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CONSOLIDATED INCOME STATEMENT

In € thousands	Note	2014	2013
Revenues	4	**4,167,612**	**3,747,856**
Purchases used in production	5	(2,323,062)	(2,022,964)
Payroll costs	6	(208,519)	(197,955)
External charges	5	(244,109)	(210,115)
Taxes other than on income		(40,796)	(37,485)
Additions to provisions	9	(63,369)	(81,004)
Other income from operations	8	28,463	39,679
Other expenses from operations	8	(32,609)	(33,840)
EBITDA (1)	1	***1,283,611***	***1,204,172***
Share-based payment expense	26	(5,628)	(7,809)
Depreciation, amortization and provisions for impairment of non-current assets	9	(708,529)	(655,466)
Profit from ordinary activities		**569,454**	**540,897**
Other operating income and expense, net	10	(3,551)	(3,921)
Operating profit		**565,903**	**536,976**
Income from cash and cash equivalents	11	1,849	1,156
Finance costs, gross	11	(65,675)	(60,554)
Finance costs, net	11	**(63,826)**	**(59,398)**
Other financial income	11	2,353	3,594
Other financial expenses	11	(24,019)	(27,872)
Corporate income tax	12	(202,046)	(187,857)
PROFIT FOR THE PERIOD		**278,365**	**265,443**
Profit for the period attributable to:			
▪ *Owners of the Company*		***282,772***	***269,280***
▪ *Minority interests*		***(4,407)***	***(3,837)***
Earnings per share attributable to owners of the Company (in €):			
▪ *Basic earnings per share*	*13*	***4.85***	***4.66***
▪ *Diluted earnings per share*	*13*	***4.73***	***4.53***

(1) See definition on page 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	2014	2013
PROFIT FOR THE PERIOD		**278,365**	**265,443**
➢ Items that may be subsequently reclassified to profit			
▪ Fair value gains/(losses) on interest rate and currency hedging instruments	31/32	21,537	13,795
Tax effect	31/32	(8,184)	(5,242)
		13,353	**8,553**
➢ Items that will not be reclassified to profit			
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	6	(2,644)	(262)
Tax effect		1,005	99
		(1,639)	**(163)**
Other comprehensive income for the period, net of tax		**11,714**	**8,390**
Total comprehensive income for the period		**290,079**	**273,833**
Total comprehensive income for the period attributable to:			
▪ Owners of the Company		**294,403**	**277,690**
▪ Minority interests		**(4,324)**	**(3,857)**

CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At December 31, 2014	At December 31, 2013
Goodwill	16	214,818	214,818
Intangible assets	17	1,234,902	1,181,066
Property, plant and equipment	19	2,787,849	2,500,854
Other long-term financial assets	20	8,163	7,728
Deferred income tax assets	12	23,609	51,818
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**4,269,341**	**3,956,284**
Inventories	21	27,142	18,933
Current income tax assets		6,553	0
Trade and other receivables	22	566,821	443,492
Other short-term financial assets	20	6,641	0
Cash and cash equivalents	23	137,402	318,051
TOTAL CURRENT ASSETS		**744,559**	**780,476**
ASSETS HELD FOR SALE	**24**	**34,359**	**39,501**
TOTAL ASSETS		**5,048,259**	**4,776,261**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At December 31, 2014	At December 31, 2013
Share capital	25	12,953	12,870
Additional paid-in capital	25	392,564	370,674
Retained earnings and other reserves	25	1,904.898	1,630,055
TOTAL EQUITY		**2,310,415**	**2,013,599**
Attributable to:			
. Owners of the Company		***2,307,600***	***2,006,515***
. Minority interests		***2,815***	***7,084***
Long-term provisions	27	1,384	1,384
Long-term financial liabilities	28	889,942	1,095,395
Deferred income tax liabilities	12	0	3,003
Other non-current liabilities	29	317,772	300,414
TOTAL NON-CURRENT LIABILITIES		**1,209.098**	**1,400,196**
Short-term provisions	27	94,803	124,010
Taxes payable		0	23,680
Trade and other payables	29	1,102.421	969,149
Short-term financial liabilities	28	331,522	245,627
TOTAL CURRENT LIABILITIES		**1,528.746**	**1,362,466**
TOTAL EQUITY AND LIABILITIES		**5,048,259**	**4,776,261**

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, 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 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**

