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CONSOLIDATED INCOME STATEMENT

In € thousands	Note	2013	2012
Revenues	4	**3,747,856**	**3,153,302**
Purchases used in production	5	(2,022,964)	(1,668,445)
Payroll costs	6	(197,955)	(170,230)
External charges	5	(210,115)	(192,326)
Taxes other than on income		(37,485)	(29,743)
Additions to provisions	9	(81,004)	(148,115)
Other income from operations	8	39,679	46,200
Other expenses from operations	8	(33,840)	(69,262)
EBITDA (1)	1	***1,204,172***	***921,381***
Share-based payment expense	26	(7,809)	(10,353)
Depreciation, amortization and provisions for impairment of non-current assets	9	(655,466)	(499,312)
Profit from ordinary activities		**540,897**	**411,716**
Other operating income and expense, net	10	(3,921)	(6,391)
Operating profit		**536,976**	**405,325**
Income from cash and cash equivalents	11	1,156	2,037
Finance costs, gross	11	(60,554)	(58,806)
Finance costs, net	11	**(59,398)**	**(56,769)**
Other financial income	11	3,594	0
Other financial expenses	11	(27,872)	(34,308)
Corporate income tax	12	(187,857)	(127,719)
PROFIT FOR THE PERIOD		**265,443**	**186,529**
Profit for the period attributable to:			
▪ *Owners of the Company*		***269,280***	***189,360***
▪ *Minority interests*		***(3,837)***	***(2,831)***
Earnings per share attributable to owners of the Company (in €):			
▪ *Basic earnings per share*	*13*	***4.66***	***3.31***
Diluted earnings per share	*13*	***4.53***	***3.24***

(1) See definition on page 18.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	2013	2012
PROFIT FOR THE PERIOD		**265,443**	**186,529**
➢ Items that may be subsequently reclassified to profit			
▪ Fair value gains/(losses) on interest rate and currency hedging instruments	31/32	13,795	(18,761)
Tax effect	31/32	(5,242)	6,773
		8,553	**(11,988)**
➢ Items that will not be reclassified to profit			
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions		(262)	(1,104)
Tax effect	6	99	398
		(163)	**(706)**
Other comprehensive income/(expense) for the period, net of tax		**8,390**	**(12,694)**
Total comprehensive income for the period		**273,833**	**173,835**

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

CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At 31 December 2013	At 31 December 2012
Goodwill	16	214,818	214,818
Intangible assets	17	1,181,066	1,329,169
Property, plant and equipment	19	2,500,854	2,325,773
Other long-term financial assets	20	7,728	7,469
Deferred income tax assets	12	51,818	47,229
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**3,956,284**	**3,924,458**
Inventories	21	18,933	31,669
Current income tax assets		0	6,099
Trade and other receivables	22	443,492	348,863
Other short-term financial assets	20	0	1,825
Cash and cash equivalents	23	318,051	384,156
TOTAL CURRENT ASSETS		**780,476**	**772,612**
ASSETS HELD FOR SALE	**24**	**39,501**	**49,972**
TOTAL ASSETS		**4,776,261**	**4,747,042**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At 31 December 2013	At 31 December 2012
Share capital	25	12,870	12,773
Additional paid-in capital	25	370,674	343,437
Retained earnings and other reserves	25	1,630,055	1,370,483
TOTAL EQUITY		**2,013,599**	**1,726,693**
Attributable to:			
. Owners of the Company		***2,006,515***	***1,716,367***
. Minority interests		***7,084***	***10,326***
Long-term provisions	27	1,384	1,384
Long-term financial liabilities	28	1,095,395	1,212,835
Deferred income tax liabilities	12	3,003	5,129
Other non-current liabilities	29	300,414	460,513
TOTAL NON-CURRENT LIABILITIES		**1,400,196**	**1,679,861**
Short-term provisions	27	124,010	101,999
Taxes payable		23,680	0
Trade and other payables	29	969,149	1,002,917
Short-term financial liabilities	28	245,627	235,572
TOTAL CURRENT LIABILITIES		**1,362,466**	**1,340,488**
TOTAL EQUITY AND LIABILITIES		**4,776,261**	**4,747,042**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
Balance at January 1, 2012	**12,641**	**304,987**	**(2,136)**	**47,139**	**1,160,490**	**1,523,121**	**800**	**1,523,921**
Movements in 2012								
▪ Profit for the period					189,360	**189,360**	(2,831)	186,529
▪ Other comprehensive income/(expense) for the period, net of tax:								
✓ Impact of interest rate and currency hedges				(11,740)		**(11,740)**	(248)	(11,988)
✓ Impact of post-employment benefit obligations				(702)		**(702)**	(4)	(706)
Total comprehensive income for the period				***(12,442)***	***189,360***	***176,918***	***(3,083)***	***173,835***
▪ Capital increase	132	38,450				**38,582**		38,582
▪ Dividends paid by Iliad SA					(21,120)	**(21,120)**		(21,120)
▪ Dividends paid by subsidiaries						/	(87)	(87)
▪ Purchases/sales of own shares			(1,929)	1,127		**(802)**		(802)
▪ Impact of stock options				10,261		**10,261**	92	10,353
▪ Impact of changes in minority interests in subsidiaries				(12,609)		**(12,609)**	12,609	0
▪ Other movements				2,016		**2,016**	(5)	2,011
Balance at December 31, 2012	12,773	343,437	(4,065)	35,492	1,328,730	**1,716,367**	10,326	**1,726,693**

