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CONSOLIDATED INCOME STATEMENT

In € thousands	Note	2012	2011
Revenues	4	**3,153,302**	**2,122,050**
Purchases used in production	5	(1,668,445)	(951,660)
Payroll costs (1)	6	(170,230)	(129,010)
External charges	5	(192,326)	(147,295)
Taxes other than on income		(29,743)	(17,257)
Additions to provisions	9	(148,115)	(29,559)
Other income from operations	8	46,200	27,264
Other expenses from operations	8	(69,262)	(41,134)
EBITDA (2)	1	***921,381***	***833,399***
Share-based payment expense	26	(10,353)	(10,036)
Depreciation, amortization and provisions for impairment of non-current assets	9	(499,312)	(325,171)
Profit from ordinary activities		**411,716**	**498,192**
Other operating income and expense, net	10	(6,391)	(4,645)
Operating profit		**405,325**	**493,547**
Income from cash and cash equivalents	11	2,037	6,368
Finance costs, gross	11	(58,806)	(53,160)
Finance costs, net	11	**(56,769)**	**(46,792)**
Other financial income	11	0	0
Other financial expenses	11	(34,308)	(33,961)
Corporate income tax	12	(127,719)	(160,962)
Profit for the period		**186,529**	**251,832**
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS (3)		**190,613**	**254,800**
Profit for the period attributable to:			
▪ *Owners of the Company*		***189,360***	***251,593***
▪ *Minority interests*		***(2,831)***	***239***
Earnings per share attributable to owners of the Company (in €)			
▪ *Basic earnings per share*	*13*	***3.31***	***4.60***
▪ *Diluted earnings per share*	*13*	***3.24***	***4.44***

(1) Excluding share-based payments
(2) and (3) See definitions on page 16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	2012	2011
PROFIT FOR THE PERIOD		**186,529**	**251,832**
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	6	(1,104)	0
Tax effect	6	398	0
▪ Fair value gains/(losses) on interest rate and currency hedging instruments		(18,761)	(6,441)
Tax effect		6,773	2,325
Total income and expenses recognized directly in equity		**(12,694)**	**(4,116)**
Total comprehensive income for the period		**173,835**	**247,716**

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	2012	2011
PROFIT FOR THE PERIOD		**186,529**	**251,832**
▪ Other operating income and expense, net	10	6,391	4,645
▪ Corresponding tax impact		(2,307)	(1,677)
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS		**190,613**	**254,800**

CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	December 31, 2012	December 31, 2011
Goodwill	16	214,818	214,728
Intangible assets	17	1,329,169	1,025,611
Property, plant and equipment	19	2,325,773	1,947,300
Other long-term financial assets	20	7,469	7,635
Deferred income tax assets	12	47,229	8,734
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**3,924,458**	**3,204,008**
Inventories	21	31,669	26,477
Current income tax assets		6,099	21
Trade and other receivables	22	348,863	199,686
Other short-term financial assets	20	1,825	16,877
Cash and cash equivalents	23	384,156	357,449
TOTAL CURRENT ASSETS		**772,612**	**600,510**
ASSETS HELD FOR SALE	**24**	**49,972**	**54,860**
TOTAL ASSETS		**4,747,042**	**3,859,378**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	December 31, 2012	December 31, 2011
Share capital	25	12,773	12,641
Additional paid-in capital	25	343,437	304,987
Retained earnings and other reserves	25	1,370,483	1,206,293
TOTAL EQUITY		**1,726,693**	**1,523,921**
. Attributable to owners of the Company		***1,716,367***	***1,523,121***
. Minority interests		***10,326***	***800***
Long-term provisions	27	1,384	1,388
Long-term financial liabilities	28	1,212,835	1,149,744
Deferred income tax liabilities	12	5,129	7,745
Other non-current liabilities	29	460,513	307,388
TOTAL NON-CURRENT LIABILITIES		**1,679,861**	**1,466,265**
Short-term provisions	27	101,999	29,910
Taxes payable		0	33,387
Trade and other payables	29	1,002,917	628,770
Short-term financial liabilities	28	235,572	177,125
TOTAL CURRENT LIABILITIES		**1,340,488**	**869,192**
TOTAL EQUITY AND LIABILITIES		**4,747,042**	**3,859,378**

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, 2011	**12,121**	**98,660**	**(3,479)**	**40,322**	**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			1,343	1,693		3,036
▪ Impact of stock options				10,036		10,036
▪ Other movements				4		4
Total equity at December 31, 2011	12,641	304,987	(2,136)	47,939	1,160,490	**1,523,921**

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Total equity
Total equity at January 1, 2012	**12,641**	**304,987**	**(2,136)**	**47,939**	**1,160,490**	**1,523,921**
Movements in 2012						
▪ Profit for the period					186,529	186,529
▪ Income and expenses recognized directly in equity:						
✓ Impact of interest rate and currency hedges				(11,988)		(11,988)
✓ Impact of post-employment benefit obligations				(706)		(706)
Total comprehensive income for the period				***(12,694)***	***186,529***	***173,835***
▪ Capital increase	132	38,450				38,582
▪ Dividends paid by Iliad SA					(21,120)	(21,120)
▪ Dividends paid by subsidiaries					(87)	(87)
▪ Purchases/sales of own shares			(1,929)	1,127		(802)
▪ Impact of stock options				10,353		10,353
▪ Other movements				2,011		2,011
Total equity at December 31, 2012	12,773	343,437	(4,065)	48,736	1,325,812	**1,726,693**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	2012	2011
Profit for the period (including minority interests)		**186,529**	**251,832**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		577,114	341,455
-/+ Unrealized gains and losses on changes in fair value		8,343	520
+/- Expenses and income related to stock options and other share-based payments		10,353	10,036
-/+ Other income and expenses, net		20,969	19,287
-/+ Gains and losses on disposals of assets		(640)	(2,011)
-/+ Dilution gains and losses		0	0
+/- Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		802,668	621,119
+ Finance costs, net	11	56,769	46,792
+/- Income tax expense (including deferred taxes)	12	127,719	160,962
Cash flows from operations before finance costs, net, and income tax (A)		**987,156**	**828,873**
- Income tax paid **(B)**		(196,511)	(97,133)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	130,849	47,900
= Net cash generated from operating activities (D) = (A + B + C)		**921,494**	**779,640**
- Acquisitions of property, plant and equipment and intangible assets	14	(963,849)	(1,179,756)
+ Disposals of property, plant and equipment and intangible assets		19,026	12,292
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustment		(80)	(586)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		(288)	(1,330)
+ Cash inflows from assets held for sale		0	21,391
- Cash outflows for assets held for sale		0	(8,389)
+/- Other		(421)	0
= NET CASH USED IN INVESTING ACTIVITIES (E)		**(945,612)**	**(1,156,378)**
+ 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		38,122	5,660
-/+ Own-share transactions		(802)	(178)
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(21,120)	(21,884)
. Dividends paid to minority shareholders of consolidated companies		(87)	(173)
+ Proceeds from new borrowings		290,536	1,045,128
- Repayment of borrowings (including finance leases)	28	(198,766)	(617,295)
- Net interest paid (including on finance leases)		(51,638)	(21,486)
= NET CASH GENERATED FROM FINANCING ACTIVITIES (F)		**56,245**	**389,772**
+/- Effect of exchange-rate movements on cash and cash equivalents **(G)**		(8)	(35)
= NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)		**32,119**	**12,999**
Cash and cash equivalents at beginning of year	14	350,468	337,469
Cash and cash equivalents at year-end	14	382,587	350,468

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 Iliad Group is a leading player in the French retail telecommunications market.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2012 on March 18, 2013 and their publication date was set for March 19, 2013. 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 22, 2013.