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, 2014	12,870	370,674	(4,809)	51,175	1,576,605	**2,006,515**	7,084	**2,013,599**
Movements in 2014								
▪ Profit for the period					282,772	**282,772**	(4,407)	278,365
▪ Other comprehensive income for the period, net of tax:								
✓ Impact of interest rate and currency hedges				13,260		**13,260**	93	13,353
✓ Impact of post-employment benefit obligations				(1,629)		**(1,629)**	(10)	(1,639)
Total comprehensive income for the period				***11,631***	***282,772***	***294,403***	***(4,324)***	***290,079***
▪ Capital increase	83	21,890				**21,973**		21,973
▪ Dividends paid by Iliad SA					(21,591)	**(21,591)**		(21,591)
▪ Dividends paid by subsidiaries						/	(69)	(69)
▪ Purchases/sales of own shares			1,759	(32)		**1,727**		1,727
▪ Impact of stock options				5,528		**5,528**	100	5,628
▪ Impact of changes in minority interests in subsidiaries								
▪ Other movements				(956)		**(956)**	25	(931)
Balance at December 31, 2014	12,953	392,564	(3,050)	67,346	1,837,786	**2,307,599**	2,816	**2,310,415**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	Note	2014	2013
Profit for the period (including minority interests)		**278,365**	**265,443**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		681,939	681,178
+/- Payment related to Bouygues Telecom dispute		0	20,000
-/+ Unrealized gains and losses on changes in fair value		(3,650)	(3,692)
+/- Expenses and income related to stock options and other share-based payments		5,628	7,809
-/+ Other income and expenses, net		8,947	8,355
-/+ Gains and losses on disposals of assets		(604)	(139)
-/+ 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		970,625	978,954
+ Finance costs, net	11	63,826	59,398
+/- Income tax expense (including deferred taxes)	12	202,046	187,857
Cash flows from operations before finance costs, net, and income tax (A)		**1,236,497**	**1,226,209**
- *Income tax paid* **(B)**		(203,410)	(161,720)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**	14	(72,057)	(23,194)
+/- Payment related to Bouygues Telecom dispute **(D)**		0	(20,000)
= Net cash generated from operating activities (E) = (A + B + C+D)		**961,030**	**1,021,295**
- Acquisitions of property, plant and equipment and intangible assets	14	(978,083)	(913,231)
+ Disposals of property, plant and equipment and intangible assets		7,952	1,525
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in Group structure – acquisitions and price adjustments		(933)	(60)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		(482)	(275)
+ Cash inflows from assets held for sale		4,005	6,947
- Cash outflows for assets held for sale		(2,206)	(777)
= Net cash used in investing activities (F)		**(969,747)**	**(905,871)**
+ Proceeds from capital increases:			
. Paid by owners of the Company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on exercise of stock options		28,284	21,030
-/+ Own-share transactions		1,727	(600)
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(21,591)	(21,405)
. Dividends paid to minority shareholders of consolidated companies		(69)	(60)
+ Proceeds from new borrowings		55,000	96,065
- Repayment of borrowings (including finance leases)	28	(178,579)	(225,921)
- Net interest paid (including on finance leases)		(58,929)	(52,010)
= Net cash used in financing activities (G)		**(174,157)**	**(182,901)**
+/- Effect of exchange-rate movements on cash and cash equivalents **(H)**		64	(37)
= Net change in cash and cash equivalents (E + F + G + H)		**(182,810)**	**(67,514)**
Cash and cash equivalents at beginning of year	14	315,073	382,587
Cash and cash equivalents at end of year	14	132,263	315,073

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, 2014 on March 4, 2015 and their publication date was set for March 12, 2015. 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, 2015.

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

he 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. New standards, amendments to existing standards and interpretations whose application was mandatory for the first time in the fiscal year beginning 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 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.**

- **Amendments to IAS 36, Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets.**

- **Amendments to IAS 39 and IFRS 9 – Novation of Derivatives and Continuation of Hedge Accounting.**

The Group applies all of the above standards and amended standards, the adoption of which did not have a material impact on its consolidated financial statements.

1-2.3. Standards, amendments and interpretations that may be early adopted in 2014:

- **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.

- **Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions.**

- **Annual improvements to IFRSs (2010-2012 cycle), whose application will be mandatory as from the fiscal year** beginning January 1, 2015 and which comprise amendments to the following six standards:

✓ IFRS 2, Share-Based Payment: Definition of "vesting condition".

✓ IFRS 3, Business Combinations: Accounting for contingent consideration in a business combination.

✓ IFRS 8, Operating Segments: (i) Aggregation of operating segments, and (ii) Reconciliation of the total of the reportable segments' assets to the entity's assets.

✓ IFRS 13, Fair Value Measurement: Short-term receivables and payables.

✓ IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets: Revaluation method – proportionate restatement of accumulated depreciation/amortization.

✓ IAS 24, Related Party Disclosures: Key management personnel.

The Group is currently analyzing the impacts of applying the above amendments and interpretation.

1-2.4. New standards, amendments to existing standards and interpretations that were not applicable at December 31, 2014 as not yet endorsed by the European Union:

- **IFRS 15, Revenue from Contracts with Customers, effective for annual periods beginning on or after January 1, 2017**. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

- **IFRS 9, Financial Instruments (final version) and amendments to IFRS 9, IFRS 7 and IAS 39, effective for annual periods beginning on or after January 1, 2018.** The final version of IFRS 9 brings together the three phases of the IASB's project to replace IAS 39: classification and measurement, impairment and hedge accounting. The improvements introduced by the standard include:

  - ✓ A logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.
  - ✓ A single, forward-looking "expected loss" impairment model.
  - ✓ A substantially-reformed approach to hedge accounting.

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

- **Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.**

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.**

- **Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation.**

- **Amendments to IAS 1, Presentation of Financial Statements as part of the Disclosure Initiative**. These amendments are designed to provide clarifications concerning the following two points:

  ✓ Application of the materiality principle, by making clear that materiality applies to the whole of the financial statements (including the notes) and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

  ✓ The application of professional judgment, by making improvements to the wording of some of the requirements in the standard that were considered to be overly prescriptive and did not leave sufficient room for judgment.

- **Annual improvements to IFRSs (2011-2013 cycle), applicable as from the fiscal year beginning January 1, 2015** and which comprise amendments to the following four standards:

  ✓ IFRS 1, First-time Adoption of International Financial Reporting Standards: Meaning of "effective IFRSs".

  ✓ IFRS 3, Business Combinations: Scope exceptions for joint ventures.

  ✓ IFRS 13, Fair Value Measurement: Scope of paragraph 52 (an exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis – the "portfolio exception".)

  ✓ IAS 40, Investment Property: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

- **Annual improvements to IFRSs (2012-2014 cycle), applicable as from the fiscal year beginning January 1, 2016** and which comprise amendments to the following four standards:

  ✓ IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal.

