CONTENTS

CONSOLIDATED INCOME STATEMENT

In € millions	Note	2019	2018*
Revenues	4	**5,332**	**4,891**
Purchases used in production	6	(2,083)	(2,129)
Payroll costs	7	(292)	(285)
External charges	6	(526)	(579)
Taxes other than on income		(104)	(97)
Additions to provisions	10	(109)	(26)
Other income and expenses from operations, net	9	(36)	(20)
Depreciation of right-of-use assets	9	(528)	0
EBITDAaL [(1)]	1	**1,654**	**1,755**
Share-based payment expense	29	(27)	(14)
Depreciation, amortization and provisions for impairment	10	(1,183)	(1,051)
Profit from ordinary activities		**444**	**690**
Other operating income and expense, net	11	1,683	(10)
Operating profit		**2,127**	**680**
Income from cash and cash equivalents	12	1	1
Finance costs, gross	12	(69)	(47)
Finance costs, net		**(68)**	**(46)**
Other financial income and expense, net	12	(40)	(42)
Interest on lease liabilities	12	(35)	0
Corporate income tax	13	(245)	(239)
Share of profit/(loss) of equity-accounted investees	21	(13)	(23)
Profit for the period		**1,726**	**330**
Profit for the period attributable to:			
▪ *Owners of the Company*		***1,719***	***323***
▪ *Minority interests*		***7***	***7***
Earnings per share attributable to owners of the Company (in €):			
▪ *Basic earnings per share*	14	***29.59***	***5.51***
▪ *Diluted earnings per share*	14	***29.35***	***5.38***

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	2019	2018*
PROFIT FOR THE PERIOD ……………………………………………	**1,726**	**330**
➢ Items that may be subsequently reclassified to profit:		
▪ Fair value remeasurement of interest rate and currency hedging instruments	(3)	6
Tax effect	1	(2)
	(2)	**4**
➢ Items that will not be reclassified to profit:		
▪ Post-employment benefit obligations (IAS 19 revised): impact of changes in actuarial assumptions	(5)	4
Tax effect	1	(1)
▪ Items of OCI arising from equity-accounted investments that will not be reclassified to profit	87	29
Tax effect	(11)	(4)
	72	**28**
Other comprehensive income for the period, net of tax……………………………………………………………………………	**70**	**32**
Total comprehensive income for the period ………………………..	**1,796**	**362**
Total comprehensive income for the period attributable to:		
▪ Owners of the Company	**1,789**	**355**
▪ Minority interests	**7**	**7**

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

CONSOLIDATED BALANCE SHEET – ASSETS

In € millions	Note	December 31, 2019	December 31, 2018*
Goodwill ……………………………………………............................	16	294	215
Intangible assets ………………………………..........................	17	3,729	3,938
Right-of-use assets …...	19	2,873	0
Property, plant and equipment …………………………….....	20	5,240	5,358
Investments in equity-accounted investees ……………….........	21	982	318
Other long-term financial assets ………………………….....	22	61	50
Deferred income tax assets ……………………………….	13	185	65
Other non-current assets …………………………..............	24	20	16
TOTAL NON-CURRENT ASSETS ……………………………		**13,384**	**9,960**
Inventories ………………………………………………….	23	86	90
Current income tax assets ……………………………...		14	28
Trade and other receivables ……………………………..	24	1,114	972
Other short-term financial assets …......................................	22	2	6
Cash and cash equivalents …………………....................	25	1,593	181
Receivable related to the share buyback offer …...................	26	1,400	0
TOTAL CURRENT ASSETS ……………………………..		**4,209**	**1,277**
ASSETS HELD FOR SALE …...	27	**563**	**15**
TOTAL ASSETS ………………………………….............		**18,156**	**11,252**

