	**1,326,869**	**1,036,164**

(*) New borrowings excluding borrowings related to finance leases	1,045,128	683,870

Convertible bonds

In June 2006, Iliad issued 3,754,968 OCEANE bonds convertible into new shares and/or exchangeable for existing shares. The bonds mature on January 1, 2012 and are redeemable at face value, i.e. €88.05 per bond.

The bonds were convertible/exchangeable for Iliad shares at any time from the bond issue date (June 29, 2006) until the seventh working day preceding their maturity and redemption date (December 22, 2011), with the Company making the decision on whether to allocate newly issued or existing shares, or a combination of new and existing shares.

Based on the conversion requests received by the December 22, 2011 final exercise date and taking into account the delivery of 35,700 existing Iliad shares held by the Company, Iliad issued 2,260,524 new shares for allocation to OCEANE bondholders.

The 1,458,744 remaining OCEANE bonds will be redeemed in cash on January 2, 2012 at face value (€88.05 per bond) plus an interest payment of €1.94 per bond.

Ordinary bonds

On May 26, 2011 the Group issued €500 million worth of bonds paying interest at 4.875% per year, which will be redeemed at face value on June 1, 2016.

Guarantees given

The Iliad 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, 2011

A €1,400 million syndicated credit facility

On June 9, 2010, the Group set up a €1,400 million syndicated credit facility with a pool of 11 international banks. This facility comprises two tranches:

- a €600 million loan tranche to refinance the Group's net debt, of which €400 million had been drawn down at December 31, 2011;
- a revolving tranche of €800 million expiring in June 2015. None of this tranche had been drawn down at December 31, 2011.

The applicable interest rate is based on Euribor plus a margin of between 2.05% and 1.10% per year depending on the Group's leverage ratio.

The financial covenants for this syndicated credit facility are described in Note 32.

Loan granted by the European Investment Bank (EIB)

The EIB has granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan – which has a 10-year term and is repayable in installments – had been fully drawn down at December 31, 2011.

The financial covenants applicable to this loan are described in Note 32.

Breakdown of borrowings by type of rate

Gross borrowings at the year-end can be analyzed as follows by type of rate:

(in € thousands)	At December 31, 2011	At December 31, 2010
Fixed-rate borrowings	1,283,037	834,610
Variable-rate borrowings	43,832	201,554
Total borrowings	**1,326,869**	**1,036,164**

Breakdown of borrowings by nature and maturity

The following table presents borrowings by nature and maturity at December 31, 2011:

(in € thousands)	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Convertible bonds	131,272	0	0	131,272
Ordinary bonds	0	497,792	0	497,792
Bank borrowings	0	518,191	49,884	568,075
Borrowings related to finance leases	18,110	51,858	27,142	97,110
Other bank borrowing facilities	6,981	0	0	6,981
Sundry borrowings	20,762	0	4,877	25,639
Total	**177,125**	**1,067,841**	**81,903**	**1,326,869**

The following table presents borrowings by nature and maturity at December 31, 2010:

(in € thousands)	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Convertible bonds	7,274	323,030	0	330,304
Bank borrowings	0	578,123	0	578,123
Borrowings related to finance leases	14,908	47,317	33,349	95,574
Other bank borrowing facilities	7,384	0	0	7,384
Sundry borrowings	6,631	13,086	5,062	24,779
Total	**36,197**	**961,556**	**38,411**	**1,036,164**

Description of the Group's main finance leases outstanding at December 31, 2011

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 payment or renewal options and does not impose specific restrictions, for example concerning dividends, additional debt or further leasing.

At December 31, 2011, the Group's total obligations under the related finance leases amounted to €97.1 million versus €95.6 million one year earlier.

Equipment finance leases

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

None of the lease arrangements contain contingent lease payment clauses or impose 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, 2011 and their present value.

(in € thousands)	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Future minimum lease payments	18,110	51,858	27,142	**97,110**
Present value	18,110	46,716	20,089	**84,915**

Present value is determined by applying a 4.83% discount rate.