  ✓ IFRS 7, Financial Instruments – Disclosures: (i) Servicing contracts, and (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements.

  ✓ IAS 19, Employee Benefits: Discount rate –regional market issue.

  ✓ IAS 34, Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report".

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

1-3. Consolidation

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the Group.

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

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

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

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 Group applies the acquisition method to account for business combinations.

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

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is 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 carried out, the combination is accounted for using those provisional values and any adjustments made as a result of completing the initial accounting must be recognized within 12 months of the acquisition date.

Goodwill

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

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on acquisitions of associates is included in investments in 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 that are rare, unusual and infrequent, which represent material amounts and whose presentation within other items relating to ordinary activities could be misleading for users of the financial statements in their understanding of the Group's performance.

The Group has elected to present 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 it is the content supplier that is responsible for providing the content to the end-customer and setting the retail price.

- Revenues from the sale of advertising banners are spread over the period during which the banners are displayed.

- Revenues from website hosting activities are recognized during the period in which the service is rendered.

Foreign currency transactions

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

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

Earnings per share

The Group presents basic and diluted earnings per share.

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

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

Intangible assets

Intangible assets primarily include the following:

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

  These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future 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 seven years
- amounts paid as consideration for obtaining indefeasible rights of use (IRUs) on dark optical fibers are depreciated over the term of use of the fiber concerned

At each reporting date, the Group assesses whether the depreciation schedules 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 are measured at amortized cost. Gains and losses on these investments are recognized in the income statement when they are realized.

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

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

Inventories

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

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

Receivables

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

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

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

Deferred taxes

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

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

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

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

Cash and cash equivalents

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

Bank overdrafts are classified as current financial liabilities.

Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified 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 Iliad subsidiaries subject to conditions relating to their presence within the Group. The shares are measured based on the fair value of the benefit granted to the employee on the grant date, with the calculation incorporating assumptions concerning the staff turnover rate for beneficiaries, a discount in respect of the lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

Derivative financial instruments and hedging activities

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

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

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. It also documents its assessment, both at the inception of the hedge and on an ongoing basis, of

whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Notes 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, 2014.

CHANGES IN SCOPE OF CONSOLIDATION IN 2014

There were no significant changes in the scope of consolidation during 2014.

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 €3.7 billion in 2013 to €4.2 billion in 2014, 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 revenue data by geographic region would not be meaningful.

NOTE 5: PURCHASES USED IN PRODUCTION AND EXTERNAL CHARGES

Purchases used in production mainly include:

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

External charges primarily comprise:

- logistics and dispatch costs;
- leasing expenses;
- 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	2014	2013
▪ Wages and salaries	153,957	145,259
▪ Payroll taxes	54,562	52,696
Total	**208,519**	**197,955**

Number of employees at year-end

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

	At December 31, 2014	At December 31, 2013
▪ Management	998	859
▪ Other	6,166	6,017
Total	**7,164**	**6,876**

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 €9,803 thousand at December 31, 2014, compared with €5,790 thousand at December 31, 2013.

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2014 and 2013:

	2014	2013
▪ Discount rate	2%	3.15%
▪ Long-term inflation rate	2%	2%
▪ Mortality table	INSEE 2010-2012	INSEE 2009-2011
▪ Type of retirement	Voluntary	Voluntary
▪ Retirement age		
- Management	Statutory retirement age	Statutory retirement age
- Other	Post 2013 French pension reform and the 2014 French Social Security Financing Act	Post 2013 French pension reform and the 2013 French Social Security Financing Act

The impact on equity of the Group's post-employment benefit obligations was a negative €2,644 thousand (before tax) at December 31, 2014 and the amount recognized in the income statement for the year then ended corresponded to a €1,369 thousand expense.

NOTE 7: DEVELOPMENT COSTS

Development costs include the following:

- The cost of designing new products, adapting existing products to the Internet, and researching or creating databases for new applications. These costs are primarily incurred by Freebox.

- Specific development costs for remote processing and/or storage 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 incurred in 2014 are presented net of any related research tax credits.

In € thousands	2014	2013
▪ Capitalized development costs	3,246	2,338
▪ Development costs recognized directly in the income statement	197	767
Total	**3,443**	**3,105**

NOTE 8: OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € thousands	2014	2013
. Proceeds from sales of non-current assets	8,063	1,525
. Customer contract termination fees	13,688	10,907
. Other revenues	6,712	27,247
Total other income from operations	**28,463**	**39,679**

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

In € thousands	2014	2013
. Carrying amount of divested non-current assets	(4,069)	(1,135)
. Royalties and similar fees	(28,417)	(20,100)
. Bad debts	0	(3,321)
. Other	(123)	(9,284)
Total other expenses from operations	**(32,609)**	**(33,840)**

In € thousands	2014	2013
Other income and expenses from operations, net	**(4,146)**	**5,839**

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	2014	2013
▪ Depreciation and amortization expense:		
. Intangible assets	189,583	166,747
. Property, plant and equipment	527,236	476,660
▪ Additions to provisions for impairment of non-current assets:		
. Property, plant and equipment	(5,359)	14,902
▪ Depreciation/amortization of investment grants		
. Intangible assets	(1,720)	(1,684)
. Property, plant and equipment	(1,211)	(1,159)
Total	**708,529**	**655,466**

Since January 1, 2014, the Group has increased the depreciation period for capitalized service access fees from five to seven years. Had this change not occurred, the depreciation expense for 2014 would have been just over 2% higher.