1-2. YEAR-ON-YEAR COMPARABILITY

Change in accounting method

On January 1, 2012, the Iliad Group early adopted the revised version of IAS 19, Employee Benefits (IAS 19R), which has been endorsed by the European Union and whose application is compulsory from January 1, 2013.

This change in accounting method did not have a material impact on earnings per share.

The Group's application of IAS 19R is described in the paragraph on employee benefits in section 1-6 below.

1-3. 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 applied for the first time in the financial year beginning January 1, 2012:

- ***Amendments to IAS 1, Presentation of Financial Statements, Presentation of Items of Other Comprehensive Income (OCI)*** (effective for annual periods beginning on or after July 1, 2012). These amendments introduce limited changes to IAS 1 and require:

✓ entities to group items presented in OCI into two separate subtotals based on whether or not they may be reclassified to profit or loss at a future point in time;

✓ tax associated with items presented before tax to be shown separately for each of the two groups of OCI items.

The amendments also affirm that profit or loss and OCI can be presented either in a single statement or two consecutive statements. The Group has elected the latter option.

The Iliad Group has early adopted these amendments to IAS 1.

- ***Revised version of IAS 19, Employee Benefits – IAS 19R*** (effective for annual periods beginning on or after January 1, 2013). IAS 19 must be applied for all types of employee benefits, except those to which IFRS 2, *Share-based Payment*, applies.

The Iliad Group has early adopted the revised version of IAS 19.

- ***Amendments to IFRS 7, Disclosures – Transfers of Financial Assets*** (effective for annual periods beginning on or after July 1, 2011). These amendments provide a broader definition of transfers than IAS 39. They are not relevant to the Iliad Group.

The following new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after January 1, 2013:

- ***Amendments to IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets***. These amendments introduce a rebuttable presumption that the carrying amount of certain underlying assets will be recovered entirely through sale. The presumption can be rebutted if the entity can prove that the underlying asset will be recovered in another way. This presumption applies to:

✓ investment property measured using the fair value model in IAS 40, *Investment Property*; and

✓ property, plant and equipment and intangible assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*.

The Group is currently assessing the impact of these amendments on its financial statements.

- ***Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities***. These amendments clarify:

✓ the meaning of "currently has a legally enforceable right of set-off"; and
✓ that some gross settlement systems may be considered equivalent to net settlement.

The Group is currently assessing the impact of these amendments on its financial statements.

- ***Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters***. These amendments are not relevant to the Iliad Group as it is not a first-time adopter of IFRS.

- ***Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities***. The amendments to IFRS 7 contain new disclosure requirements for all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group is currently assessing the impact of these amendments on its financial statements.

- ***IAS 27, Separate Financial Statements (as amended in 2011)***. The new version of IAS 27 only applies to accounting for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. This standard is not relevant to French groups that do not apply IFRS in their separate financial statements, which is the case for the Iliad Group.

- ***IAS 28, Investments in Associates and Joint Ventures (as amended in 2011)*** The main purpose of revising IAS 28 – which prescribes the accounting treatment for investments in associates and joint ventures – was to include consequential amendments following the issuance of IFRS 10, IFRS 11 and IFRS 12. These amendments are not relevant to the Iliad Group.

- ***IFRS 10, Consolidated Financial Statements***. IFRS 10 replaces the consolidation part of the former IAS 27, *Consolidated and Separate Financial Statements*, and the revised version of IAS 27 – which was issued in 2011 at the same time as IFRS 10 – only deals with separate financial statements. IFRS 10 provides for a single consolidation model that identifies control as the basis for consolidation for all types of entities.

  It includes a definition which states that an investor controls an investee if and only if the investor has all of the following elements of control:

✓ power over the investee;
✓ exposure, or rights to variable returns from its involvement with the investee;
✓ the ability to use its power over the investee to affect the amount of the investor's returns.

The Group is currently assessing the impact of this standard on its consolidated financial statements.

- ***IFRS 11, Joint Arrangements.* This standard supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers***. IFRS 11 focuses on the nature of the rights and obligations of joint arrangements rather than their legal form. It is not relevant to 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 is currently assessing the impact of this standard on its consolidated financial statements.

- ***IFRS 13, Fair Value Measurement***. This standard prescribes how to measure fair value both on initial recognition and subsequent measurement. The Group is currently assessing the impact of this standard on the consolidated financial statements.

- ***IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.*** This interpretation is not relevant to the Iliad Group.

The following new standards related to consolidation were not applicable at December 31, 2012 and have not yet been endorsed by the European Union:

- ***Annual Improvements to IFRSs (2009-2011 cycle)***. These improvements resulted in amendments to the following five standards:

  ✓ IFRS 1, First-time Adoption of International Financial Reporting Standards
  ✓ IAS 1, Presentation of Financial Statements
  ✓ IAS 16, Property, Plant and Equipment
  ✓ IAS 32, Financial Instruments: Presentation
  ✓ IAS 34, Interim Financial Reporting

  The Group will assess the disclosures that will be required as a result of these amendments.

- ***Amendments to IFRS 1 – Government loans***. These amendments are not relevant to the Iliad Group as they concern first-time adopters' accounting treatment of certain government loans.

- ***IFRS 9, Financial Instruments (Phase 1: classification and measurement of financial assets and financial liabilities)***. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset should be measured at amortized cost or fair value, replacing the many different rules in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used, replacing

the many different impairment methods in IAS 39. In relation to the classification and measurement of financial liabilities, IFRS 9 provides that entities which choose to measure a liability at fair value will be required to present the portion of the change in that liability's fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the income statement.

The Group will assess the disclosures that will be required as a result of this new standard.

- ***Amendments to IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS 12 (Disclosure of Interests in Other Entities) concerning transition guidance***. These amendments clarify the transition guidance in IFRS 10 and also provide additional transition relief in IFRS 10 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The Group will assess the disclosures that will be required as a result of these amendments.