NOTE 29: TRADE AND OTHER PAYABLES

These items break down as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Trade and other payables recorded under other non-current liabilities:		
Trade payables	304,768	0
Accrued taxes and employee-related payables	2,620	1,874
Sub-total	**307,388**	**1,874**
Trade and other payables recorded under current liabilities:		
Trade payables	543,617	271,039
Advances and prepayments	5	653
Accrued taxes and employee-related payables	77,841	57,575
Other payables	6,940	5,976
Deferred income	367	299
Sub-total	**628,770**	**335,542**
Total	**936,158**	**337,416**

Total trade payables can be analyzed as follows:

(in € thousands)	At December 31, 2011	At December 31, 2010
Suppliers of goods and services	245,807	159,520
Suppliers of non-current assets	602,578	111,519
Total	**848,385**	**271,039**

NOTE 30: RELATED-PARTY TRANSACTIONS

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 S.A. and members of the Management Committee.

- Compensation paid to key management personnel in 2011 and 2010 breaks down as follows:

(in € thousands)	2011	2010
▪ Total compensation	1,944	1,944
▪ Share-based payments	4,242	3,997
Total	**6,186**	**5,941**

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

NOTE 31: FINANCIAL INSTRUMENTS

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	Hedging instruments carried at fair value with changes recognized in equity	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2011							
Cash	10,839					10,839	10,839
Marketable securities	346,610					346,610	346,610
Trade receivables				104,758		104,758	104,758
Other receivables				94,928		94,928	94,928
Other short-term financial assets	16,861			16		16,877	16,877
Other long-term financial assets	15	1,812		5,808		7,635	7,635
Long-term financial liabilities (excl. OCEANE bonds)			(36,851)		(1,112,893)	(1,149,744)	(1,149,744)
Short-term financial liabilities (excl. OCEANE bonds)					(45,853)	(45,853)	(45,853)
OCEANE bonds					(131,272)	(131,272)	(131,272)
Other non-current liabilities					(307,388)	(307,388)	(307,388)
Other current liabilities					(628,770)	(628,770)	(628,770)
Total carrying amount	**374,325**	**1,812**	**(36,851)**	**205,510**	**(2,226,176)**	**(1,681,380)**	**(1,681,380)**

(in € thousands)	Assets carried at fair value through profit or loss	Other available-for-sale financial assets	Hedging instruments carried at fair value with changes recognized in equity	Loans and receivables	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2010							
Cash	32,430					32,430	32,430
Marketable securities	312,423					312,423	312,423
Trade receivables				94,819		94,819	94,819
Other receivables				72,306		72,306	72,306
Other short-term financial assets	2,671			16		2,687	2,687
Other long-term financial assets	15	3,813		9,106		12,934	12,934
Long-term financial liabilities (excl. OCEANE bonds)			(13,086)		(663,851)	(676,937)	(676,937)
Short-term financial liabilities (excl. OCEANE bonds)			(2,601)		(26,322)	(28,923)	(28,923)
OCEANE bonds					(330,304)	(330,304)	See (1)
Other non-current liabilities					(1,874)	(1,874)	(1,874)
Other current liabilities					(335,542)	(335,542)	(335,542)
Total carrying amount	**347,539**	**3,813**	**(15,687)**	**176,247**	**(1,357,893)**	**(845,981)**	**N/A**

(1) The Group was unable to determine the fair value of these bonds at December 31, 2010 as they are not listed on a regulated market and have a low trading volume.

The main components of each financial instrument category and the applicable measurement methods are as follows:

- assets carried at fair value through profit or loss primarily correspond to cash and cash equivalents. They are measured by reference to a quoted market price in an active market where such a market exists;
- loans and receivables primarily comprise trade and 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 32: FINANCIAL RISK MANAGEMENT

Market risks

Foreign exchange risk

The Iliad Group's functional currency is the euro. However, it purchases certain goods and services outside the euro zone 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 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 2011.