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

In € thousands	2014	2013
▪ Provisions for contingencies and charges	(8,303)	38,718
▪ Provisions for impairment of inventories and trade receivables	71,672	42,286
Total	**63,369**	**81,004**

NOTE 10: OTHER OPERATING INCOME AND EXPENSE, NET

This item represented a net expense of €3,551 thousand in 2014, compared with a net expense of €3,921 thousand in 2013.

Comments on the 2013 and 2014 figures

See Note 24.

NOTE 11: FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € thousands	2014	2013
▪ Income from cash and cash equivalents	1,849	1,156
▪ Finance costs, gross	(65,675)	(60,554)
Finance costs, net	**(63,826)**	**(59,398)**
▪ Other financial income	2,353	3,594
Sub-total – Other financial income	2,353	3,594
▪ Other financial expenses		
. Translation adjustments/Hedging expense	(4,308)	(116)
. Discounting expense	(19,665)	(27,576)
. Other	(46)	(180)
Sub-total – Other financial expenses	(24,019)	(27,872)
Other financial expenses, net	**(21,666)**	**(24,278)**
Net financial expense	**(85,492)**	**(83,676)**

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 mainly concerns trade payables with maturities of more than one year.

The amounts recorded under "Other financial income" – totaling €2,353 thousand for 2014 and €3,594 thousand for 2013 – correspond to the impacts of swap contracts that ceased to qualify for hedge accounting (see Note 32).

NOTE 12: CORPORATE INCOME TAX

Analysis of the corporate income tax charge

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

In € thousands	2014	2013
Current taxes		
▪ on income	(164,745)	(174,977)
▪ on value added (CVAE)	(25,463)	(24,336)
Current income tax charge	**(190,208)**	**(199,313)**
Deferred taxes		
▪ on income	(14,841)	9,330
▪ on value added (CVAE)	3,003	2,126
Deferred income tax (charge)/benefit	**(11,838)**	**11,456**
Total tax charge	**(202,046)**	**(187,857)**

Tax group

Iliad has set up a tax group, which at end-2014 included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is outside France.

Tax proof

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

	2014	2013
Profit for the period	**278,365**	**265,443**
▪ Corporate income tax	202,046	187,857
Consolidated profit from continuing operations before tax	**480,411**	**453,300**
Theoretical tax rate	***38.00%***	***38.00%***
▪ Net impact of permanent differences	+1.11%	+0.87%
▪ Impact of unrecognized tax loss carryforwards	-0.38%	
▪ Impact of different tax rates	+2.62%	+2.78%
▪ Other impacts	+0.71%	-0.21%
Effective tax rate	***42.06%***	***41.44%***

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 €938 thousand at December 31, 2014 versus €2,763 thousand at December 31, 2013.

NOTE 13: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share:

Number of shares used for the calculation	2014	2013
▪ Number of shares at the year-end	58,453,935	58,076,797
▪ Weighted average number of shares	58,320,038	57,811,922

Diluted earnings per share

	2014	2013
Profit for the period attributable to owners of the Company	282,772	269,280
Interest expense on OCEANE convertible bonds	0	0
Diluted profit for the period attributable to owners of the Company	282,772	269,280
Weighted average number of shares outstanding (after dilution)		
▪ Weighted average number of shares outstanding (see above)	58,320,038	57,811,922
▪ Number of share equivalents: . Stock options and Free Mobile free share grants	1,487,799	1,631,560
Maximum weighted average number of shares after dilution	**59,807,837**	**59,443,482**
Diluted earnings per share (in €)	**4.73**	**4.53**

Dilutive instruments

As Iliad's average share price in 2014 was €190.37, all of the Group's stock option plans were considered to be dilutive during the year.

NOTE 14: ANALYSIS OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities

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

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

Changes in operating working capital requirement

Changes in operating working capital requirement during 2014 and 2013 can be analyzed as follows:

2014	Note	Balance at January 1, 2014	Net debits	Net credits	Changes in Group structure	Other	Balance at December 31, 2014
▪ Net inventories	21	18,933	8,209	0	0	0	27,142
▪ Net trade receivables	22	287,825	98,408	0	0	0	386,233
▪ Net other receivables	22	155,667	31,230	0	0	(6,309)	180,588
▪ Supplier payables	29	(454,847)	0	(11,744)	0	0	(466,591)
▪ Other payables		(231,310)	0	(54,046)	0	(2,644)	(288,000)
Total		**(223,732)**	**137,847**	**(65,790)**	**0**	**(8,953)**	**(160,629)**
Change in operating working capital requirement in 2014				**72,057**			

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**			

Other receivables

This item can be analyzed as follows:

	Note	At December 31, 2014	At December 31, 2013
Trade and other receivables:	22	566,821	443,492
▪ Net trade receivables	22	(386,233)	(287,825)
Other receivables		**180,588**	**155,667**

Other payables

This item can be analyzed as follows:

	Note	At December 31, 2014	At December 31, 2013
Trade and other payables:	29	1,420,193	1,269,563
▪ Suppliers of goods and services (incl. VAT)	29	(466,591)	(454,847)
▪ Suppliers of non-current assets (excl. VAT)		(665,602)	(583,406)
Other payables		**288,000**	**231,310**

Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

	Note	2014	2013
▪ Intangible assets	17	240,011	20,734
▪ Property, plant and equipment	19	797,262	631,380
▪ Suppliers of non-current assets (excl. VAT):			
. at beginning of year		583,406	829,907
. at year-end		(665,602)	(583,406)
▪ Other		23,006	14,616
Total		**978,083**	**913,231**

Cash and cash equivalents

	Note	Cash and cash equivalents at December 31, 2014	Cash and cash equivalents at December 31, 2013
Cash (including currency hedges)	23	63,671	55,436
Marketable securities	23	73,731	262,615
Sub-total		***137,402***	***318,051***
Bank borrowing facilities	28	(5,139)	(2,978)
Total		**132,263**	**315,073**

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	2014	2013
▪ Acquisitions of assets under finance leases	17,056	32,559

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 single new segment called Retail Telecom.