- ***Amendments to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements).*** These amendments apply to a particular class of businesses that qualify as investment entities, which are now exempt from the consolidation requirements in IFRS 10. They are not relevant to the Iliad Group.

1-4. 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 except for costs directly attributable to the acquisition, which are recorded in the income statement. If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is 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.

1-5. 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.

1-6. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

Revenues

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

- Revenues from usage of connection time are recognized in the period in which the usage takes place.

- Revenues from subscriptions and flat-fee packages are recognized over the period covered by the subscriptions or packages.

- Revenues from the sale of terminals are recognized when they are delivered to the purchaser.

- 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, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate and any exchange gains or losses are recognized in profit as follows:

- as operating 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 profit for the period attributable to owners of the Company (attributable profit) by the weighted average number of ordinary shares outstanding during the period.

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

Intangible assets

Intangible assets primarily include the following:

- Development costs capitalized in accordance with IAS 38, which are amortized over the period during which the Group is expected to consume the related future economic benefits.

  These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future 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. The Group's 3G license is being amortized on a straight-line basis over a period of 18 years.

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

- The national roaming agreement, which is being amortized on a straight-line basis over a period of six years as from its effective date. The amendments to this agreement are being amortized over the residual term of the principal contract as from their respective effective dates.

- Software, which is amortized on a straight-line basis over a period of one to three years.

- The Alice customer base, which is being amortized over a period of 12 years.

Property, plant and equipment

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

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

- Buildings: 15 to 50 years
- Technical equipment 3 to 14 years
- General equipment 10 years
- Specific investments for optical fiber network rollouts: 8 to 30 years
- Specific investments for mobile network rollouts: 4 to 18 years
- Computer equipment 3 to 5 years
- Office furniture and equipment 2 to 10 years
- Modems: 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 an available-for-sale financial asset is sold any impairment losses previously recognized in equity are removed from equity and recognized in the income statement.

Inventories

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

Inventories are written down if their carrying amount is higher than their probable selling price after deducting any further costs that will be necessary in order to sell the inventory.

Receivables

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

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

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

Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination and there is no difference in the applicable tax and accounting treatment. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is recovered or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are recognized on temporary differences arising on investments in subsidiaries except where 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.

Interest-bearing borrowings

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

Convertible bonds

The fair value of the liability component of convertible bonds is determined based on prevailing market interest rates for similar bonds with no conversion rights. This amount is recognized as a liability based on amortized cost until the liability is settled when the bonds are converted or

reach maturity. The balance of the bond issue proceeds is allocated to the conversion option and recognized in equity, net of tax.

Employee benefits

Other than share-based payments – which are described in a specific note – the only employee benefits within the 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.

In accordance with IAS 19R, actuarial gains and losses are immediately recognized in equity. In addition, interest cost and expected return on plan assets have been replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Stock options and share grants

In accordance with IFRS 2, *Share-based Payment*, 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 service period that must be completed in order for the options to vest), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

A certain number of Group employees have been granted shares in an Iliad 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, with the calculation incorporating assumptions concerning the staff turnover rate for 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 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.

Changes in the fair value of other derivative instruments are recorded in the income statement.

If a derivative instrument no longer qualifies for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is transferred to the income statement under financial income or expense when:

- the hedging instrument expires or is sold, terminated or exercised;
- the Group no longer expects the forecast transaction to occur; or
- the original hedged item affects profit.

NOTE 2: SCOPE OF CONSOLIDATION

List of consolidated companies and consolidation methods

The list of consolidated companies and the consolidation methods used is provided in Note 35 for the year ended December 31, 2012.

CHANGES IN SCOPE OF CONSOLIDATION IN 2012

Changes in the scope of consolidation in 2012 are set out in the table in Note 36.

There were no significant changes in the scope of consolidation during 2012.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future.

It continually evaluates these estimates and assumptions which are based both on past experience and on other factors deemed reasonable to be used for assessing the carrying amount of assets and liabilities. Actual amounts may differ significantly from these estimates should different assumptions or conditions apply.

The main accounting estimates and judgments used by the Group relate to:

- useful lives and impairment of non-current assets;
- assessment of doubtful receivables and calculating the corresponding impairment losses;
- assessment of the estimated net realizable value of inventories and calculating the corresponding impairment losses; and
- assessment of risks related to disputes and litigation in progress and calculating the corresponding provisions.

NOTE 4: REVENUES

Consolidated revenues rose from €2.1 billion in 2011 to €3.2 billion in 2012, primarily due to the launch of the Group's mobile telephony offerings on January 10, 2012.

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 AND EXTERNAL CHARGES

Purchases used in production include:

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

External charges primarily comprise:

- logistics and dispatch costs;
- leasing expenses;
- marketing and advertising costs;
- external service provider fees;
- subcontracting costs.

NOTE 6: HUMAN RESOURCES DATA

Payroll costs

Payroll costs break down as follows:

In € thousands	2012	2011
▪ Wages and salaries	125,403	94,690
▪ Payroll taxes	44,827	34,320
Total	**170,230**	**129,010**

Number of employees at year-end

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

	Dec. 31, 2012	Dec. 31, 2011
▪ Management	713	666
▪ Other	5,793	4,989
Total	**6,506**	**5,655**

Post-employment benefits

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

Post-employment benefit obligations totaled €4,422,000 at December 31, 2012, compared with €2,620,000 at December 31, 2011.

The following main economic assumptions were used to measure the Group's post-employment benefit obligation at December 31, 2012 and 2011:

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

The impact on equity of the Group's post-employment benefit obligations was a negative €706,000 (net of tax) at December 31, 2012 and the amount recognized in the income statement for the year then ended totaled €446,000.

The equivalent impacts on the 2011 financial statements (pro forma amounts to reflect the application of IAS 19R) were as follows:

- a €142,000 impact on equity (versus nil in the reported 2011 financial statements);
- €335,000 recognized in the income statement (versus €489,000 in the reported 2011 financial statements).

As these impacts were not material, the related data in the 2011 financial statements presented in this document for comparative purposes have not been restated.

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. 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	2012	2011
▪ Amortization of capitalized development costs	1,371	1,047
▪ Development costs recognized directly in the income statement	1,341	844
Total	**2,712**	**1,891**

NOTE 8: OTHER INCOME AND EXPENSES FROM OPERATIONS

“Other income from operations” breaks down as follows:

In € thousands	2012	2011
. Proceeds from sales of non-current assets	19,029	7,774
. Customer contract termination fees	6,497	13,077
. Other	18,533	6,413
Total other income from operations	**44,059**	**27,264**

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

In € thousands	2012	2011
. Carrying amount of divested non-current assets	(17,237)	(5,228)
. Royalties and similar fees	(29,621)	(27,254)
. Bad debts	(3,159)	(4,935)
. Other	(17,104)	(3,717)
Total other expenses from operations	**(67,121)**	**(41,134)**

In € thousands	2012	2011
Other income and expenses from operations, net	**(23,062)**	**(13,870)**

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	2012	2011
▪ Depreciation and amortization expense:		
. Intangible assets	115,379	5,118
. Property, plant and equipment	385,068	320,787
▪ Additions to provisions for impairment of non-current assets		
. Property, plant and equipment	1,154	451
▪ Depreciation/amortization of investment grants		
. Intangible assets	(1,481)	(1,185)
. Property, plant and equipment	(808)	0
Total	**499,312**	**325,171**

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

In € thousands	2012	2011
▪ Provisions for contingencies and charges	76,560	6,759
▪ Provisions for impairment of inventories and trade receivables	71,555	22,800
Total	**148,115**	**29,559**

NOTE 10: OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €6,391,000 in 2012, compared with a net expense of €4,645,000 in 2011.