At December 31, 2011 all of these currency hedges qualified as cash flow hedges under IAS 39.

The tables below set out the Group's foreign exchange risks and related sensitivity.

Foreign exchange risk

At Dec. 31, 2011 (in € thousands)	**Assets (a)**	**Liabilities (b)**	**Foreign currency commitments (c)**	**Net position before hedging (d) = (a) – (b) +/- (c)**	**Hedging instruments (e)**	**Net position after hedging (f) = (d) – (e)**
US dollar	14,382	94,616	0	80,234	3,392	76,842
Total	**14,382**	**94,616**	**0**	**80,234**	**3,392**	**76,842**

Currency hedges had a negative €9,065,000 impact on the Group's income statement in 2011 but a positive €9,408,000 impact on equity.

Foreign exchange risk sensitivity

(in € thousands)	USD
Net position after hedging	76,842
Net position after hedging based on the assumption that the USD exchange rate changes unfavorably for the Group by €0.01	76,703
Sensitivity	139

Interest rate risk

The Group's interest rate risk management policy is aimed at (i) reducing its exposure to fluctuations in interest rates, (ii) adjusting the portions of its fixed-rate and variable-rate borrowings, and (iii) optimizing its average cost of borrowing.

Interest rate hedges had a €13,524,000 negative impact on equity in 2011.

Hedges of borrowings

In order to reduce the volatility of its future cash flows relating to interest payments on its borrowings, Iliad has set up swaps to convert variable-rate borrowings into fixed-rate borrowings.

The Group's swap contracts in place at December 31, 2011 were as follows**:**

- a swap contract on a notional amount of €300 million covering the period 2008-2012;
- a swap contract on a notional amount of €450 million covering the period 2012-2015;
- a swap contract on a notional amount of €300 million covering the period 2012-2016.

These contracts have been classified as cash flow hedges and changes in their fair value are therefore recognized in equity. At December 31, 2011 these derivatives had a negative fair value of €36,851,000.

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

Taking into account the above-described hedges and fixed rate contracts, over 90% of the Group's total debt was hedged against changes in interest rates at December 31, 2011.

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 tables below show the Group's net interest rate exposure at December 31, 2011 and an analysis of sensitivity to interest rate fluctuations.

(in € thousands)	Due within 1 year	Between 1 and 5 years	Due beyond 5 years
Financial liabilities	177,125	1,067,841	81,903
Financial assets	16,877	2,304	5,331
Net position before hedging	**160,248**	**1,065,537**	**76,572**
Off-balance sheet position	0	0	0
Net position after hedging	**160,248**	**1,065,537**	**76,572**

Net position to be rolled over within one year and long-term variable rate borrowings (in € thousands)	**160,248**	**36,851**	**0**
Change in interest rate	**1%**	**1%**	**1%**
Average remaining life (in months)	**12**	**12**	**12**
Sensitivity (in € thousands)	**1,602**	**369**	**0**

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 only a minimal impact on the Group's earnings and equity (see Note 25).

<u>Liquidity risk</u>

The Group has historically financed its growth principally through internal resources, with limited recourse to borrowing to finance its development and external growth.

At December 31, 2011 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 the syndicated credit facility.

These covenants (which take the form of financial ratios) were as follows at December 31, 2011:

	Applicable financial ratios	**Consequence of breach**	**Actual ratios at December 31, 2011**
• €1,400 million credit facility (Borrower – Iliad) • €150 million EIB loan (Borrower – Iliad)	Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Leverage ratio: 1.12 Interest cover ratio: 18.44

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, 2011 the Group was not exposed to any liquidity risk in view of the high level of cash generated by its ADSL operations, the maturity schedule of its debt (see Note 28) and its extremely low leverage.

Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly investments – as well as trade and other receivables (see Note 31 "Financial instruments").