In € thousands	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Equity attributable to owners of the Company	Minority interests	Total equity
Balance at January 1, 2013	**12,773**	**343,437**	**(4,065)**	**35,492**	**1,328,730**	**1,716,367**	**10,326**	**1,726,693**
Movements in 2013								
▪ Profit for the period					269,280	**269,280**	(3,837)	265,443
▪ Other comprehensive income/(expense) for the period, net of tax:								
✓ Impact of interest rate and currency hedges				8,571		**8,571**	(18)	8,553
✓ Impact of post-employment benefit obligations				(161)		**(161)**	(2)	(163)
Total comprehensive income for the period				***8,410***	***269,280***	***277,690***	***(3,857)***	***273,833***
▪ Capital increase	97	27,237				**27,334**		27,334
▪ Dividends paid by Iliad SA					(21,405)	**(21,405)**		(21,405)
▪ Dividends paid by subsidiaries						/	(60)	(60)
▪ Purchases/sales of own shares			(744)	144		**(600)**		(600)
▪ Impact of stock options				7,716		**7,716**	93	7,809
▪ Impact of changes in minority interests in subsidiaries				(578)		**(578)**	578	0
▪ Other movements				(9)		**(9)**	4	(5)
Balance at December 31, 2013	12,870	370,674	(4,809)	51,175	1,576,605	**2,006,515**	7,084	**2,013,599**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	2013	2012
Profit for the period (including minority interests)		**265,443**	**186,529**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		681,178	577,114
+/- Payment related to Bouygues Telecom dispute		20,000	0
-/+ Unrealized gains and losses on changes in fair value		(3,692)	8,343
+/- Expenses and income related to stock options and other share-based payments		7,809	10,353
-/+ Other income and expenses, net		8,355	20,969
- / + Gains and losses on disposals of assets		(139)	(640)
-/+ 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		978,954	802,668
+ Finance costs, net	11	59,398	56,769
+/- Income tax expense (including deferred taxes)	12	187,857	127,719
Cash flows from operations before finance costs, net, and income tax (A)		**1,226,209**	**987,156**
- *Income tax paid* **(B)**		(161,720)	(196,511)
+ / - Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	(23,194)	130,849
+ / - Payment related to Bouygues Telecom dispute **(D)**		(20,000)	0
= Net cash generated from operating activities (E) = (A + B + C+D)		**1,021,295**	**921,494**
- Acquisitions of property, plant and equipment and intangible assets	14	(913,231)	(963,849)
+ Disposals of property, plant and equipment and intangible assets		1,525	19,026
- 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		(60)	(80)
+/- Effect of changes in Group structure – disposals		0	0
+ / - Change in outstanding loans and advances		(275)	(288)
+ Cash inflows from assets held for sale		+6,947	+4,588
- Cash outflows for assets held for sale		(777)	(5,009)
= Net cash used in investing activities (F)		**(905,871)**	**(945,612)**
+ 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		21,030	38,122
-/+ Own-share transactions		(600)	(802)
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(21,405)	(21,120)
. Dividends paid to minority shareholders of consolidated companies		(60)	(87)
+ Proceeds from new borrowings		96,065	290,536
- Repayment of borrowings (including finance leases)	28	(225,921)	(198,766)
- Net interest paid (including on finance leases)		(52,010)	(51,638)
= Net cash (used in) generated from financing activities (G)		**(182,901)**	**56,245**
+/- Effect of exchange-rate movements on cash and cash equivalents **(H)**		(37)	(8)
= Net change in cash and cash equivalents (E + F + G + H)		**(67,514)**	**32,119**
Cash and cash equivalents at beginning of year	14	382,587	350,468
Cash and cash equivalents at year-end	14	315,073	382,587

NOTE 1: ACCOUNTING PRINCIPLES AND POLICIES

1-1. GENERAL INFORMATION

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

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

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2013 on March 6, 2014 and their publication date was set for March 10, 2014. 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 20, 2014.

1-2. APPLICABLE ACCOUNTING STANDARDS

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

1-2.1. Basis of preparation

The consolidated financial statements of the Iliad Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for financial assets and liabilities 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.

1-2.2. Application of the following new standards, amendments to existing standards and interpretations was mandatory for the first time in the financial year beginning January 1, 2013

- **Revised version of IAS 19, Employee Benefits**. IAS 19 must be applied for all types of employee benefits, except those to which IFRS 2, Share-based Payment, applies.

  The Group has applied this revised standard since the year ended December 31, 2012.

- **IFRS 13, Fair Value Measurement**. This standard – which the Group has applied since January 1, 2013 – provides guidance on fair value accounting, both on initial recognition and subsequent measurement.

- **Amendments to IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (OCI).** These amendments require separate presentation of items of other comprehensive income that are reclassifiable subsequently to profit or loss (recyclable) and those that are not (non-recyclable). They also require tax on items of other comprehensive income to be allocated on the same basis.

  The Group applies the amended version of IAS 1.

- **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. The 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.

  These amendments are not relevant to the Group.

- **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. These amendments are not relevant to the Group.

- **Annual Improvements to IFRSs (2009-2011 cycle)**. Seventeen IFRSs/IASs were impacted by these improvements, including the following five standards that were directly impacted:

  - ✓ IFRS 1, First-time Adoption of International Financial Reporting Standards. This standard is not relevant to the Group.

  - ✓ IAS 1, Presentation of Financial Statements. The amendment to IAS 1 clarifies the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements. It also states that an entity must present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements if (i) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and (ii) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. This amendment is not relevant to the Group.

  - ✓ IAS 16, Property, Plant and Equipment. This amendment states that items such as spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment. Otherwise, such items should be classified as inventory. This amendment is not relevant to the Group.

  - ✓ IAS 32, Financial Instruments: Presentation. The amendment to IAS 32 states that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12, Income Taxes. The Group applies this amendment.

  - ✓ IAS 34, Interim Financial Reporting. The objective of this amendment was to enhance consistency between the disclosure requirements of IAS 34 and IFRS 8. The amendment states that that the total assets and liabilities for a particular reportable segment are required to be disclosed in the interim financial statements only if there has been a material change from the total assets and liabilities disclosed in the last annual financial statements for that reportable segment. This amendment is not relevant to the Group.

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

1-2.3. The following new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after January 1, 2014:

- **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.

- **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.

- **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.

- **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.

- **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 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.

- **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.

- **Amendments to IAS 36, Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets.** The objective of these amendments was to clarify the scope of the disclosure requirements related to recoverable amounts of non-financial assets.

  The amendments require disclosures concerning the calculation of the recoverable amount of any cash-generating unit (or group of CGUs) for which the carrying amount of

goodwill or intangible assets with indefinite useful lives allocated to that CGU (or group of CGUs) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. They also require the disclosure of the recoverable amount of any asset or CGU for which an impairment loss has been recognized or reversed during the period.

- **Amendments to IAS 39 and IFRS 9 — Novation of derivatives and continuation of hedge accounting.** These amendments provide relief from discontinuing the hedge accounting for a derivative that has been designated as a hedging instrument in an existing hedging relationship if the derivative is novated to a central counterparty following the introduction of a new law or regulation.

The Group is currently analyzing the impacts of applying the above standards and amendments as from January 1, 2014.