In € thousands	2012	2011
▪ Other operating income and expense, net	(6,391)	(4,645)
Total	**(6,391)**	**(4,645)**

Comments on the 2011 and 2012 figures

See Note 24.

NOTE 11: FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € thousands	2012	2011
▪ Income from cash and cash equivalents	2,037	6,368
▪ Finance costs, gross	(58,806)	(53,160)
Finance costs, net	**(56,769)**	**(46,792)**
▪ Other financial income and expenses:		
. Translation adjustments/Hedging expense	(2,823)	(11,671)
. Discounting expense	(22,397)	(15,915)
. Other	(9,088)	(6,375)
Sub-total	**(34,308)**	**(33,961)**
Net financial expense	**(91,077)**	**(80,753)**

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.

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

In 2012, other financial expenses included an €8,960,000 impact of a swap contract that ceased to qualify for hedge accounting (see Note 32).

NOTE 12: CORPORATE INCOME TAX

Analysis of the corporate income tax charge

The corporate income tax charge breaks down as follows:

In € thousands	2012	2011
Current taxes		
▪ on income	(140,682)	(155,034)
▪ on value added (CVAE)	(20,981)	(17,328)
Current income tax charge	**(161,663)**	**(172,362)**
Deferred taxes		
▪ on income	31,328	7,809
▪ on value added (CVAE)	2,616	3,591
Deferred income tax benefit	**33,944**	**11,400**
Total tax charge	**(127,719)**	**(160,962)**

Tax group

The Iliad Group has set up a tax group, which at end-2012 included all consolidated companies except for companies that are less than 95%-owned by the Group and companies whose registered office is outside France.

Tax proof

The table below reconciles the Group's theoretical tax rate with the effective tax rate calculated on consolidated profit from continuing operations before tax.

In € thousands	2012	2011
Profit for the period	**186,529**	**251,832**
▪ Corporate income tax	127,719	160,962
Consolidated profit from continuing operations before tax	**314,248**	**412,794**
Theoretical tax rate	***36.10%***	***36.10%***
▪ Net impact of permanent differences	1.96%	0.64%
▪ Impact of unrecognized tax loss carryforwards	0.70%	0.06%
▪ Impact of different tax rates and other impacts	1.88%	2.19%
Effective tax rate	***40.64%***	***38.99%***

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 both December 31, 2012 and 2011.

NOTE 13: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share

Number of shares used for the calculation	2012	2011
▪ Number of shares at the year-end	57,637,805	57,042,092
▪ Weighted average number of shares	57,255,598	54,731,420

Diluted earnings per share

	2012	2011
Profit for the period attributable to owners of the Company	189,360	251,593
Interest expense on OCEANE convertible bonds (net of tax)	0	9,517
Diluted profit for the period attributable to owners of the Company	189,360	261,110
Weighted average number of shares outstanding (after dilution)		
▪ Weighted average number of shares outstanding (see above)	57,255,598	54,731,420
▪ Number of share equivalents:		
. Stock options and free shares	1,267,772	497,122
. OCEANE bonds	0	3,652,092
Maximum weighted average number of shares after dilution	**58,523,370**	**58,880,634**
Diluted earnings per share (in €)	**3.24**	**4.44**

Dilutive instruments:

As Iliad's average share price in 2012 was €111.16, all of the Group's stock option plans were considered to be dilutive during the year.

NOTE 14: CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities

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

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

Changes in operating working capital requirement

Changes in operating working capital requirement during 2012 and 2011 can be analyzed as follows:

Dec. 31, 2012	Note	Balance at Jan. 1, 2012	Net debits	Net credits	Changes in Group structure	Other	Balance at Dec. 31, 2012
▪ Net inventories	21	26,477	5,192				31,669
▪ Net trade receivables	22	104,758	117,324				222,082
▪ Net other receivables	22	94,928	31,393			460	126,781
▪ Supplier payables	29	(245,807)		(162,753)		0	(408,560)
▪ Other payables		(101,854)		(122,005)		(1,104)	(224,963)
TOTAL		**(121,498)**	**153,909**	**(284,758)**		**(644)**	**(252,991)**
Change in operating working capital requirement in 2012				**(130,849)**			

Dec. 31, 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)**			

Other receivables

This item can be analyzed as follows:

	Note	Dec. 31, 2012	Dec. 31, 2011
Trade and other receivables:	22	348,863	199,686
▪ Net trade receivables	22	(222,082)	(104,758)
Total		**126,781**	**94,928**

Other payables

This item can be analyzed as follows:

	Note	Dec. 31, 2012	Dec. 31, 2011
Trade and other payables:	29	1,463,430	936,158
▪ Suppliers of goods and services (incl. VAT)	29	(408,560)	(245,807)
▪ Suppliers of non-current assets (excl. VAT)		(829,907)	(588,497)
▪ Other		0	0
Total		**224,963**	**101,854**

Acquisitions of non-current assets

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

	Note	Dec. 31, 2012	Dec. 31, 2011
▪ Intangible assets	17	421,822	754,565
▪ Property, plant and equipment	19	761,040	902,085
▪ Suppliers of non-current assets (excl. VAT)			
• at beginning of year		588,497	97,567
• impact of changes in Group structure		0	0
• at year-end		(829,907)	(588,497)
▪ Other		22,397	14,036
Total		**963,849**	**1,179,756**

Cash and cash equivalents

	Note	Cash and cash equivalents at Dec. 31, 2012	Cash and cash equivalents at Dec. 31, 2011
Cash (including currency hedges)	23	30,760	10,839
Marketable securities	23	353,396	346,610
Sub-total		***384,156***	***357,449***
Bank borrowing facilities	28	(1,569)	(6,981)
Total		**382,587**	**350,468**

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	Dec. 31, 2012	Dec. 31, 2011
▪ Acquisitions of assets under finance leases	17,882	20,429

NOTE 15: SEGMENT INFORMATION

Prior to the launch of its mobile offerings in early 2012, the Group's operations were split into two segments – Broadband and Traditional Telephony (with this segment's contribution to consolidated revenues becoming increasingly lower over time).