In addition, 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 carrying amount of the Group's goodwill was €214,818 at both December 31, 2014 and 2013.

NOTE 17: INTANGIBLE ASSETS

Intangible assets break down as follows:

In € thousands	At December 31, 2014			At December 31, 2013		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
▪ 3G license	323,020	53,396	269,624	323,020	35,449	287,571
▪ 4G license	393,088	18,569	374,519	307,042	1,372	305,670
▪ Wimax license	54,266	46,682	7,584	54,266	44,514	9,752
▪ Alice customer base	25,000	13,195	11,805	25,000	11,112	13,888
▪ Other intangible assets	947,863	383,762	564,101	795,679	237,255	558,424
Internally-generated intangible assets:						
▪ Development costs	11,967	4,698	7,269	8,772	3,011	5,761
Total	**1,755,204**	**520,302**	**1,234,902**	**1,513,779**	**332,713**	**1,181,066**

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. This frequency band has been used since December 2013.

In December 2014 the Group was granted a license to use 5 MHz duplex in the 1800 MHz frequency band.

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

There are no restrictions on the legal title of the Group's intangible assets and none of these assets have been pledged as security for borrowings.

Changes in net intangible assets can be analyzed as follows:

In € thousands	2014	2013
Net at January 1	1,181,066	1,329,169
Additions:		
. acquisitions	240,011	18,605
. internally-generated intangible assets	3,830	2,129
Reclassifications	(335)	(2,277)
Other	(1,807)	(1,497)
Amortization	(187,863)	(165,063)
Net at December 31	**1,234,902**	**1,181,066**

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 assets allocated to the CGU. Accordingly, the Group did not recognize any impairment losses on this CGU's goodwill or intangible assets in 2014.

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, 2014			At December 31, 2013		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings (1)	146,192	4,704	141,488	142,943	2,933	140,010
▪ Network usage rights	182,878	69,084	113,794	181,712	60,170	121,542
▪ Service access fees	758,059	451,871	306,188	690,099	421,566	268,533
▪ Network equipment (2)	3,438,465	1,517,545	1,920,920	2,932,540	1,229,279	1,703,261
▪ Other	348,745	43,286	305,459	296,686	29,178	267,508
Total	**4,874,339**	**2,086,490**	**2,787,849**	**4,243,980**	**1,743,126**	**2,500,854**
(1) of which finance leases	91,266	3,263	88,003	92,177	2,012	90,165
(2) of which finance leases	135,208	81,266	53,942	118,152	65,962	52,190

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	2014	2013
Net at January 1	2,500,854	2,325,773
Acquisitions(*)	814,318	663,939
Disposals	(6,514)	(1,136)
Reclassifications	335	2,278
Other	(474)	402
Depreciation	(520,670)	(490,402)
Net at December 31	**2,787,849**	**2,500,854**
(*) Acquisitions excluding assets acquired under finance leases	797,262	631,380

During 2014 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. In 2014, no such events or circumstances were identified that had a material effect on the carrying amount of the assets.

Assets under construction

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

In € thousands	At December 31, 2014	At December 31, 2013
▪ Land and buildings	53,374	87,694
▪ Network usage rights	5,290	8,138
▪ Network equipment	437,154	359,059
Total	**495,818**	**454,891**

NOTE 20: OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € thousands	At December 31, 2014 Net	At December 31, 2013 Net
Other long-term financial assets		
▪ Other investment securities	1,949	1,949
▪ Guarantee deposits	6,214	5,779
Total other long-term financial assets	**8,163**	**7,728**
Other short-term financial assets		
▪ Loans	47	0
▪ Cash flow hedges	6,594	0
Total other short-term financial assets	**6,641**	**0**
Total other financial assets	**14,804**	**7,728**

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

Other financial assets break down as follows by function:

In € thousands	At December 31, 2014 Net	At December 31, 2013 Net
▪ Financial assets at fair value through profit or loss	6,594	0
▪ Held-for-trading investments	0	0
▪ Held-to-maturity investments	0	0
▪ Loans and receivables issued by the Group	6,261	5,779
▪ Available-for-sale financial assets	1,949	1,949
Total other financial assets	**14,804**	**7,728**

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

In € thousands	2014	2013
Net at January 1	7,728	9,294
Acquisitions	1,062	607
Redemptions and repayments	0	(17)
Impact of changes in Group structure	0	0
Disposals	(580)	(331)
Additions to provisions	0	(17)
Impact of cash flow hedges		
▪ at January 1	0	(1,808)
▪ at December 31	6,594	0
Net at December 31	**14,804**	**7,728**

Acquisitions and redemptions and repayments in 2013 and 2014 primarily concerned movements in guarantee deposits paid.

NOTE 21: INVENTORIES

Inventories break down as follows:

In € thousands	At December 31, 2014	At December 31, 2013
Raw materials	2,212	2,312
Work-in-progress	0	0
Finished products	28,048	22,110
Inventories – gross	**30,260**	**24,422**
Provisions:		
. raw materials	(2,040)	(2,064)
. finished products	(1,078)	(3,425)
Total provisions	**(3,118)**	**(5,489)**
Inventories – net	**27,142**	**18,933**

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

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

The provisions recognized in 2013 were utilized during 2014 in line with these sales forecasts.