1-2.4. The following new standards, amendments to existing standards and interpretations were not applicable at December 31, 2013 and have not yet been endorsed by the European Union

- **Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions.** These amendments apply to contributions from employees or third parties to defined benefit plans. They are intended to simplify the accounting for contributions that are independent of the number of years of employee service and provide that such contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered.

- **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 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 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 in the income statement. An amendment has also been introduced that provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. Instead, additional transition disclosures will now be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

- **IFRS 9, Financial Instruments (Phase 3: hedge accounting) and amendments to IFRS 9, IFRS 7 and IAS 39.** These amendments:

  - ✓ substantially reform hedge accounting so that financial statements will better represent the effect of entities' risk management activities;
  - ✓ permit the requirements in IFRS 9 that address own credit risk to apply without applying the other requirements of IFRS 9 at the same time; and
  - ✓ remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- **IFRIC 21, Levies.** This interpretation provides guidance on when to recognize a liability for a levy imposed by a government in accordance with legislation (other than income taxes) when that liability is within the scope of IAS 37.

1-3. CONSOLIDATION

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the Group.

Control is presumed to exist when the Group has the power to govern an entity's financial and operating policies, either directly or indirectly, so as to obtain benefits from its activities, generally accompanying a shareholding representing more than one half of the voting rights.

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

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

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

Eliminations on consolidation

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

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus all costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities

assumed in a business combination are measured initially at their fair values at the acquisition date, including any minority interests.

Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill 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.

1-4. PRESENTATION OF THE FINANCIAL STATEMENTS

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

Operating profit corresponds to profit for the period, before:

- financial income and expenses (as defined in Note 11);
- current and deferred taxes; and
- profit from discontinued operations and assets held for sale.

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

The Group has elected to present an additional indicator 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.

1-5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenues

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

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

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

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

- Revenues from the sale or provision of content supplied by external parties are presented as a gross amount when the Group is deemed to be the party in the transaction with primary responsibility in relation to the end-customer. These revenues are presented net of the amounts due to the content supplier when 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 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 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 and 4G licenses are 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: 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 and is repaid based on the lease terms.

- Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Impairment of assets

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

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

Financial assets

- Financial assets held for trading are classified as financial assets at fair value through profit or loss and are recognized as current assets. Gains and losses arising from changes in the fair value of these assets are recognized in the income statement.

- Financial assets that the Group has the intention and ability to hold to maturity are classified as held-to-maturity investments and measured at amortized cost. Gains and losses on these investments are recognized in the income statement when they are realized.

- Loans and receivables are also measured at amortized cost, with gains and losses recognized in the income statement when they are repaid or settled.

- The Group’s other investments are classified as available-for-sale financial assets and are measured at fair value. Changes in the fair value of available-for-sale financial assets are recognized directly in equity. When an available-for-sale financial asset is sold any impairment losses previously recognized in equity are removed from equity and recognized in the income statement.

Inventories

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

Inventories are written down if their carrying amount is higher than their estimated selling price less any related selling expenses.

Receivables

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

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

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

Deferred taxes

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

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

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

Deferred taxes are recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of less than three months and highly-liquid investments in money-market mutual funds. Short-term investments are marked-to-market at each balance sheet date.

Bank overdrafts are classified as current financial liabilities.

Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified 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 Group correspond to post-employment benefits..

In accordance with IAS 19, Employee Benefits, independent actuarial valuations of post-employment benefit obligations under defined benefit plans are made using the projected unit credit method, with benefit entitlements recognized in line with vesting.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the applicable collective bargaining agreement and/or company-level agreement, using personal data projected to the standard age for payment of the benefit. The Group's total obligations toward each participant (total actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of either leaving the Group or dying before the age of payment of the benefit;
- the discounted value of the benefit at the measurement date.

These total benefits are then allocated over each of the past and future years for which rights are accrued under the plan. The portion of the Company's obligation allocated to years prior to the measurement date (projected benefit obligation) corresponds to obligations for services

rendered. The projected benefit obligation represents the Group's obligation existing at the balance sheet date.

The individual results of the valuation are then aggregated to obtain Group-level results.

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

Stock options and share grants

In accordance with IFRS 2, Share-based Payment, stock options, employee share issues and grants of shares of Group companies to employees are measured at fair value at the grant or issue date.

Calculations of the fair value of stock options are performed based on criteria such as the exercise price and life of the options, the current price of the underlying shares, the anticipated volatility 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 lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. 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, 2013.

CHANGES IN SCOPE OF CONSOLIDATION IN 2013

There were no significant changes in the scope of consolidation during 2013.

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 €3.2 billion in 2012 to €3.7 billion in 2013, primarily due to the success of the Group's mobile telephony offerings.

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	2013	2012
▪ Wages and salaries	145,259	125,403
▪ Payroll taxes	52,696	44,827
Total	**197,955**	**170,230**

Number of employees at year-end

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

	At December 31, 2013	At December 31, 2012
▪ Management	859	713
▪ Other	6,017	5,793
Total	**6,876**	**6,506**

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 €5,790 thousand at December 31, 2013, compared with €4,422 thousand at December 31, 2013.

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2013 and 2012:

	2013	2012
▪ Discount rate	3.15%	3%
▪ Inflation rate	2%	2%
▪ Mortality table	INSEE 2009-2011	INSEE 2008-2010
▪ Type of retirement	Voluntary	Voluntary
▪ Retirement age		
- Management	Statutory retirement age	Statutory retirement age
- Other	Post 2013 French pension reform and the 2013 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 €262 thousand (before tax) at December 31, 2013 and the amount recognized in the income statement for the year then ended totaled €1,105 thousand.

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.
- Specific development costs for remote processing and/or storing of information by On Line.
- 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	2013	2012
▪ Amortization of capitalized development costs	2,338	1,371
▪ Development costs recognized directly in the income statement	767	1,341
Total	**3,105**	**2,712**

NOTE 8: OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € thousands	2013	2012
. Proceeds from sales of non-current assets	1,525	19,029
. Customer contract termination fees	10,907	6,497
. Other revenues	27,247	18,533
Total other income from operations	**39,679**	**44,059**

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

In € thousands	2013	2012
. Carrying amount of divested non-current assets	(1,135)	(17,237)
. Royalties and similar fees	(20,100)	(29,621)
. Bad debts	(3,321)	(3,159)
. Other	(9,284)	(17,104)
Total other expenses from operations	**(33,840)**	**(67,121)**

In € thousands	2013	2012
Other income and expenses from operations, net	**5,839**	**(23,062)**

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	2013	2012
▪ Depreciation and amortization expense:		
. Intangible assets	166,747	115,379
. Property, plant and equipment	476,660	385,068
▪ Additions to provisions for impairment of non-current assets:		
. Property, plant and equipment	14,902	1,154
▪ Depreciation/amortization of investment grants		
. Intangible assets	(1,684)	(1,481)
. Property, plant and equipment	(1,159)	(808)
Total	**655,466**	**499,312**

At December 31, 2013, property, plant and equipment were written down by €15 million to reflect the future migration to new technologies.