Since the launch of its mobile offerings, the Group has redefined its business segments, with the creation of a new segment called Retail Telecom for which it now issues specific reporting data.

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

These segments may change in the future, depending on operating criteria and the development of the Group's businesses.

NOTE 16: GOODWILL

The main movements in goodwill in 2012 and 2011 were as follows:

In € thousands	2012	2011
Carrying amount at January 1	214,728	214,248
Increase following acquisitions:		
▪ Freebox	90	480
Carrying amount at December 31	**214,818**	**214,728**

NOTE 17: INTANGIBLE ASSETS

Intangible assets break down as follows:

In € thousands	At December 31, 2012			At December 31, 2011		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
▪ Licenses	667,979	59,855	608,124	658,292	40,181	618,111
▪ Alice customer base	25,000	9,028	15,972	25,000	6,945	18,055
▪ Other intangible assets	795,250	94,096	701,154	389,223	3,275	385,948
Internally-generated intangible assets:						
▪ Development costs	7,015	3,096	3,919	6,651	3,154	3,497
Total	**1,495,244**	**166,075**	**1,329,169**	**1,079,166**	**53,555**	**1,025,611**

Following an impairment test carried out in 2010, the Group recorded a €40 million impairment loss on its Wimax license, which has been maintained since that date as there have been no changes in circumstances to justify its reversal. 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 20 MHz of spectrum in the new generation 4G (2.6 GHz) frequency band for a cost of €278.1 million. The carrying amount of this asset in the balance sheet also includes related borrowing costs in accordance with IAS 23.

In 2011 and 2012 the Group accelerated the rollout of its mobile operations, which 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.

Total borrowing costs included in the carrying amount of intangible assets amounted to €13 million in 2012.

Intangible assets in progress – corresponding to the 4G license – stood at €298 million at December 31, 2012.

Changes in net intangible assets can be analyzed as follows:

In € thousands	2012	2011
Net at January 1	1,025,611	299,242
. Acquisitions	420,136	752,496
. Internally-generated intangible assets	1,686	2,069
Reclassifications	(3,254)	(23,310)
Other	(1,112)	(953)
Amortization	(113,898)	(3,933)
Net at December 31	**1,329,169**	**1,025,611**

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 Retail Telecom 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 2012.

Similarly, no adjustments were required for 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, 2012			At December 31, 2011		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings (1)	131,897	1,956	129,941	125,801	1,364	124,437
▪ Network usage rights	179,899	51,679	128,220	175,917	44,834	131,083
▪ Service access fees	632,505	381,056	251,449	576,307	353,044	223,263
▪ Network equipment (2)	2,575,658	975,273	1,600,385	2,143,588	824,096	1,319,492
▪ Other	233,215	17,437	215,778	157,994	8,969	149,025
Total	**3,753,174**	**1,427,401**	**2,325,773**	**3,179,607**	**1,232,307**	**1,947,300**
(1) of which finance leases	92,241	1,209	91,032	90,645	647	89,998
(2) of which finance leases	85,593	51,007	34,586	69,232	40,273	28,959

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	2012	2011
Net at January 1	1,947,300	1,337,119
Acquisitions (*)	778,922	922,514
Disposals	(17,252)	(9,747)
Reclassifications	2,172	22,387
Other	45	(3,735)
Depreciation	(385,414)	(321,238)
Net at December 31	**2,325,773**	**1,947,300**
(*) Acquisitions excluding assets acquired under finance leases	744,754	902,085

During 2012 the Group kept up its capital spending drive for growth projects. This included the following:

- capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses);

- further investments as part of the FTTH rollout;

- mobile-related capital expenditure as a result of the ongoing rollout of the network and payment of the fixed portion of fees due under the Group's roaming agreement.

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 material events or changes in circumstances were identified at December 31, 2012.

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	Dec. 31, 2012	Dec. 31, 2011
▪ Land and buildings	93,045	94,662
▪ Network usage rights	15,429	15,385
▪ Network equipment	399,319	495,384
Total	**507,793**	**605,431**

NOTE 20: OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € thousands	Dec. 31, 2012 Net	Dec. 31, 2011 Net
Other long-term financial assets		
▪ Loans	15	477
▪ Other investment securities	1,949	1,827
▪ Guarantee deposits	5,505	5,331
Total other long-term financial assets	**7,469**	**7,635**
Other short-term financial assets		
▪ Loans	17	16
▪ Cash flow hedges	1,808	16,861
Total other short-term financial assets	**1,825**	**16,877**
Total other financial assets	**9,294**	**24,512**

Other short- 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	Dec. 31, 2012 Net	Dec. 31, 2011 Net
▪ Financial assets at fair value through profit or loss	3,757	18,689
▪ Held-for-trading investments	0	0
▪ Held-to-maturity investments	0	0
▪ Loans and receivables issued by the Group	5,537	5,823
▪ Available-for-sale financial assets	0	0
Total other financial assets	**9,294**	**24,512**

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

In € thousands	2012	2011
Net at January 1	24,512	15,621
Acquisitions	1,232	2,834
Redemptions and repayments	(20)	(1,504)
Impact of changes in Group structure	0	0
Disposals	(944)	0
Additions to provisions	(433)	(6,629)
Impact of cash flow hedges		
▪ At January 1	(16,861)	(2,671)
▪ At December 31	1,808	16,861
Net at December 31	**9,294**	**24,512**

Acquisitions and redemptions and repayments in 2011 and 2012 primarily concerned movements in guarantee deposits paid.

Additions to provisions recorded in 2011 and 2012 relate to a project from which the Group has decided to withdraw.

NOTE 21: INVENTORIES

Inventories break down as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Raw materials	657	836
Work-in-progress	0	0
Finished products	46,117	26,096
Inventories – gross	**46,774**	**26,932**
Provisions:		
. raw materials	(181)	(434)
. finished products	(14,924)	(21)
Total provisions	**(15,105)**	**(455)**
Inventories – net	**31,669**	**26,477**

The year-on-year increase in inventories of finished products was primarily due to purchases of mobile terminals.

The provisions for impairment recognized against inventories of mobile terminals factor in the sales outlook for the terminals in 2013.

NOTE 22: TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Trade and other receivables		
Trade receivables	296,292	149,095
Advances and prepayments	2,717	1,308
Tax receivables (VAT)	63,617	57,718
Other receivables	39,217	17,626
Prepaid expenses	22,449	19,495
Total – Gross	**424,292**	**245,242**
Provisions for trade receivables	(74,210)	(44,337)
Provisions for other receivables	(1,219)	(1,219)
Net trade and other receivables	**348,863**	**199,686**
Net trade receivables	222,082	104,758
Net other receivables	126,781	94,928

The year-on-year increase in provisions for trade receivables primarily concerns the mobile business.