NOTE 22: TRADE AND OTHER RECEIVABLES

Trade and other receivables break down as follows:

In € thousands	At December 31, 2014	At December 31, 2013
Trade and other receivables		
Trade receivables	475,063	367,622
Advances and prepayments	2,034	1,918
Tax receivables (VAT)	81,816	68,783
Other receivables	52,446	50,136
Prepaid expenses	44,295	34,833
Total – gross	**655,654**	**523,292**
Provisions for trade receivables	(88,830)	(79,797)
Provisions for other receivables	(3)	(3)
Net trade and other receivables	**566,821**	**443,492**

Net trade receivables	386,233	287,825
Net other receivables	180,588	155,667

The year-on-year increase in trade receivables 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, 2014		At December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITs) **Net value**	**73,731**	**73,731**	**262,615**	**262,615**
Cash (excluding bank borrowing facilities)	**63,671**	**63,671**	**55,436**	**55,436**
Total – Net	**137,402**	**137,402**	**318,051**	**318,051**

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, 2014	At December 31, 2013
Buildings held for sale	34,359	39,501
Total	**34,359**	**39,501**

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

Assets held for sale had no related material liabilities at either December 31, 2013 or 2014.

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

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 14, 2012 and August 30, 2012 respectively. Stock options granted by the Group on November 5, 2008 have been exercisable since November 5, 2013. And lastly, the first tranche of the stock options granted by the Group on August 30, 2010 has been exercisable since August 29, 2014.

In 2014, 377,138 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €83 thousand to €12,953 thousand at December 31, 2014 from €12,870 thousand one year earlier.

At December 31, 2014 the Group held 23,640 Iliad shares.

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

Shareholder	Number of shares	%
Executive Management	33,980,202	58.13
Public	24,473,733	41.87
Total	**58,453,935**	**100.00**

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

The dividend paid in 2014 for 2013 totaled €21,591 thousand. No interim dividend was paid in 2014.

At the next Annual General Meeting, shareholders will be invited to approve a dividend payment of €0.39 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, 2013 and 2014 the cash flow hedge reserve (net of the tax effect) had negative balances of €17,052 thousand and €3,699 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 2014 and prior years, and outstanding at the year-end.

At December 31, 2014:

Date of Shareholders' Meeting	Date of plan launch	Exercise price (in €)	Number of options outstanding at January 1, 2014	Number of options granted in 2014	Number of options forfeited in 2014	Number of options exercised in 2014	Number of exercisable options outstanding at December 31, 2014	Number of non-exercisable options outstanding at December 31, 2014
Iliad								
December 12, 2003	January 20, 2004	16.30	1,820	0	0	1,820	0	0
December 12, 2003	December 20, 2005	48.44	11,950	0	0	7,577	4,373	0
May 29, 2006	June 14, 2007	74.62	125	0	0	0	125	0
May 29, 2006	August 30, 2007	68.17	126,312	0	0	78,935	47,377	0
May 29, 2008	November 5, 2008	53.79	369,665	0	0	241,206	128,459	0
May 29, 2008	August 30, 2010	67.67	147,150	0	0	47,600	99,550	0
May 29, 2008	August 30, 2010	67.67	343,350	0	6,300	0	0	337,050
May 24, 2011	November 7, 2011	84.03	378,400	0	11,000	0	0	367,400

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

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
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 14, 2012
August 30, 2007	Options exercisable since August 30, 2012
November 5, 2008	Options exercisable since November 5, 2013
August 30, 2010	30% of the options exercisable 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 €3,576 thousand in 2014 and €5,756 thousand in 2013.

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 key management personnel were granted shares representing 5% of Free Mobile's share capital. This plan includes an option for the beneficiaries to receive their entitlements in either cash or Iliad shares, with the price determined by an independent expert.

The expense recognized for this plan amounted to €2,034 thousand in 2013 and in 2014.

Online

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

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

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

The expense recognized for this plan amounted to €19 thousand in 2013 and in 2014.

The following table summarizes the main features of the various share grant plans approved in 2014 and prior years, and outstanding at the year-end.

At December 31, 2014:

Date of Shareholders' Meeting	Date of plan launch	Number of shares in vesting period at January 1, 2014	Number of shares granted in 2014	Number of share grants canceled in 2014	Number of shares vested in 2014	Number of shares in vesting period at December 31, 2014
Online						
December 3, 2012	December 4, 2012	26	0	0	9	17

NOTE 27: PROVISIONS

The provisions recognized at December 31, 2014 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, 2014	At December 31, 2013
Long-term provisions		
Provisions for charges	1,384	1,384
Total long-term provisions	**1,384**	**1,384**
Short-term provisions		
Provisions for contingencies	94,575	123,935
Provisions for charges	228	75
Total short-term provisions	**94,803**	**124,010**
Total provisions	**96,187**	**125,394**

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 2014:

In € thousands	At December 31, 2013	Increases in 2014	Decreases in 2014 (utilizations)	Decreases in 2014 (surplus provisions)	Changes in Group structure	Other movements	At December 31, 2014
Provisions for claims and litigation and general contingencies	123,935	4,963	(20,963)	(13,419)	0	59	94,575
Provisions for charges	1,459	153	0	0	0	0	1,612
Total	**125,394**	**5,116**	**(20,963)**	**(13,419)**	**0**	**59**	**96,187**