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

In € thousands	2013	2012
▪ Provisions for contingencies and charges	38,718	76,560
▪ Provisions for impairment of inventories and trade receivables	42,286	71,555
Total	**81,004**	**148,115**

NOTE 10: OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €3,921 thousand in 2013, compared with a net expense of €6,391 thousand in 2012.

In € thousands	2013	2012
▪ Other operating income and expense, net	(3,921)	(6,391)
Total	**(3,921)**	**(6,391)**

Comments on the 2012 and 2013 figures

See Note 24.

NOTE 11: FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € thousands	2013	2012
▪ Income from cash and cash equivalents	1,156	2,037
▪ Finance costs, gross	(60,554)	(58,806)
Finance costs, net	**(59,398)**	**(56,769)**
▪ Other financial income	3,594	0
Sub-total – Other financial income	3,594	0
▪ Other financial expenses		
. Translation adjustments/Hedging expense	(116)	(2,823)
. Discounting expense	(27,576)	(22,397)
. Other	(180)	(9,088)
Sub-total – Other financial expenses	(27,872)	(34,308)
Sub-total – Other financial expenses, net	**(24,278)**	**(34,308)**
Net financial expense	**(83,676)**	**(91,077)**

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.

The €3,594 thousand recorded under "Other financial income" in 2013 corresponds to the impact of swap contracts that ceased to qualify for hedge accounting (see Note 32). This impact represented a negative €8,960 thousand in 2012, which was recorded in "Other financial expenses".

NOTE 12: CORPORATE INCOME TAX

Analysis of the corporate income tax charge

The corporate income tax charge breaks down as follows:

In € thousands	**2013**	**2012**
Current taxes		
▪ on income	(174,977)	(140,682)
▪ on value added (CVAE)	(24,336)	(20,981)
Current income tax charge	**(199,313)**	**(161,663)**
Deferred taxes		
▪ on income	9,330	31,328
▪ on value added (CVAE)	2,126	2,616
Deferred income tax benefit	**11,456**	**33,944**
Total tax charge	**(187,857)**	**(127,719)**

Tax group

Iliad has set up a tax group, which at end-2013 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.

	2013	2012
Profit for the period	**265,443**	**186,529**
▪ Corporate income tax	187,857	127,719
Consolidated profit from continuing operations before tax	**453,300**	**314,248**
Theoretical tax rate	***38.00%***	***36.10%***
▪ Net impact of permanent differences	+0.87%	+1.96%
▪ Impact of unrecognized tax loss carryforwards	-	+0.70%
▪ Impact of different tax rates	+2.78%	+2.40%
▪ Other impacts	-0.21%	-0.52%
Effective tax rate	***41.44%***	***40.64%***

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- tax loss carry forwards 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 carry forwards 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 €2,763 thousand (38%) at December 31, 2013 versus €2,625 thousand (36.10%) at December 31, 2012.

NOTE 13: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share:

Number of shares used for the calculation	2013	2012
▪ Number of shares at the year-end	58,076,797	57,637,805
▪ Weighted average number of shares	57,811,922	57,255,598

Diluted earnings per share

	2013	2012
Profit for the period attributable to owners of the Company	269,280	189,360
Interest expense on OCEANE convertible bonds	0	0
Diluted profit for the period attributable to owners of the Company	269,280	189,360
Weighted average number of shares outstanding (after dilution)		
▪ Weighted average number of shares outstanding (see above)	57,811,922	57,255,598
▪ Number of share equivalents:		
. Stock options and Free Mobile free share grants	1,631,560	1,267,772
Maximum weighted average number of shares after dilution	**59,443,482**	**58,523,370**
Diluted earnings per share (in €)	**4.53**	**3.24**

Dilutive instruments

As Iliad's average share price in 2013 was €163.99, 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 2013 and 2012 can be analyzed as follows:

2013	Note	Balance at January 1, 2013	Net debits	Net credits	Changes in Group structure	Other	Balance at December 31, 2013
▪ Net inventories	21	31,669	0	(12,736)	0	0	18,933
▪ Net trade receivables	22	222,082	65,743	0	0	0	287,825
▪ Net other receivables	22	126,781	22,566	0	0	6,320	155,667
▪ Supplier payables	29	(408,560)	0	(46,287)	0	0	(454,847)
▪ Other payables		(224,963)	0	(6,092)	0	(255)	(231,310)
Total		**(252,991)**	**88,309**	**(65,115)**	**0**	**6,065**	**(223,732)**
Change in operating working capital requirement in 2013				**23,194**			

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

Other receivables

This item can be analyzed as follows:

	Note	2013	2012
Trade and other receivables:	22	443,492	348,863
▪ Net trade receivables	22	(287,825)	(222,082)
Other receivables		**155,667**	**126,781**

Other payables

This item can be analyzed as follows:

	Note	At December 31, 2013	At December 31, 2012
Trade and other payables:	29	1,269,563	1,463,430
▪ Suppliers of goods and services (incl.VAT)	29	(454,847)	(408,560)
▪ Suppliers of non-current assets (excl. VAT)		(583,406)	(829,907)
▪ Other			0
Other payables		**231,310**	**224,963**

Acquisitions of non-current assets

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

	Note	2013	2012
▪ Intangible assets	17	20,734	421,822
▪ Property, plant and equipment	19	631,380	761,040
▪ Suppliers of non-current assets (excl. VAT):			
. at beginning of year		829,907	588,497
. impact of changes in Group structure		0	0
. at year-end		(583,406)	(829,907)
▪ Other		14,616	22,397
Total		**913,231**	**963,849**