NOTE 23: CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

In € thousands	Dec. 31, 2012		Dec. 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Certificates of deposit **Net value**	**0**	**0**	**70,010**	**70,010**
Mutual funds (UCITs) **Net value**	**353,396**	**353,396**	**276,600**	**276,600**
Cash (excluding bank borrowing facilities)	**30,760**	**30,760**	**10,839**	**10,839**
Total – net	**384,156**	**384,156**	**357,449**	**357,449**

The Group's policy is to invest its cash in instruments that qualify as cash equivalents within the meaning of IAS 7. As a result, these investments:

- have a short maturity;
- are highly liquid;
- are readily convertible into a known amount of cash; and
- are subject to an insignificant risk of changes in value.

Consequently, the Group invests its surplus cash in UCITs that fall into the "euro monetary" classification of the French securities regulator (AMF).

NOTE 24: ASSETS HELD FOR SALE

Assets held for sale break down as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Buildings held for sale	49,972	54,860
Total	**49,972**	**54,860**

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

The 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 either December 31, 2011 or 2012.

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

NOTE 25: EQUITY

Share capital

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. The stock options granted on June 14, 2007 and August 30, 2007 have been exercisable since June 13, 2012 and August 30, 2012 respectively.

In 2012, 595,713 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €132,000 to €12,773,000 at December 31, 2012 from €12,641,000 one year earlier.

At December 31, 2012 the Group held 30,071 Iliad shares.

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

Shareholder	**Number of shares**	**%**
Executive Management	36,022,725	62.50
Public	21,615,080	37.50
Total	**57,637,805**	**100.00**

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

- The dividend paid in 2012 for 2011 totaled €21,120,000.
- No interim dividend was paid in 2012.

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 have been set up to cover the Group's exposure to changes in interest rates on bank borrowings.

These hedges are described in Note 32.

At December 31, 2011 and 2012 the cash flow hedge reserve (net of the tax effect) had negative balances of €23,548,000 and €26,282,000 respectively.

NOTE 26: STOCK OPTION AND SHARE GRANT PLANS

Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2012 and prior years, and outstanding at the year-end.

At December 31, 2012

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at Jan. 1, 2012	Number of options granted in 2012	Number of options canceled in 2012	Number of options exercised in 2012	Number of exercisable options outstanding at Dec. 31, 2012	Number of non-exercisable options outstanding at Dec. 31, 2012
Iliad								
Dec. 12, 2003	Jan. 20, 2004	16.30	6,870	0	0	4,000	2,870	0
Dec. 12, 2003	Dec. 20, 2005	48.44	164,259	0	0	136,400	27,859	0
May 29, 2006	June 14, 2007	74.62	162,455	0	0	135,000	27,455	0
May 29, 2006	Aug. 30, 2007	68.17	663,222	0	7,887	320,313	335,022	0
May 29, 2008	Nov. 5, 2008	53.79	564,200	0	20,400	0	0	543,800
May 29, 2008	Aug. 30, 2010	67.67	162,450	0	13,050	0	0	149,400
May 29, 2008	Aug. 30, 2010	67.67	379,050	0	30,450	0	0	348,600
May 24, 2011	Nov. 7, 2011	84.03	398,200	0	11,000	0	0	387,200

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 canceled 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								
Dec. 12, 2003	Jan. 20, 2004	16.30	28,245	0	0	21,375	6,870	0
Dec. 12, 2003	Dec. 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	Aug. 30, 2007	68.17	680,300	0	17,078	0	0	663,222
May 29, 2008	Nov. 5, 2008	53.79	577,400	0	13,200	0	0	564,200
May 29, 2008	Aug. 30, 2010	67.67	182,250	0	19,800	0	0	162,450
May 29, 2008	Aug. 30, 2010	67.67	425,250	0	46,200	0	0	379,050
May 24, 2011	Nov. 7, 2011	84.03	0	404,800	6,600	0	0	398,200

Exercise dates 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 since June 13, 2012
August 30, 2007	Options exercisable since 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)	315	1,900	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 €8,319,000 in 2012 and €8,153,000 in 2011.

Share grant plan

Free Mobile

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

During 2010 and 2011, 23 employees and 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 2012 and 2011 amounted to €2,034,000 and €1,883,000 respectively.

Online

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

The first allocation under this plan took place in 2012 when an employee was granted shares representing 0.20% of Online's share capital.

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

The expense recognized for this plan in 2012 amounted to €2,000.

The following table summarizes the main features of the various share grant plans approved in 2012 and prior years, and outstanding at the year-end.

At December 31, 2012

Date of Shareholders' Meeting	Date of plan launch	Number of shares in vesting period at Jan. 1, 2012	Number of shares granted in 2012	Number of share grants canceled in 2012	Number of shares vested in 2012	Number of shares in vesting period at Dec. 31, 2012
Free Mobile						
5/10/2010	5/12/2010	13,875,272	0	0	13,875,272	0
5/10/2010	12/20/2010	2,921,104	0	365,138	2,555,966	0
5/10/2010	11/14/2011	1,460,552	0	87,633	0	1,372,919
Online						
12/3/2012	12/4/2012	0	26	0	0	26

NOTE 27: PROVISIONS

The provisions recognized at December 31, 2012 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks and employee-related risks.

These provisions break down as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Long-term provisions		
Provisions for charges	1,384	1,388
Total long-term provisions	**1,384**	**1,388**
Short-term provisions		
Provisions for contingencies	101,999	29,910
Total short-term provisions	**101,999**	**29,910**
Total provisions	**103,383**	**31,298**

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".

Movements in provisions for contingencies and charges were as follows in 2012:

In € thousands	Dec. 31, 2011	Increases in 2012	Decreases in 2012 (utilizations)	Decreases in 2012 (surplus provisions)	Changes in Group structure	Other movements	Dec. 31, 2012
Provisions for claims and litigation and general contingencies	29,910	82,793	(4,470)	(6,232)	0	(2)	101,999
Provisions for charges	1,388	0	0	0	0	(4)	1,384
Total	**31,298**	**82,793**	**(4,470)**	**(6,232)**	**0**	**(6)**	**103,383**

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

In € thousands	Dec. 31, 2010	Increases in 2011	Decreases in 2011 (utilizations)	Decreases in 2011 (surplus provisions)	Changes in Group structure	Other movements	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**

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

In € thousands	**2012**	**2011**
Profit from ordinary activities	72,091	5,559
Financial income and expense, net	0	(5)
Total	**72,091**	**5,554**

NOTE 28: FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Bank borrowings	586,042	531,224
Convertible bonds	0	0
Ordinary bonds	498,292	497,792
Borrowings related to finance leases	73,573	79,000
Cash flow hedges	41,130	36,851
Other	13,798	4,877
Total long-term financial liabilities	**1,212,835**	**1,149,744**
Bank borrowings	191,000	0
Convertible bonds	0	131,272
Borrowings related to finance leases	21,288	18,110
Other bank borrowing facilities	1,569	6,981
Cash flow hedges	0	0
Other	21,715	20,762
Total short-term financial liabilities	**235,572**	**177,125**
Total	**1,448,407**	**1,326,869**