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

- trade receivables: at December 31, 2011 trade receivables represented a gross amount of €149 million and a net amount of €105 million (see Note 22 "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, 2011, the Group's short-term investments amounted to €347 million (see Note 23 "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.

In addition, as part of its strategy for managing foreign exchange risk, the Group sets up hedges with leading financial institutions for which the counterparty risk is deemed to be negligible.

Analysis of trade receivables

At December 31, 2011 trade receivables totaled €149 million and provisions for doubtful receivables amounted to €44 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).

NOTE 33: OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

1 – Lease commitments

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

(in € millions)	2011	2010
▪ Minimum lease payments	17	17
▪ Contingent lease payments	0	0
▪ Sub-leases	11	4
Total	**28**	**21**

The table below analyzes the Group's lease commitments at December 31, 2011 by type of 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	17	46	34	**97**
Vehicles	2	2	0	**4**
Equipment	16	58	227	**301**
Total	**35**	**106**	**261**	**402**

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

2 – Network-related commitments

Network investments

At December 31, 2011 the Group had no commitments in relation to 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	41	75	0	**116**
Total	**41**	**75**	**0**	**116**

3 – Other commitments

3-1 Commitments related to telecom licenses

UMTS license

ARCEP decision 2010-0043 dated January 12, 2010 authorizing Free Mobile to set up and operate a 3G network includes 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 is required to cover 27% of the French population by the beginning of 2012, 75% by the beginning of 2015 and 90% by the beginning of 2018.

4G license

By way of decision 2011-1169 dated October 11, 2011, ARCEP authorized Free Mobile to use a block of frequencies in the 2.6 GHz band in mainland 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.

Wimax license

In a decision dated December 9, 2003 (no. 031294), ARCEP granted IFW the right to use across 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.

3-2 – Other commitments

At December 31, 2011 the Group had access to a €1,400 million credit facility, of which €400 million had been drawn down.

At the same date, other commitments given by the Group amounted to €24 million and $8 million, and other commitments received totaled €20 million.

Collateralized debt

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

Accrued discounted trade notes

The Iliad Group does not use this type of financing.

Statutory training entitlement

In accordance with French Act no. 2004-391 of May 4, 2004 relating to professional training, the Group's French companies grant their employees an entitlement to at least 20 hours' training per calendar year, which may be carried forward for up to six years. If all or part of the cumulative entitlement is not used within six years, it is capped at 120 hours.

At December 31, 2011 the Company's employees had accumulated a total of 207,862 unused training hours.

Iliad does not record a provision for this statutory training entitlement as it considers that the Group will receive a future benefit from any training given to employees because the underlying aim of the related training courses is to develop employee skills within the Group's core businesses. In addition, only a very small number of training requests are lodged by employees who have left the Group or retired early.

Dependence of the Iliad Group on patents and licenses

ARJEL issued the Group subsidiary, Iliad Gaming (i) a license to offer online sports betting services (on June 7, 2010) and (ii) an online poker license (on June 25, 2010).

Claims and litigation

Group companies are involved in a certain number of disputes arising in the normal course of business. When the Group and its legal advisors estimate that it is probable that these disputes will lead to an outflow of resources embodying economic benefits, provisions for contingencies and charges are recorded, in accordance with IAS 37.

The Group considers that the provisions set up to cover such contingencies, litigation or disputes known of or in progress at December 31, 2011 are sufficient to ensure that there would be no material impact on the Group's consolidated financial position in the event of unfavorable outcomes.

NOTE 34: EVENTS AFTER THE BALANCE SHEET DATE

On January 10, 2012, Free Mobile launched its mobile telephony network, offering customers a range of straightforward and attractive packages.

In addition, at the beginning of 2012 Free Mobile entered into agreements with manufacturers for the supply of mobile telephones.

NOTE 35: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2011

The following table includes the main legal holdings.