Cash and cash equivalents

	Note	Cash and cash equivalents at December 31, 2013	Cash and cash equivalents at December 31, 2012
Cash (including currency hedges)	23	55,436	30,760
Marketable securities	23	262,615	353,396
Sub-total		***318,051***	***384,156***
Bank borrowing facilities	28	(2,978)	(1,569)
Total		**315,073**	**382,587**

Non-monetary flows relating to investing and financing activities

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

In € thousands	2013	2012
▪ Acquisitions of assets under finance leases	32,559	17,882

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 2013 and 2012 were as follows:

In € thousands	2013	2012
Carrying amount at January 1	214,818	214,728
Increase following acquisitions:		
▪ Freebox	0	90
Carrying amount at December 31	**214,818**	**214,818**

NOTE 17: INTANGIBLE ASSETS

Intangible assets break down as follows:

In € thousands	At December 31, 2013			At December 31, 2012		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
▪ 3G license	323,020	35,449	287,571	323,020	17,507	305,513
▪ 4G license	307,042	1,372	305,670	290,693	0	290,693
▪ Other licenses	54,266	44,514	9,752	54,266	42,348	11,918
▪ Alice customer base	25,000	11,112	13,888	25,000	9,028	15,972
▪ Other intangible assets	795,679	237,255	558,424	795,250	94,096	701,154
Internally-generated intangible assets:						
▪ Development costs	8,772	3,011	5,761	7,015	3,096	3,919
Total	**1,513,779**	**332,713**	**1,181,066**	**1,495,244**	**166,075**	**1,329,169**

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

In September 2011, the Group was allocated a license for 20 MHz 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 also includes related borrowing costs in accordance with IAS 23. The frequency band has been used since December 2013.

In 2012 and 2013 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.

Borrowing costs included in the carrying amount of intangible assets totaled €12.8 million in 2013.

Changes in net intangible assets can be analyzed as follows:

In € thousands	2013	2012
Net at January 1	1,329,169	1,025,611
Additions:		
. acquisitions	18,605	420,136
. internally-generated intangible assets	2,129	1,686
Reclassifications	(2,277)	(3,254)
Other	(1,497)	(1,112)
Amortization	(165,063)	(113,898)
Net at December 31	**1,181,066**	**1,329,169**

NOTE 18: IMPAIRMENT TESTS ON GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets not yet available for use are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that they may be impaired.

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

Impairment tests

As over 99% of the Group's revenue is derived from the Retail Telecom 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 2013.

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, 2013			At December 31, 2012		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings (1)	142,943	2,933	140,010	131,897	1,956	129,941
▪ Network usage rights	181,712	60,170	121,542	179,899	51,679	128,220
▪ Service access fees	690,099	421,566	268,533	632,505	381,056	251,449
▪ Network equipment (2)	2,932,540	1,229,279	1,703,261	2,575,658	975,273	1,600,385
▪ Other	296,686	29,178	267,508	233,215	17,437	215,778
Total	**4,243,980**	**1,743,126**	**2,500,854**	**3,753,174**	**1,427,401**	**2,325,773**
(1) of which finance leases	92,177	2,012	90,165	92,241	1,209	91,032
(2) of which finance leases	118,152	65,962	52,190	85,593	51,007	34,586

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	2013	2012
Net at January 1	2,325,773	1,947,300
Acquisitions (*)	663,939	778,922
Disposals	(1,136)	(17,252)
Reclassifications	2,278	2,172
Other	402	45
Depreciation	(490,402)	(385,414)
Net at December 31	**2,500,854**	**2,325,773**
(*) Acquisitions excluding assets acquired under finance leases	631,380	744,754

During 2013 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 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. See Note 9 for details of the impairment losses recorded against property, plant and equipment in 2013.

Assets under construction

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

In € thousands	At December 31, 2013	At December 31, 2012
▪ Land and buildings	87,694	93,045
▪ Network usage rights	8,138	15,429
▪ Network equipment	359,059	399,319
Total	**454,891**	**507,793**

NOTE 20: OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € thousands	At December 31, 2013 Net	At December 31, 2012 Net
Other long-term financial assets		
▪ Loans	0	15
▪ Other investment securities	1,949	1,949
▪ Guarantee deposits	5,779	5,505
Total other long-term financial assets	**7,728**	**7,469**
Other short-term financial assets		
▪ Loans	0	17
▪ Cash flow hedges	0	1,808
Total other short-term financial assets	**0**	**1,825**
Total other financial assets	**7,728**	**9,294**

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	At December 31, 2013 Net	At December 31, 2012 Net
▪ Financial assets at fair value through profit or loss	1,949	3,757
▪ Held-for-trading investments	0	0
▪ Held-to-maturity investments	0	0
▪ Loans and receivables issued by the Group	5,779	5,537
▪ Available-for-sale financial assets	0	0
Total other financial assets	**7,728**	**9,294**

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

In € thousands	2013	2012
Net at January 1	9,294	24,512
Acquisitions	607	1,232
Redemptions and repayments	(17)	(20)
Impact of changes in Group structure	0	0
Disposals	(331)	(944)
Additions to provisions	(17)	(433)
Impact of cash flow hedges		
▪ at January 1	(1,808)	(16,861)
▪ at December 31	0	1,808
Net at December 31	**7,728**	**9,294**

Acquisitions and redemptions and repayments in 2012 and 2013 primarily concerned movements in guarantee deposits paid.

Additions to provisions recorded in 2012 related to a project from which the Group decided to withdraw.

NOTE 21: INVENTORIES

Inventories break down as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Raw materials	2,312	657
Work-in-progress	0	0
Finished products	22,110	46,117
Inventories – gross	**24,422**	**46,774**
Provisions:		
. raw materials	(2,064)	(181)
. finished products	(3,425)	(14,924)
Total provisions	**(5,489)**	**(15,105)**
Inventories – net	**18,933**	**31,669**

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

The provisions for impairment recognized against inventories of mobile terminals factor in sales forecasts for the terminals for the following year.

The provisions recognized in 2012 were utilized during 2013 as result of changes in these sales forecasts.