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 2012 and 2011:

In € thousands	2012	2011
Borrowings at January 1	1,326,869	1,036,164
New borrowings (*)	308,509	1,065,557
Repayments of borrowings	(198,766)	(617,295)
Conversion of OCEANE bonds	0	(206,637)
Change in other bank borrowing facilities	(5,412)	(403)
Impact of changes in Group structure	0	0
Interest on OCEANE bonds and bond premium	(2,830)	7,606
Impact of cash flow hedges	4,279	21,164
Other	15,758	20,713
Total borrowings at December 31	**1,448,407**	**1,326,869**

(*) New borrowings excluding borrowings related to finance leases	290,536	1,045,128

Convertible bonds

In June 2006, the Iliad Group carried out an issue of OCEANE bonds convertible into new shares and/or exchangeable for existing shares which matured on January 1, 2012.

In 2011, Iliad honored all of the conversion requests received by December 22, 2011, which was the final exercise date for the conversion option on the bonds.

The 1,458,744 remaining OCEANE bonds were 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.

The bonds 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, 2012

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 €350 million had been drawn down at December 31, 2012.

- A revolving tranche of €800 million expiring in June 2015. None of this tranche had been drawn down at December 31, 2012.

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.

Loans granted by the European Investment Bank (EIB)

The EIB granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan – which has a 10-year term and is repayable in installments – had been fully drawn down at December 31, 2012.

In late August 2012, the EIB granted Iliad another loan (€200 million) to help finance its rollout of new generation landline networks. This loan – which also has a 10-year term and is repayable in installments – had been drawn down in an amount of €100 million at December 31, 2012.

The financial covenants applicable to these loans are described in Note 32.

A €500 million short-term commercial paper program

During the first half of 2012, the Iliad Group set up a €500 million commercial paper program in order to diversify the sources and maturities of its financing.

This program had been used in an amount of €191 million at December 31, 2012.

Breakdown of borrowings by type of rate

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

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Fixed-rate borrowings	1,396,747	1,283,037
Variable-rate borrowings	51,660	43,832
Total borrowings	**1,448,407**	**1,326,869**

Breakdown of borrowings by nature and maturity

The following table presents borrowings by nature and maturity at December 31, 2012:

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Convertible bonds	0	0	0	0
Ordinary bonds	0	498,292	0	498,292
Bank borrowings	0	485,795	141,378	627,173
Commercial paper	191,000	0	0	191,000
Borrowings related to finance leases	21,288	54,336	19,237	94,861
Other bank borrowing facilities	1,569	0	0	1,569
Sundry borrowings	21,715	8,960	4,837	35,512
Total	**235,572**	**1,047,383**	**165,452**	**1,448,407**

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**

Description of the Group's main finance leases outstanding at December 31, 2012

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, 2012, the Group's total obligations under the related finance leases amounted to €94.9 million versus €97.1 million one year earlier.

Equipment finance leases

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

None of 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, 2012 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	21,288	54,336	19,237	**94,861**
Present value	20,307	46,693	13,792	**80,792**

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	Dec. 31, 2012	Dec. 31, 2011
Trade and other payables recorded under other non-current liabilities:		
Trade payables	456,091	304,768
Accrued taxes and employee-related payables	4,422	2,620
Sub-total	**460,513**	**307,388**
Trade and other payables recorded under current liabilities:		
Trade payables	790,731	543,617
Advances and prepayments	394	5
Accrued taxes and employee-related payables	172,227	77,841
Other payables	16,120	6,940
Deferred income	23,445	367
Sub-total	**1,002,917**	**628,770**
Total	**1,463,430**	**936,158**

Total trade payables can be analyzed as follows:

In € thousands	Dec. 31, 2012	Dec. 31, 2011
Suppliers of goods and services	408,560	245,807
Suppliers of non-current assets	836,262	602,578
Total	**1,246,822**	**848,385**

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 SA and members of the Management Committee.

- Compensation paid to the nine key managers in 2012 and 2011 breaks down as follows:

In € thousands	2012	2011
▪ Total compensation	1,982	1,944
▪ Share-based payments	3,482	4,242
Total	**5,464**	**6,186**

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, 2012							
Cash	30,760					30,760	30,760
Marketable securities	353,396					353,396	353,396
Trade receivables				222,082		222,082	222,082
Other receivables				126,781		126,781	126,781
Other short-term financial assets	1,808			17		1,825	1,825
Other long-term financial assets	15	1,934		5,520		7,469	7,469
Long-term financial liabilities (excl. OCEANE bonds)			(41,130)		(1,171,705)	(1,212,835)	(1,212,835)
Short-term financial liabilities (excl. OCEANE bonds)					(235,572)	(235,572)	(235,572)
Other non-current liabilities					(460,513)	(460,513)	(460,513)
Other current liabilities					(1,002,917)	(1,002,917)	(1,002,917)
Total carrying amount	**385,979**	**1,934**	**(41,130)**	**354,400**	**(2,870,707)**	**(2,169,524)**	**(2,169,524)**

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)**

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 currency futures and options in order to obtain a guaranteed floor rate.

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was not material in 2012.

At December 31, 2012 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

Dec. 31, 2012 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	10,090	76,288	0	66,198	27	66,171
Total	**10,090**	**76,288**	**0**	**66,198**	**27**	**66,171**

Currency hedges had a negative €2,780,000 impact on the Group's income statement in 2012 and a negative €9,254,000 impact on equity.

Foreign exchange risk sensitivity

In € thousands	USD
Net position after hedging	66,171
Net position after hedging based on the assumption that the USD exchange rate changes unfavorably for the Group by €0.01	66,531
Sensitivity	(360)

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 €2,734,000 negative impact on equity in 2012.

Hedges of borrowings

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

The Group's swap contracts in place at December 31, 2012 were as follows**:**

- A swap contract covering the period 2012-2015 on a notional amount of €450 million (of which €300 million recognized under hedge accounting).
- A swap contract covering the period 2012-2016 on a notional amount of €300 million (of which €200 million recognized under hedge accounting).

These contracts have been classified as cash flow hedges and changes in their fair value are therefore recognized in equity. At December 31, 2012 these derivatives had a negative fair value of €41,130,000.

In view of the Group's enhanced financing structure and medium-term outlook, in 2012 it decided to:

- No longer classify as a hedging instrument a swap contract on a notional amount of €150 million covering the period 2012-2015 (classified as a hedging derivative until end-2011).
- Set up a swap on the fixed-rate EIB loan (see Note 28), covering a notional amount of €100 million for the period 2012-2016.