	Registration number	Head office	Percentage control at Dec. 31, 2011	Percentage control at Dec. 31, 2010	Percentage ownership at Dec. 31, 2011	Percentage ownership at Dec. 31, 2010	Consolidation method in 2011
ILIAD 16 rue de la Ville l'Evêque 75008 Paris	342 376 332	Paris	100.00%	100.00%	100.00%	100.00%	Full
ASSUNET 16 rue de la Ville l'Evêque 75008 Paris	421 259 797	Paris	89.96%	89.96%	89.96%	89.96%	Full
CALLONE BPO 7 Bld Mohamed V 20800 Mohammedia – Morocco	/	Morocco	100.00%	100.00%	100.00%	100.00%	Full
CENTRAPEL 8 rue de la Ville l'Evêque 75008 Paris	434 130 860	Paris	100.00%	99.98%	100.00%	99.98%	Full
CERTICALL 8 rue de la Ville l'Evêque 75008 Paris	538 329 913	Paris	100.00%	0	100.00%	0	Full
EQUALINE 8 rue de la Ville l'Evêque 75008 Paris	538 330 358	Paris	100.00%	0	100.00%	0	Full
FREE 8 rue de la Ville l'Evêque 75008 Paris	421 938 861	Paris	100.00%	100.00%	100.00%	100.00%	Full
FREEBOX 16 rue de la Ville l'Evêque 75008 Paris	433 910 619	Paris	97.14%	96.86%	97.14%	96.86%	Full
F DISTRIBUTION 8 rue de la Ville l'Evêque 75008 Paris	528 815 376	Paris	100.00%	100.00%	100.00%	100.00%	Full
FREE FREQUENCES 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	100.00%	0	100.00%	0	Full
FREE INFRASTRUCTURE 16 rue de la Ville l'Evêque 75008 Paris	488 095 803	Paris	100.00%	100.00%	100.00%	100.00%	Full
FREE MOBILE 16 rue de la Ville l'Evêque 75008 Paris	499 247 138	Paris	100.00%	100.00%	100.00%	100.00%	Full
IFW 8 rue de la Ville l'Evêque 75008 Paris	400 089 942	Paris	100.00%	100.00%	100.00%	100.00%	Full
IH 8 rue de la Ville l'Evêque 75008 Paris	441 532 173	Paris	100.00%	100.00%	100.00%	100.00%	Full
ILIAD 1 16 rue de la Ville l'Evêque 75008 Paris	537 915 019	Paris	100.00%	0	100.00%	0	Full
ILIAD 2 16 rue de la Ville l'Evêque 75008 Paris	537 915 050	Paris	100.00%	0	100.00%	0	Full
ILIAD GAMING 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	100.00%	100.00%	100.00%	Full
IMMOBILIERE ILIAD 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	100.00%	100.00%	Full
IRE 16 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	100.00%	100.00%	Full

	Registration number	Head office	Percentage control at Dec. 31, 2011	Percentage control at Dec. 31, 2010	Percentage ownership at Dec. 31, 2011	Percentage ownership at Dec. 31, 2010	Consolidation method in 2011
MCRA 8 rue de la Ville l'Evêque 75008 Paris	532 822 475	Paris	100.00%	0	100.00%	0	Full
MOBIPEL 142-160 avenue de Stalingrad 92700 Colombes	538 168 675	Colombes	100.00%	0	100.00%	0	Full
ONLINE 8 rue de la Ville l'Evêque 75008 Paris	433 115 904	Paris	95.18%	95.18%	95.18%	95.18%	Full
ONE TEL 16 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	100.00%	100.00%	100.00%	100.00%	Full
PROTELCO 8 rue de la Ville l'Evêque 75008 Paris	509 760 948	Paris	100.00%	100.00%	100.00%	100.00%	Full
QUALIPEL 61 rue Julien Grimau 94400 Vitry sur Seine	533 513 958	Vitry sur Seine	100.00%	0	100.00%	0	Full
TOTAL CALL Technoparc – Route de Nouceur Sidi Maar Casablanca – Morocco	/	Morocco	100.00%	100.00%	100.00%	100.00%	Full
TELECOM ACADEMY "PRIVE" Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf Casablanca – Morocco	/	Morocco	100.00%	0	100.00%	0	Full