NOTE 22: TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Trade and other receivables		
Trade receivables	367,622	296,292
Advances and prepayments	1,918	2,717
Tax receivables (VAT)	68,783	63,617
Other receivables	50,136	39,217
Prepaid expenses	34,833	22,449
Total – gross	**523,292**	**424,292**
Provisions for trade receivables	(79,797)	(74,210)
Provisions for other receivables	(3)	(1,219)
Net trade and other receivables	**443,492**	**348,863**

Net trade receivables	287,825	222,082
Net other receivables	155,667	126,781

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

NOTE 23: CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

In € thousands	At December 31, 2013		At December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITs) **Net value**	**262,615**	**262,615**	**353,396**	**353,396**
Cash (excluding bank borrowing facilities)	**55,436**	**55,436**	**30,760**	**30,760**
Total – Net	**318,051**	**318,051**	**384,156**	**384,156**

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	At December 31, 2013	At December 31, 2012
Buildings held for sale	39,501	49,972
Total	**39,501**	**49,972**

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, 2012 or 2013.

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 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. Stock options granted by the Group on November 5, 2008 have been exercisable by their beneficiaries since November 5, 2013.

In 2013, 438,992 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €97 thousand to €12,870 thousand at December 31, 2013 from €12,773 thousand one year earlier.

At December 31, 2013 the Group held 29,839 Iliad shares.

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

Shareholder	Number of shares	%
Executive Management	34,036,678	58.61
Public	24,040,119	41.39
Total	**58,076,797**	**100.00**

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

The dividend paid in 2013 for 2012 totaled €21,405 thousand. No interim dividend was paid in 2013.

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, 2012 and 2013 the cash flow hedge reserve (net of the tax effect) had negative balances of €26,282 thousand and €17,052 thousand 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 2013 and prior years, and outstanding at the year-end.

At December 31, 2013:

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at January 1, 2013	Number of options granted in 2013	Number of options forfeited in 2013	Number of options exercised in 2013	Number of exercisable options outstanding at December 31, 2013	Number of non-exercisable options outstanding at December 31, 2013
Iliad								
December 12, 2003	January 20, 2004	16.30	2,870	0	0	1,050	1,820	0
December 12, 2003	December 20, 2005	48.44	27,859	0	0	15,909	11,950	0
May 29, 2006	June 14, 2007	74.62	27,455	0	0	27,330	125	0
May 29, 2006	August 30, 2007	68.17	340,280	0	0	213,968	126,312	0
May 29, 2008	November 5, 2008	53.79	543,800	0	0	174,135	369,665	0
May 29, 2008	August 30, 2010	67.67	149,400	0	2,250	0	0	147,150
May 29, 2008	August 30, 2010	67.67	348,600	0	5,250	0	0	343,350
May 24, 2011	November 7, 2011	84.03	387,200	0	2,200	6,600	0	378,400

December 31, 2012:

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at January 1, 2012	Number of options granted in 2012	Number of options forfeited in 2012	Number of options exercised in 2012	Number of exercisable options outstanding at December 31, 2012	Number of non-exercisable options outstanding at December 31, 2012
Iliad								
December 12, 2003	January 20, 2004	16.30	6,870	0	0	4,000	2,870	0
December 12, 2003	December 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	August 30, 2007	68.17	663,222	0	2,629	320,313	340,280	0
May 29, 2008	November 5, 2008	53.79	564,200	0	20,400	0	0	543,800
May 29, 2008	August 30, 2010	67.67	162,450	0	13,050	0	0	149,400
May 29, 2008	August 30, 2010	67.67	379,050	0	30,450	0	0	348,600
May 24, 2011	November 7, 2011	84.03	398,200	0	11,000	0	0	387,200

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 since 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:

	November 5, 2008	August 30, 2010	August 30, 2010	November 7, 2011
Quantity	596,600	183,150	427,350	404,800
Per-share exercise price	€53.79	€67.67	€67.67	€84.03
Life of the options	5 years	4 years	5 years	5 years
Underlying volatility	30%	25%	25%	20%
Annual cost (in € thousands)	1,917	775	1,356	1,708
Maturity	November 5, 2013	August 29, 2014	August 29, 2015	November 6, 2016

The expense recorded in relation to these plans totaled €5,756 thousand in 2013 and €8,319 thousand in 2012.

Share grant plans

Free Mobile

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

During 2010 and 2011, 23 employees and 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 expense recognized for this plan amounted to €2,034 thousand for both 2012 and 2013.

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 beneficiaries will not be able to sell their vested shares.

The expense recognized for this plan in 2013 amounted to €19 thousand.

The following table summarizes the main features of the various share grant plans approved in 2013 and prior years, and outstanding at the year-end.

At December 31, 2013:

Date of Shareholders' Meeting	Date of plan launch	Number of shares in vesting period at January 1, 2013	Number of shares granted in 2013	Number of share grants canceled in 2013	Number of shares vested in 2013	Number of shares in vesting period at December 31, 2013
Free Mobile						
May 10, 2010	November 14, 2011	1,372,918	0	0	1,372,918	0
Online						
December 3, 2012	December 4, 2012	26	0	0	0	26

NOTE 27: PROVISIONS

The provisions recognized at December 31, 2013 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks and employee-related risks.

These provisions break down as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Long-term provisions		
Provisions for charges	1,384	1,384
Total long-term provisions	**1,384**	**1,384**
Short-term provisions		
Provisions for contingencies	123,935	101,999
Provisions for charges	75	0
Total short-term provisions	**124,010**	**101,999**
Total provisions	**125,394**	**103,383**

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

Movements in provisions for contingencies and charges were as follows in 2013:

In € thousands	At December 31, 2012	Increases in 2013	Decreases in 2013 (utilizations)	Decreases in 2013 (surplus provisions)	Changes in Group structure	Other movements	At December 31, 2013
Provisions for claims and litigation and general contingencies	101,999	53,292	(21,193)	(10,149)	0	(14)	123,935
Provisions for charges	1,384	75	0	0	0	0	1,459
Total	**103,383**	**53,367**	**(21,193)**	**(10,149)**	**0**	**(14)**	**125,394**

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

In € thousands	At December 31, 2011	Increases in 2012	Decreases in 2012 (utilizations)	Decreases in 2012 (surplus provisions)	Changes in Group structure	Other movements	At December 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**

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

In € thousands	**2013**	**2012**
Profit from ordinary activities	22,011	72,091
Net financial expense	0	0
Total	**22,011**	**72,091**

NOTE 28: FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Bank borrowings	484,197	586,042
Bonds	498,792	498,292
Borrowings related to finance leases	75,545	73,573
Cash flow hedges	26,628	41,130
Other	10,233	13,798
Total long-term financial liabilities	**1,095,395**	**1,212,835**
Bank borrowings	194,000	191,000
Borrowings related to finance leases	25,989	21,288
Bank overdrafts	2,978	1,569
Cash flow hedges	148	0
Other	22,512	21,715
Total short-term financial liabilities	**245,627**	**235,572**
Total	**1,341,022**	**1,448,407**

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

All Group borrowings are in euros.