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € millions	Note	December 31, 2019	December 31, 2018*
Share capital ………………………………………………...	28	13	13
Additional paid-in capital ………………………………………..	28	464	439
Retained earnings and other reserves ……………………………………...............................	28	4,754	3,154
TOTAL EQUITY ………………………………….....................		**5,231**	**3,606**
Attributable to:			
. Owners of the Company ……………………………………………............……		***5,222***	***3,591***
. Minority interests ……………………………………...................		***9***	***15***
Long-term provisions …………………………………….............	30	164	2
Long-term financial liabilities …………………………………………….....................	31	3,518	3,407
Non-current lease liabilities………………………………...........	19	2,291	0
Deferred income tax liabilities ……………………………………………….................	13	9	2
Other non-current liabilities ………………………………......	32	1,333	1,563
TOTAL NON-CURRENT LIABILITIES ………………………….................................		**7,315**	**4,974**
Short-term provisions …………………………………….......	30	156	35
Taxes payable ……………………………………....................		0	0
Trade and other payables ………………………....................	32	1,854	1,880
Short-term financial liabilities ………………………………………....................	31	1,685	757
Current lease liabilities..	19	515	0
Liability related to the share buyback offer ….........................	26	1,400	0
TOTAL CURRENT LIABILITIES ……………………….…		**5,610**	**2,672**
TOTAL EQUITY AND LIABILITIES ……...........................		**18,156**	**11,252**

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	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, 2018	13	433	(21)	37	2,902	**3,364**	10	**3,374**
Movements in 2018								
▪ Profit for the period					323	**323**	**7**	330
▪ Other comprehensive income for the period, net of tax								
✓ Impact of interest rate and currency hedges				4		**4**		4
✓ Impact of items of OCI arising from equity-accounted investees				25		**25**		25
✓ Impact of fair value adjustments				3		**3**		3
✓ Impact of post-employment benefit obligations				3		**3**		3
Total comprehensive income for the period				*35*	*323*	***358***	*7*	*365*
▪ Change in share capital of Iliad S.A.		6		(15)		**(9)**		(9)
▪ Dividends paid by Iliad S.A.					(40)	**(40)**		(40)
▪ Dividends paid by subsidiaries								0
▪ Purchases/sales of own shares			(20)			**(20)**		(20)
▪ Impact of stock options and free shares			12			**12**		12
▪ Impact of changes in minority interests in subsidiaries				(74)		**(74)**	(2)	(76)
▪ Other								
Balance at December 31, 2018	13	439	(29)	(17)	3,185	**3,591**	15	3,606

In € millions	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, 2019*	13	439	(29)	(17)	3,185	**3,591**	15	**3,606**
Movements in 2019								
▪ Profit for the period					1,720	**1,720**	**7**	1,726
▪ Other comprehensive income for the period, net of tax:						**0**		
✓ Impact of interest rate and currency hedges				(3)		**(3)**		(3)
✓ Impact of post-employment benefit obligations				73		**73**	**0**	73
Total comprehensive income for the period				*69*	*1,720*	***1,789***	*7*	*1,796*
▪ Change in share capital of Iliad S.A.		25	35	(35)		**25**		25
▪ Dividends paid by Iliad S.A.					(52)	**(52)**		(52)
▪ Dividends paid by subsidiaries						**0**	(7)	(7)
▪ Purchases/sales of own shares			(66)	0		**(66)**		(66)
▪ Impact of stock options				22		**22**	0	22
▪ Impact of changes in minority interests in subsidiaries				(87)	0	**(87)**	(5)	(92)
▪ Other				0		**0**	(1)	(1)
Balance at December 31, 2019	13	464	(60)	(48)	4,853	**5,222**	9	5,231