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**

NOTE 28: FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € thousands	At December 31, 2014	At December 31, 2013
Bank borrowings	311,455	484,197
Bonds	499,291	498,792
Borrowings related to finance leases	64,670	75,545
Cash flow hedges	11,152	26,628
Other	3,374	10,233
Total long-term financial liabilities	**889,942**	**1,095,395**
Bank borrowings	274,000	194,000
Borrowings related to finance leases	25,359	25,989
Bank overdrafts	5,139	2,978
Cash flow hedges	4,451	148
Other	22,573	22,512
Total short-term financial liabilities	**331,522**	**245,627**
Total	**1,221,464**	**1,341,022**

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

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2014 and 2013:

In € thousands	2014	2013
Borrowings at January 1	1,341,022	1,448,407
New borrowings(*)	72,056	128,624
Repayments of borrowings	(178,579)	(225,921)
Change in bank overdrafts	2,161	1,409
Impact of cash flow hedges	(16,391)	(14,001)
Other	1,195	2,504
Total borrowings at December 31	**1,221,464**	**1,341,022**

(*) New borrowings excluding borrowings related to finance leases	55,000	96,065

Bonds

On May 26, 2011 the Group issued €500 million worth of bonds paying interest at 4.875% per year.

They 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, 2014

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). None of this facility had been drawn down at December 31, 2014.

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, 2014.

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 €249 million at December 31, 2014.

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, 2014	At December 31, 2013
Fixed-rate borrowings	1,200,722	1,310,915
Variable-rate borrowings	20,742	30,107
Total borrowings	**1,221,464**	**1,341,022**

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, 2014.

In € thousands	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	29,451	232,965	89,643	352,059
Bonds	0	499,291	0	499,291
Commercial paper	249,000	0	0	249,000
Borrowings related to finance leases	25,359	58,046	6,624	90,029
Bank overdrafts	5,139	0	0	5,139
Other	22,573	0	3,373	25,946
Total borrowings	**331,522**	**790,302**	**99,640**	**1,221,464**
Trade payables	833,657	232,944	74,725	1,141,326
Total committed financing facilities	**1,165,179**	**1,023,246**	**174,365**	**2,362,790**

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**

Description of the Group's main finance leases outstanding at December 31, 2014

At December 31, 2014, the Group's total obligations under finance leases amounted to €90 million versus €101.5 million one year earlier.

Real estate finance leases

The Group purchases premises to house the technical equipment required for rolling out its FTTH network.

As part of this process, in January 2007 Iliad entered into a master agreement to finance the purchase of such premises through a real estate finance lease with a 12-year term, following which the related assets may be acquired for a token amount of €1.

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

Equipment finance leases

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

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

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

Present value of future minimum lease payments due under finance leases

The following table presents a reconciliation between total future minimum lease payments due under finance leases at December 31, 2014 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	28,430	62,021	6,680	**97,131**
Present value	27,120	53,936	4,864	**85,920**

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, 2014	At December 31, 2013
Trade and other payables recorded under other non-current liabilities:		
Trade payables	307,669	294,624
Accrued taxes and employee-related payables	9,803	5,790
Other	300	0
Sub-total	**317,772**	**300,414**
Trade and other payables recorded under current liabilities:		
Trade payables	833,657	748,234
Advances and prepayments	328	429
Accrued taxes and employee-related payables	237,427	189,444
Other	1,537	6,244
Deferred income	29,472	24,798
Sub-total	**1,102,421**	**969,149**
Total	**1,420,193**	**1,269,563**

Total trade payables can be analyzed as follows:

In € thousands	At December 31, 2014	At December 31, 2013
Suppliers of goods and services	466,591	454,847
Suppliers of non-current assets	674,735	588,011
Total	**1,141,326**	**1,042,858**

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 members of the Group's key management personnel in 2014 and 2013 breaks down as follows:

In € thousands	At December 31, 2014	AT December 31, 2013
▪ Total compensation	2,092	2,037
▪ Share-based payments	1,506	2,245
Total	**3,598**	**4,282**

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, 2014							
Cash	63,671					63,671	63,671
Marketable securities	73,731					73,731	73,731
Trade receivables				386,233		386,233	386,233
Other receivables				180,588		180,588	180,588
Other short-term financial assets			6,594	47		6,641	6,641
Other long-term financial assets		1,949		6,214		8,163	8,163
Long-term financial liabilities			(10,119)		(879,823)	(889,942)	(889,942)
Short-term financial liabilities			(2,470)		(329,052)	(331,522)	(331,522)
Other non-current liabilities					(317,772)	(317,772)	(317,772)
Other current liabilities					(1,102,421)	(1,102,421)	(1,102,421)
Total	**137,402**	**1,949**	**(5,995)**	**573,082**	**(2,629,068)**	**(1,922,630)**	**(1,922,630)**

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	**318,051**	**1,949**	**(26,628)**	**449,271**	**(2,583,957)**	**(1,841,314)**	**(1,841,314)**

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 receivables 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 2014.

At December 31, 2014 all of these currency hedges qualified as cash flow hedges under IAS 39.

Currency hedges had a negative €959 thousand impact on the Group's income statement in 2014 but a positive impact of €4,649 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 an €8,704 thousand positive impact on equity in 2014.

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, 2014 were as follows**:**

- a swap contract covering the period 2012-2015 on a notional amount of €450 million (of which €250 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, 2014 these derivatives had a negative fair value of €15,603 thousand.

Changes in fair value of derivatives used as cash flow hedges are recognized in equity. At December 31, 2014 these derivatives had a negative fair value of €6,188 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);
- it 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.
- it 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.
- in 2014 it decided to no longer classify as a hedging instrument a swap contract on a notional amount of €50 million covering the period 2012-2015 (which had been classified as a hedging derivative until end-2013).