The table below summarizes movements in borrowings in 2013 and 2012:

In € thousands	2013	2012
Borrowings at January 1	1,448,407	1,326,869
New borrowings *	128,624	308,509
Repayments of borrowings	(225,921)	(198,766)
Change in bank overdrafts	1,409	(5,412)
Impact of changes in Group structure	0	0
Interest on OCEANE bonds and bond premium	0	(2,830)
Impact of cash flow hedges	(14,001)	4,279
Other	2,504	15,758
Total borrowings at December 31	**1,341,022**	**1,448,407**

* New borrowings excluding borrowings related to finance leases	96,065	290,536

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 at maturity on June 1, 2016.

Guarantees given

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

Description of the Group's main bank borrowing facilities outstanding at December 31, 2013

A €1,400 million syndicated credit facility

On November 28, 2013, the Group refinanced its €1,400 million syndicated credit facility set up with a pool of 12 international banks. The refinancing conditions did not result in any substantial amendments to the original loan contract.

The new facility – whose entire amount is in the form of revolving credit – has an initial maturity of five years, expiring in 2018, with an option to extend it to seven years (expiring in 2020). The Group had drawn down €150 million on this facility at December 31, 2013.

The applicable interest rate is based on Euribor plus a margin of between 0.60% and 1.35% 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 has a 10-year term and is repayable in installments.

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

Both of these loans had been fully drawn down at December 31, 2013.

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 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 €194 million at December 31, 2013.

Breakdown of borrowings by type of rate

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

In € thousands	At December 31, 2013	At December 31, 2012
Fixed-rate borrowings	1,310,915	1,396,747
Variable-rate borrowings	30,107	51,660
Total borrowings	**1,341,022**	**1,448,407**

Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and maturity at December 31, 2013.

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	498,792	0	498,792
Bank borrowings	0	345,396	165,782	511,178
Commercial paper	194,000	0	0	194,000
Borrowings related to finance leases	25,989	65,668	9,877	101,534
Bank overdrafts	2,978	0	0	2,978
Other	22,660	5,013	4,867	32,540
Total borrowings	**245,627**	**914,869**	**180,526**	**1,341,022**
Trade payables	748,234	262,161	32,463	1,042,858
Total committed financing facilities	**993,861**	**1,177,030**	**212,989**	**2,383,880**

The following table presents a breakdown of the Group's total committed financing facilities 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
Bank overdrafts	1,569	0	0	1,569
Other	21,715	8,960	4,837	35,512
Total borrowings	**235,572**	**1,047,383**	**165,452**	**1,448,407**
Trade payables	790,731	422,887	33,204	1,246,822
Total committed financing facilities	**1,026,303**	**1,470,270**	**198,656**	**2,695,229**

Description of the Group's main finance leases outstanding at December 31, 2013

At December 31, 2013, the Group's total obligations under the related finance leases amounted to €101.5 million versus €94.9 million one year earlier.

Real estate finance leases

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

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

Equipment finance leases

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

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

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

Present value of future minimum lease payments due under finance leases

The following table presents a reconciliation between total future minimum lease payments due under finance leases at December 31, 2013 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	29,627	72,021	10,517	**112,165**
Present value	28,263	61,943	7,523	**97,729**

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

NOTE 29: TRADE AND OTHER PAYABLES

These items break down as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Trade and other payables recorded under other non-current liabilities:		
Trade payables	294,624	456,091
Accrued taxes and employee-related payables	5,790	4,422
Sub-total	**300,414**	**460,513**
Trade and other payables recorded under current liabilities:		
Trade payables	748,234	790,731
Advances and prepayments	429	394
Accrued taxes and employee-related payables	189,444	172,227
Other	6,244	16,120
Deferred income	24,798	23,445
Sub-total	**969,149**	**1,002,917**
Total	**1,269,563**	**1,463,430**

Total trade payables can be analyzed as follows:

In € thousands	At December 31, 2013	At December 31, 2012
Suppliers of goods and services	454,847	408,560
Suppliers of non-current assets	588,011	838,262
Total	**1,042,858**	**1,246,822**

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 2013 and 2012 breaks down as follows:

In € thousands	At December 31, 2013	At December 31, 2012
▪ Total compensation	2,037	1,982
▪ Share-based payments	2,245	3,482
Total	**4,282**	**5,464**

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, 2013							
Cash	55,436					55,436	55,436
Marketable securities	262,615					262,615	262,615
Trade receivables				287,825		287,825	287,825
Other receivables				155,667		155,667	155,667
Other short-term financial assets							
Other long-term financial assets		1,949		5,779		7,728	7,728
Long-term financial liabilities			(26,628)		(1,068,767)	(1,095,395)	(1,095,395)
Short-term financial liabilities					(245,627)	(245,627)	(245,627)
Other non-current liabilities					(300,414)	(300,414)	(300,414)
Other current liabilities					(969,149)	(969,149)	(969,149)
Total carrying amount	**318,051**	**1,949**	**(26,628)**	**449,271**	**(2,583,957)**	**(1,841,314)**	**(1,841,314)**

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			(41,130)		(1,171,705)	(1,212,835)	(1,212,835)
Short-term financial liabilities					(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)**

Derivative instruments are measured at fair value, with the fair value measurements categorized in Level 2 of the fair value hierarchy defined in IFRS 13.

Cash and marketable securities are measured at fair value, with the fair value measurements categorized in Level 1 of the fair value hierarchy defined in IFRS 13.

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

- assets carried at fair value through profit or loss primarily correspond to cash and cash equivalents and are measured by reference to a quoted market price in an active market where such a market exists;
- loans and receivables primarily comprise trade 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 Group's functional currency is the euro. However, it purchases certain goods and services outside the eurozone and is therefore exposed to foreign exchange risk, mainly in relation to the US dollar.

Detailed forecasts of the Group's future purchases denominated in US dollars are drawn up as part of the budget process. These transactions are regularly hedged over a maximum period of one and a half years.

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

The Group's residual exposure after hedging foreign exchange risk on US dollar-denominated transactions was not material in 2013.

At December 31, 2013 all of these currency hedges qualified as cash flow hedges under IAS 39.