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions	Note	2019	2018*
Profit for the period (including minority interests)		**1,726**	**330**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges		1,983	1,044
-/+ Unrealized gains and losses on changes in fair value		(1)	(2)
+/- Expenses and income related to stock options and other share-based payments		22	12
-/+ Other income and expenses, net		99	2
-/+ Gains and losses on disposals of assets		(1,969)	(1)
-/+ Dilution gains and losses		0	0
+/- Share of profit/(loss) of equity-accounted investees	21	13	23
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		**1,873**	**1,408**
+ Finance costs, net	12	68	46
+/- Income tax expense (including deferred taxes)	13	245	239
Cash flows from operations before finance costs, net, and income tax (A)		**2,186**	**1,693**
- Income tax paid (B)		(340)	(306)
+/- Change in operating working capital requirement (including employee benefit	15	(106)	31
= Net cash generated from operating activities (E) = (A) + (B) + (C)		**1,740**	**1,418**
- Acquisitions of property, plant and equipment and intangible assets	15	(2,243)	(2,447)
+ Disposals of property, plant and equipment and intangible assets		16	21
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+/- Effect of changes in scope of consolidation – acquisitions and price adjustments		(179)	(392)
+/- Effect of changes in scope of consolidation – disposals		0	0
+/- Change in outstanding loans and advances		(11)	10
- Cash outflows for leasehold rights		(4)	0
+/- Cash inflows/outflows related to assets held for sale		1,791	5
= Net cash used in investing activities (F)		**(630)**	**(2,803)**
+ 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		25	6
-/+ Own-share transactions		(66)	(35)
- Dividends paid during the period:		0	0
. Dividends paid to owners of the Company		(52)	(40)
. Dividends paid to minority shareholders of consolidated companies		(7)	0
+ Proceeds from new borrowings	31	1,135	1,528
- Repayments of borrowings	31	(68)	(86)
- Repayments of lease liabilities		(590)	0
- Net interest paid		(55)	(30)
- Interest paid on lease liabilities		(15)	0
= Net cash generated from financing activities (G)		**307**	**1,343**
+/- Effect of exchange-rate movements on cash and cash equivalents (H)		0	0
= Net change in cash and cash equivalents (E + F + G + H)		**1,417**	**(42)**
Cash and cash equivalents at beginning of year		**173**	**215**
Cash and cash equivalents at year-end	15	**1,591**	**173**

* The Group has applied IFRS 16 since January 1, 2019 using the retrospective approach, i.e. without restating comparative data for 2018.

NOTE 1: ACCOUNTING PRINCIPLES AND POLICIES

1-1. GENERAL INFORMATION

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

The iliad Group is a leading player in the telecommunications sector in France and Italy, with more than 20 million subscribers.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2019 on March 16, 2020 and their publication date was set for March 17, 2020. These financial statements will only be definitive after approval by the Company's shareholders at the Annual General Meeting scheduled to be held on May 20, 2020.

1-2. APPLICABLE ACCOUNTING STANDARDS AND POLICIES

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

1-2.1. Basis of preparation

The consolidated financial statements of the iliad Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The historical cost convention has been applied, except for financial assets and liabilities carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is used.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

1-2.2. Standards, amendments and interpretations whose application was mandatory for the first time in the fiscal year beginning January 1, 2019:

- **Annual improvements to IFRSs (2015-2017 cycle),** which comprise amendments to four standards, as follows:

  - ✓ IAS 12, Income Taxes: clarifying the recognition of the income tax consequences of dividends.
  - ✓ IAS 23, Borrowing Costs: clarifying how an entity determines the amount of borrowing costs eligible for capitalization when it borrows funds generally and uses them to obtain a qualifying asset.
  - ✓ IFRS 11, Joint Arrangements: clarifying that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.
  - ✓ IFRS 3, Business Combinations: clarifying that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

  The Group has applied these amendments.

- **Narrow-scope amendments to IAS 19 – Plan Amendment, Curtailment or Settlement.** IAS 19, Employee Benefits, specifies how a company accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement – takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The narrow-scope amendments specify that the company must use the updated assumptions from such remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

  The Group has applied these amendments.

- **Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures.** These amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees but to which the equity method is not applied. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments arising from the allocation of losses of the associate or joint venture or impairment of the net investment in accordance with IAS 28).

  The Group has applied these amendments.

- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation, applicable as from January 1, 2019.** These amendments address the issue of how to account for the frequent case of debt instruments that have prepayment features with negative compensation (i.e. the borrower is permitted to prepay the instrument at an amount that could be less than the unpaid principal and interest).

The Group has applied these amendments.

- **IFRS 16, Leases, applicable as from January 1, 2019.** IFRS 16 specifies how both lessors and lessees should recognize, measure, present and disclose leases.