NOTE 36: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2010

	Registration number	Head office	Percentage control at Dec. 31, 2010	Percentage control at Dec. 31, 2009	Percentage ownership at Dec. 31, 2010	Percentage ownership at Dec. 31, 2009	Consolidation method in 2010
ILIAD 8 rue de la Ville l'Evêque 75008 Paris	342 376 332	Paris	100.00%	100.00%	100.00%	100.00%	Full
ASSUNET 8 rue de la Ville l'Evêque 75008 Paris	421 259 797	Paris	89.96%	89.96%	89.96%	89.96%	Full
CALLONE BPO 7 Bld Mohamed V 20800 Mohammedia – Morocco	/	Morocco	100.00%	0%	100.00%	0%	Full
CENTRAPEL 8 rue de la Ville l'Evêque 75008 Paris	434 130 860	Paris	99.98%	99.98%	99.98%	99.98%	Full
FREE 8 rue de la Ville l'Evêque 75008 Paris	421 938 861	Paris	100.00%	100.00%	100.00%	100.00%	Full
FREEBOX 8 rue de la Ville l'Evêque 75008 Paris	433 910 619	Paris	96.86%	96.86%	96.86%	96.86%	Full
FREE INFRASTRUCTURE 8 rue de la Ville l'Evêque 75008 Paris	488 095 803	Paris	100.00%	100.00%	100.00%	100.00%	Full
FREE MOBILE 8 rue de la Ville l'Evêque 75008 Paris	499,247,138	Paris	100.00%	100.00%	100.00%	100.00%	Full
IFW 8 rue de la Ville l'Evêque 75008 Paris	400,089,942	Paris	100.00%	100.00%	100.00%	100.00%	Full
IH 8 rue de la Ville l'Evêque 75008 Paris	441 532 173	Paris	100.00%	100.00%	100.00%	100.00%	Full
ILIAD GAMING 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	0%	100.00%	0%	Full
IMMOBILIERE ILIAD 8 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	100.00%	100.00%	Full
IRE 8 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	100.00%	100.00%	Full
ONLINE 8 rue de la Ville l'Evêque 75008 Paris	433 115 904	Paris	95.18%	95.18%	95.18%	95.18%	Full
ONE TEL 8 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	100.00%	100.00%	100.00%	100.00%	Full
PROTELCO 8 rue de la Ville l'Evêque 75008 Paris	509 760 948	Paris	100.00%	100.00%	100.00%	100.00%	Full
TOTAL CALL Technoparc – Route de Nouceur Sidi Maar Casablanca – Morocco	/	Morocco	100.00%	100.00%	100.00%	100.00%	Full

NOTE 37: CHANGES IN SCOPE OF CONSOLIDATION AND PERCENTAGE CONTROL IN 2011

Main consolidated companies

	Percentage control at Dec. 31, 2010	Consolidation method at Dec. 31, 2010	Acquisition/ incorporation date	Percentage control at Dec. 31, 2011	Consolidation method at Dec. 31, 2011
CERTICALL	0	N.C.	December 12, 2011	100%	Full
EQUALINE	0	N.C.	December 12, 2011	100%	Full
FREE FREQUENCES	0	N.C.	February 3, 2011	100%	Full
ILIAD 1	0	N.C.	November 21, 2011	100%	Full
ILIAD 2	0	N.C.	November 21, 2011	100%	Full
MCRA	0	N.C.	June 8, 2011	100%	Full
MOBIPEL	0	N.C.	November 29, 2011	100%	Full
QUALIPEL	0	N.C.	July 11, 2011	100%	Full
TELECOM ACADEMY "PRIVE"	0	N.C.	April 25, 2011	100%	Full