Currency hedges had a negative €3,682 thousand impact on the Group's income statement in 2013 and a negative €714 thousand impact on equity.

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 €9,267 thousand negative impact on equity in 2013.

Hedges of borrowings

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

The swap contracts in place at December 31, 2013 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 €100 million recognized under hedge accounting).

At December 31, 2013 these derivatives had a negative fair value of €31,994 thousand.

Changes in fair value of cash flow hedges are recognized in equity. At December 31, 2013 these derivatives had a negative fair value of €15,707 thousand.

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 (which had been classified as a hedging derivative until end-2011);
- set up a swap in 2012 on the fixed-rate EIB loan (see Note 28), covering a notional amount of €100 million for the period 2012-2016.
- set up a swap in 2013 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 thousand impact in 2012, which was recorded as a financial expense, and a positive €3,594 thousand impact in 2013, recorded as financial income.

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, 2013.

The Group has no significant financial assets (such as bonds, treasury bills, other money market securities, loans or advances) and no off-balance sheet commitments (such as repos or forward rate agreements) that expose it to interest rate risk.

The table below shows the Group's net interest rate exposure at December 31, 2013 and an analysis of sensitivity to interest rate fluctuations.

In € thousands	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Financial liabilities	245,627	914,869	180,526	1,341,022
Financial assets	0	1,949	5,579	7,528
Net position before hedging	**245,627**	**912,920**	**174,947**	**1,333,494**
Off-balance sheet position	0	0	0	0
Net position after hedging	**245,627**	**912,920**	**174,947**	**1,333,494**

A sensitivity analysis of the Group's overall net debt after hedging shows that a 1% increase or decrease in euro interest rates at the reporting date would have resulted in a €1.4 million increase or decrease in profit for the period.

Equity risk

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

It does, however, hold a number of its own shares but in view of the very low number concerned any change in the Iliad share price would have 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, 2013 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, 2013:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2013
• €1,400 million credit facility (Borrower – Iliad) • €150 million EIB loan (Borrower – Iliad) €200 million EIB loan (Borrower – Iliad)	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1 Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Leverage ratio: 0.80 Interest cover ratio: 21.57

- 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, 2013 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, 2013 trade receivables represented a gross amount of €368 million and a net amount of €288 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, 2013 the Group's short-term investments amounted to €263 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, 2013 trade receivables totaled €368 million and provisions for doubtful receivables amounted to €80 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	2013	2012
▪ Minimum lease payments	51	19
▪ Contingent lease payments	0	0
▪ Sub-leases	13	13
Total	**64**	**32**

The table below analyzes the Group's lease commitments at December 31, 2013 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	56	25	**99**
Vehicles	4	2	0	**6**
Other	46	166	211	**423**
Total	**68**	**224**	**236**	**528**

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

2 - Network-related commitments

Network investments

At December 31, 2013 the Group had €64.2 million worth of commitments related to future network investments.

Capacity purchases

(In € millions) **Type of commitment**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Capacity purchases	45	68	0	**113**
Total	**45**	**68**	**0**	**113**

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, 2013 the Group had access to:

- a €1,400 million credit facility, of which €150 million had been drawn down;
- a €500 million commercial paper program, of which €194 million had been used;
- two loans representing an aggregate amount of €350 million, which had been fully drawn down.

At the same date:

- other commitments given by the Group amounted to €40.5 million;
- other commitments received by the Group totaled €3 million.

Collateralized debt

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

Accrued discounted trade notes

The Group does not use this type of financing.

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, 2013 the Company's employees had accumulated a total of 277,155 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 Group are as follows:

Dispute with Bouygues Telecom

By way of a decision handed down on February 22, 2013, the Paris Commercial Court ordered Bouygues Telecom to pay Free Mobile €5 million in damages for defamation. In the same decision, the Court also held Iliad, Free and Free Mobile jointly and severally liable for defamatory actions constituting unfair competition and ordered the three companies to no longer use three specific terms that were considered aggressive and insulting (the French equivalents of "rip-off", "extortion" and "swindle"). This injunction is subject to a €100,000 non-compliance provision which would be triggered if any of these terms are used. At the same time, Iliad, Free and Free Mobile were also held jointly and severally liable for the payment of €25 million to Bouygues Telecom for losses suffered as a result of the defamation.

The Group appealed the Court's decision on March 4, 2013 and the next date for the proceedings has been set for March 25, 2015.

Dispute with Numéricâble

By way of a decision handed down on December 13, 2013, the Paris Commercial Court ordered Numéricâble and NC Numéricâble to pay, on a joint and several basis, €6,391,000 in damages to Free for an advertising campaign that led to customer confusion prior to the launch of Free's mobile offerings in 2011. The Court ordered the provisional enforcement of this decision, which has been appealed by Numéricâble and NC Numéricâble.

Dispute with Bouygues Telecom

On February 3, 2014, Bouygues Telecom filed an emergency application with the Paris Commercial Court claiming €28 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for the losses that the plaintiff had allegedly suffered as a result of (i) misleading commercial practices constituting unfair competition in relation to 4G services, and (ii) defamation with respect to Bouygues Telecom's 4G services and the company itself.

NOTE 34: EVENTS AFTER THE REPORTING DATE

No significant events that could have a material impact on the financial statements for the year ended December 31, 2013 occurred between January 1, 2014 and the date the financial statements were approved for issue.

NOTE 35: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2013

The following table includes the main legal holdings.

	Registration number	Head office	Percentage control at December 31, 2013	Percentage control at December 31, 2012	Percentage ownership at December 31, 2013	Percentage ownership at December 31, 2012	Consolidation method in 2013
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 40 avenue Jules Cantini 13006 Marseilles	538 329 913	Paris	100.00%	100.00%	100.00%	100.00%	Full
Equaline 18 rue du Docteur G. Pery 33300 Bordeaux	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	97.43%	97.32%	97.43%	97.32%	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	100.00%	99.78%	99.76%	99.78%	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	95.12%	95.50%	95.12%	95.50%	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%	95.18%	95.18%	95.18%	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%	100.00%	100.00%	100.00%	Full
Iliad 4 16 rue de la Ville l'Evêque 75008 Paris	799,285,820	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
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, 2013	Percentage control at December 31, 2012	Percentage ownership at December 31, 2013	Percentage ownership at December 31, 2012	Consolidation method in 2013
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%	99.99%	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