  The Group has applied this standard and the impacts of its first-time application are described in Note 1.2.5 below.

- **IFRIC 23, Uncertainty over Income Tax Treatments, applicable as from January 1, 2019.** IFRIC 23 clarifies how to apply the recognition and measurement provisions in IAS 12, Income Taxes, where there is uncertainty over income tax treatments. The interpretation states that entities should use judgment to decide whether each uncertain tax treatment should be considered independently or whether some tax treatments should be considered together, when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

  The Group has applied this interpretation.

1-2.3. Standards, amendments and interpretations available for early adoption in 2019:

- **Amendments to IAS 1 and IAS 8 – Definition of Material.** These amendments clarify the definition of the term “material” and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- **Amendments to IAS 39, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform.** These amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). They modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group has not early adopted any of the above amendments.

1-2.4. New standards, amendments and interpretations that were not applicable in 2019 (as not yet endorsed by the European Union):

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** These amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business as defined in IFRS 3 (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture should only be recognized to the extent of unrelated investors' interests in the associate or joint venture.

- **Amendments to IFRS 3 – Definition of a Business.** These amendments make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The distinction is important because an acquirer recognizes goodwill only in acquiring a business, not in acquiring a group of assets.

- **IFRS 14, Regulatory Deferral Accounts.** The objective of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.

- **IFRS 17, Insurance Contracts.** IFRS 17 replaces IFRS 4, which was issued as an interim standard in 2004. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for based on present values instead of historical cost and the information will be updated regularly.

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

1-2.5. First-time application of IFRS 16, Leases:

The Group has applied IFRS 16, Leases since January 1, 2019.

IFRS 16 requires lessees to recognize a lease liability in the balance sheet representing the present value of future lease payments, with a corresponding right-of-use asset recognized and depreciated over the lease term. Lease payments corresponding to the payment of lease liabilities are recognized in the statement of cash flows under cash flows from financing activities. In accordance with this new standard, wherever possible, the Group has separated out the non-lease components (including service components) of its lease contracts in order to only include the lease components for measuring its lease liabilities.

In view of its business as a network operator, the Group is significantly affected by IFRS 16.

As well as the balance-sheet impacts of IFRS 16 (increase in assets due to the recognition of right-of-use assets, and increase in liabilities due to the recognition of lease liabilities), the presentation of the Group's income statement has also been affected. Operating expenses and purchases used in production associated with leases have been replaced by depreciation of right-of-use assets and interest expense on lease liabilities.

The lease term used to measure lease liabilities generally corresponds to the initial negotiated term of the lease, without taking into account any early termination or extension options, except for specific cases.
The accounting method used for leases when the Group is a lessor is the same as under IAS 17.

The Group elected to use the modified retrospective approach for its first-time application of IFRS 16, under which lease liabilities are measured as the present value of lease payments that have not been paid at the transition date (i.e. January 1, 2019). Accordingly, data for the comparative period of 2018 have not been restated.

The Group did not elect to apply the exemptions available in IFRS 16 relating to leases with terms of 12 months or less or for which the underlying asset is of low value.

In accordance with IFRS 16, assets and liabilities relating to finance leases under IAS 17 have been reclassified as right-of-use assets and lease liabilities for the same carrying amounts.

The discount rate used for each lease is determined based on the yield on government bonds in the lessee's home country with a maturity similar to the lease term, plus the Group's credit spread.

The weighted average incremental borrowing rate at January 1, 2019 for all of the Group's lease liabilities was 2.44%, based on the residual terms of the Group's lease contracts at the transition date.

The Group has identified three main types of leases, which relate to:

- Networks, corresponding mainly to rentals of the local loop for Landline subscribers, (ii) dark fiber, and (iii) sites (land, building roofs, pylons, etc.) used for setting up the Group's active and passive mobile network infrastructure.

In most cases, the lease term corresponds to the remaining contractual duration, except for leases of local loops, for which the lease term under IFRS 16 corresponds to the estimated life of the subscriber on said local loop.

- Real estate (land and buildings), corresponding to leases for the Group's head office, stores and technical premises.