These accounting treatments had a negative €8,960,000 impact, which was recorded as a financial expense.

The Group does not have any exposure to interest rate risk on its finance leases 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, 2012.

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, 2012 and an analysis of sensitivity to interest rate fluctuations.

In € thousands	**Due within 1 year**	**Due between 1 and 5 years**	**Due beyond 5 years**
Financial liabilities	235,572	1,023,217	189,618
Financial assets	1,825	1,964	5,505
Net position before hedging	**233,747**	**1,021,253**	**184,113**
Off-balance sheet position	0	0	0
Net position after hedging	**233,747**	**1,021,253**	**184,113**

Net position to be rolled over within one year and long-term variable rate (in € thousands)	**233,747**	**50,091**	**0**
Change in interest rate	**1%**	**1%**	**1%**
Average remaining life (in months)	**12**	**12**	**12**
Sensitivity (in € thousands)	**2,337**	**501**	**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).

Liquidity risk

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, 2012 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 EIB loans and the syndicated credit facility.

These covenants (which take the form of financial ratios) were as follows at December 31, 2012:

	Applicable financial ratios	**Consequence of breach**	**Actual ratios at December 31, 2012**
• €1,400 million credit facility (Borrower – Iliad) • €150 million EIB loan (Borrower – Iliad) • €200 million EIB loan (Borrower – Iliad)	Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Leverage ratio: 0.996 Interest cover ratio: 18.82

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, 2012 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, 2012 trade receivables represented a gross amount of €296 million and a net amount of €222 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, 2012 the Group's short-term investments amounted to €353 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, 2012 trade receivables totaled €296 million and provisions for doubtful receivables amounted to €74 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	2012	2011
▪ Minimum lease payments	19	17
▪ Contingent lease payments	0	0
▪ Sub-leases	13	11
Total	**32**	**28**

The table below analyzes the Group's lease commitments at December 31, 2012 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	18	46	39	**103**
Vehicles	3	2	0	**5**
Equipment	32	129	179	**340**
Total	**53**	**177**	**218**	**448**

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, 2012 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	46	86	0	**132**
Total	**46**	**86**	**0**	**132**

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 included a certain number of obligations, notably concerning the network's commercial launch date, the rollout timeline and population coverage, as well as Free Mobile's future service offering. Under these obligations, the Free Mobile network 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 mainland 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, 2012 the Group had access to:

- A €1,400 million credit facility, of which €350 million had been drawn down.
- A €500 million commercial paper program, of which €191 million had been used.
- A €200 million credit facility, of which €100 million had been drawn down.

At the same date:

- Other commitments given by the Group amounted to €39.5 million.
- Other commitments received by the Group 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, 2012 the Company's employees had accumulated a total of 230,782 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.

4 - Claims and litigation

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

- ispute with Bouygues Telecom

By way of an emergency application dated December 6, 2012, Bouygues Telecom filed a lawsuit with the Paris Commercial Court claiming €98.8 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses allegedly suffered by the company as a result of defamation. Bouygues Telecom also applied for an injunction – with a €100,000 per day non-compliance provision – for Free Mobile, Free and Iliad to cease certain advertising campaigns and not to publicize certain aspects of the related legal decision. As part of the same lawsuit, Free Mobile and Free made a counter-claim against Bouygues Telecom for respective amounts of €77.8 million and €15.2 million in damages for pecuniary and non-pecuniary losses that they suffered as a result of defamation. The case was heard by the court on January 25, 2013 and both parties were convicted. Free Mobile, Free and Iliad have appealed this decision.

- uropean Commission litigation with SFR

On October 10, 2012, SFR filed a complaint with the European Commission claiming that Free Mobile, Orange and Iliad had not respected the applicable European regulations concerning the notification of concentrations. In its complaint SFR stated that as a result of the roaming agreement signed between Free Mobile and Orange on March 3, 2011, Free Mobile should be considered as a full-function joint venture set up between Iliad and Orange. Free Mobile has responded to the questions put to it by the European Commission and the complaint is currently under investigation by the Commission's competition division.

NOTE 34: EVENTS AFTER THE REPORTING PERIOD

No other significant events that could have a material impact on the financial statements for the year ended December 31, 2012 occurred between January 1, 2013 and the date the financial statements were approved for issue.

NOTE 35: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2012

The following table includes the main legal holdings.

	Registration number	Head office	Percentage control at December 31, 2012	Percentage control at December 31, 2011	Percentage ownership at December 31, 2012	Percentage ownership at December 31, 2011	Consolidation method in 2012
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
Centrapel 8 rue de la Ville l'Evêque 75008 Paris	434 130 860	Paris	100.00%	100.00%	100.00%	100.00%	Full
Certicall 8 rue de la Ville l'Evêque 75008 Paris	538 329 913	Paris	100.00%	100.00%	100.00%	100.00%	Full
Equaline 8 rue de la Ville l'Evêque 75008 Paris	538 330 358	Paris	100.00%	100.00%	100.00%	100.00%	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	97.32%	97.14%	97.32%	97.14%	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 Fréquences 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	99.78%	100.00%	99.78%	100.00%	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	95.50%	100.00%	95.50%	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	95.18%	100.00%	95.18%	100.00%	Full
Iliad 2 16 rue de la Ville l'Evêque 75008 Paris	537 915 050	Paris	100.00%	100.00%	100.00%	100.00%	Full
Iliad 3 16 rue de la Ville l'Evêque 75008 Paris	790 148 944	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
Immobilière Iliad 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	100.00%	100.00%	Full

	Registration number	Head office	Percentage control at December 31, 2012	Percentage control at December 31, 2011	Percentage ownership at December 31, 2012	Percentage ownership at December 31, 2011	Consolidation method in 2012
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 December 31, 2012	Percentage control at December 31, 2011	Percentage ownership at December 31, 2012	Percentage ownership at December 31, 2011	Consolidation method in 2012
MCRA 8 rue de la Ville l'Evêque 75008 Paris	532 822 475	Paris	100.00%	100.00%	100.00%	100.00%	Full
Mobipel 142-160 avenue de Stalingrad 92700 Colombes	538 168 675	Colombes	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 16 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	100.00%	100.00%	99.99%	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%	100.00%	100.00%	100.00%	Full
Resolution Call 7 Bld Mohamed V 20800 Mohammedia - Morocco	/	Morocco	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
Telecom Academy "Privé " Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf Casablanca - Morocco	/	Morocco	100.00%	100.00%	100.00%	100.00%	Full

NOTE 36: CHANGES IN SCOPE OF CONSOLIDATION AND PERCENTAGE CONTROL IN 2012

Main newly-consolidated companies

	Percentage control at December 31, 2011	Consolidation method at December 31, 2011	Acquisition/ incorporation date	Percentage control at December 31, 2012	Consolidation method at December 31, 2012
Iliad 3	0	N.C.	December 26, 2012	100%	Full