These accounting treatments had positive impacts of €3,594 thousand and €2,353 thousand in 2013 and 2014 respectively, which were 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, substantially all of the Group's debt was hedged against changes in interest rates at December 31, 2014.

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, 2014 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	331,522	790,302	99,640	1,221,464
Financial assets	6,641	1,949	6,214	14,804
Net position before hedging	**324,881**	**788,353**	**93,426**	**1,206,660**
Off-balance sheet position	0	0	0	0
Net position after hedging	**324,881**	**788,353**	**93,426**	**1,206,660**

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 €1.9 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, 2014 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, 2014:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2014
• €1,400 million credit facility (Borrower – Iliad)	Leverage ratio < 3 (depending on the period) Interest cover ratio > 5.1	Early repayment	Leverage ratio: 0.81 Interest cover ratio: 21.06
• €150 million EIB loan (Borrower – Iliad) €200 million EIB loan (Borrower – Iliad)	Leverage ratio < 2.5/3 (depending on the period) Interest cover ratio > 5.1		

- 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, 2014 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 short-term 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, 2014 trade receivables represented a gross amount of €475 million and a net amount of €386 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, 2014 the Group's short-term investments amounted to €74 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, 2014 trade receivables totaled €475 million and provisions for doubtful receivables amounted to €89 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	2014	2013
▪ Minimum lease payments	69	51
▪ Contingent lease payments	0	0
▪ Sub-leases	13	13
Total	**82**	**64**

The table below analyzes the Group's lease commitments at December 31, 2014 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	21	61	12	**94**
Vehicles	4	3	0	**7**
Other	63	211	216	**490**
Total	**88**	**275**	**228**	**591**

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, 2014 the Group had €74.3 million worth of commitments related to future network investments.

Capacity purchases

(In € millions) **Type of commitment**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Capacity purchases	54	81	0	**135**
Total	**54**	**81**	**0**	**135**

3 – Other commitments

3-1 – Commitments related to telecom licenses

3G license – 900/2100 MHz

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

4G license – 2600 MHz

By way of decision 2011-1169 dated October 11, 2011, ARCEP authorized Free Mobile to use a block of frequencies in the 2.6 GHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this authorization – which has been given for a renewable 20-year period – require the Free Mobile network to cover 25% of the French population by 2015, 60% by 2019 and 75% by 2023.

1800 MHz license

By way of decision 2014-1542 dated December 16, 2014, ARCEP authorized Free Mobile to use a block of frequencies in the 1800MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use between January 2015 and October 2031. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 25% of the French population by October 2015, 60% by 2019 and 75% by October 2023. Free Mobile will, however, be able to meet these coverage obligations using other frequencies that it is authorized to utilize.

Wimax license

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

3-2 – Other commitments

At December 31, 2014 the Group had access to:

- a €1,400 million credit facility, none of which had been drawn down;
- a €500 million commercial paper program, of which €249 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 €4.5 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, 2014 the Company's employees had accrued a total of 323,899 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 Numericable

By way of a decision handed down on December 13, 2013, the Paris Commercial Court ordered Numericable and NC Numericable 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 SFR

On May 27, 2014, SFR filed an application with the Paris Commercial Court seeking €493.2 million in damages from Free Mobile, Free and Iliad (on a joint and several basis) for pecuniary and non-pecuniary losses (including damage to brand image) that the plaintiff had allegedly suffered as a result of defamatory actions constituting unfair competition. Free Mobile, Free and Iliad are contesting SFR's position in this case, which they do not consider to be founded. Proceedings are ongoing in this case.

Dispute with Orange

On April 11, 2014, Orange filed two court applications concerning various patents. Orange is seeking the cessation of alleged acts of infringement and has filed a provisional claim for around €250 million. Free is contesting Orange's position, and is questioning its right to act, the validity of the patent and its claims, and is demanding that Orange be ordered to pay €50k for abuse of process and €50k under article 700 of the French Civil Code (*Code de procédure civile*). Proceedings are ongoing in this case.

Dispute with Bouygues Telecom

In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom's position in this case, which is does not consider to be founded. Proceedings are ongoing in this case.

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, 2014 occurred between January 1, 2015 and the date the financial statements were approved for issue.

NOTE 35: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2014

The following table includes the Group's main legal holdings.

	Registration number	Head office	Percentage control at December 31, 2014	Percentage control at December 31, 2013	Percentage ownership at December 31, 2014	Percentage ownership at December 31, 2013	Consolidation method in 2014
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 Marseille	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	97.99%	97.43%	97.99%	97.43%	Full
F Distribution 8 rue de la Ville l'Evêque 75008 Paris	528 815 376	Paris	100.00%	100.00%	100.00%	100.00%	Full
Free Fréquences 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	99.76%	99.76%	99.76%	99.76%	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%	95.12%	95.12%	95.12%	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	95.12%	95.18%	95.12%	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
Free Carrier 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%	100.00%	100.00%	100.00%	Full
Iliad 5							

8 rue de la Ville l'Evêque 75008 Paris	808 537 641	Paris	100.00%	/	100.00%	/	Full
Iliad Gaming 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	100.00%	100.00%	100.00%	Full
Immobilière Iliad 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	100.00%	100.00%	Full

	Registration number	**Head office**	**Percentage control at December 31, 2014**	**Percentage control at December 31, 2013**	**Percentage ownership at December 31, 2014**	**Percentage ownership at December 31, 2013**	**Consolidation method in 2013**
IRE 16 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	100.00%	100.00%	Full
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	95.12%	95.18%	95.12%	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