  The lease term is compliant with the recommendations of France's accounting standards-setter, the ANC (nine years for commercial leases).

- Other (including vehicles).

  In most cases, the lease term corresponds to the remaining contractual duration.

The Group decided to apply the initial recognition exemption, permitted under IAS 12, for deferred taxes arising on recognition of right-of-use assets and lease liabilities.

In November 2019, the IFRS Interpretations Committee (IFRS IC) issued an opinion on the basis for determining the lease term to be used to calculate lease liabilities in the event the lease agreement includes an option to renew the lease. The Group has begun to analyze the potential impact of this agenda decision (which will only affect the balance sheet). As at the date its 2019 financial statements were approved for issue, it considered that the impact would not be material. A more detailed analysis will be carried out in 2020.

A breakdown of the impacts of IFRS 16 in 2019 is provided in Note 19 – Right-of-use assets and lease liabilities.

Impacts on the consolidated financial statements:

In € millions	Reported figures December 31, 2018	Impacts of applying IFRS 16	Restated figures January 1, 2019
Property, plant and equipment	5,358	(162)	5,196
O/w finance leases	*149*	*(149)*	*0*
Right-of-use assets	0	2,096	2,096
Deferred income tax assets	65	0	65
Total non-current assets	**9,960**	**1,934**	**11,894**
Trade and other receivables	972	(6)	966
Total current assets	**1,277**	**(6)**	**1,271**
Total assets	**11,252**	**1,928**	**13,180**
Total equity	**3,606**	**0**	**3,606**
Long-term financial liabilities	3,407	(37)	3,370
O/w finance lease liabilities	*37*	*(37)*	*0*
Non-current lease liabilities	0	1,471	1,471
Deferred income tax liabilities	2	0	2
Total non-current liabilities	**4,974**	**1,434**	**6,408**
Short-term financial liabilities	757	(23)	734
O/w finance lease liabilities	*23*	*(23)*	*0*
Current lease liabilities	0	542	542
Trade and other payables	1,880	(25)	1,855
Total current liabilities	**2,672**	**494**	**3,166**
Total equity and liabilities	**11,252**	**1,928**	**13,180**

Reconciliation of off-balance sheet commitments relating to operating leases at December 31, 2018 and lease liabilities at January 1, 2019:

In € millions	Amount
Off-balance sheet commitments relating to operating leases at December 31, 2018	1,528
Lease term measurement differences[(1)]	784
Lease payment measurement differences[(2)]	(292)
Finance lease liabilities at December 31, 2018[(3)]	60
Effects of discounting	(82)
Other	15
Lease liabilities at January 1, 2019	**2,013**

(1) Lease term measurement differences primarily concern leases of local loops for Landline subscribers, for which the term used under IFRS 16 corresponds to the subscriber's estimated lifetime on said local loop.

(2) Lease payment measurement differences mainly relate to non-lease components of certain contracts not included in the calculation of lease liabilities at January 1, 2019.

(3) Lease liabilities at January 1, 2019 include finance lease liabilities recognized in accordance with IAS 17 at December 31, 2018.

1-3. CONSOLIDATION

Consolidation methods

Subsidiaries

Subsidiaries are entities that are controlled by the Group. They are fully consolidated in the Group's financial statements.

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

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

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

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

Associates

Associates are all entities over which the Group has significant influence but not control or joint control (i.e. entities that are not subsidiaries or joint ventures). Interests in associates are accounted for using the equity method.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- ✓ representation on the Board of Directors or equivalent governing body of the investee;
- ✓ participation in policy-making processes, including participation in decisions about dividends or other distributions;
- ✓ material transactions between the Group and its investee;
- ✓ interchange of managerial personnel; or
- ✓ provision of essential technical information.

The financial statements of associates are accounted for by the equity method in the Group's consolidated financial statements from the date significant influence arises to the date significant influence ceases.

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

Eliminations on consolidation

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

Business combinations

The Group applies the acquisition method to account for business combinations.

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

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recognized as goodwill except for costs directly attributable to the acquisition, which are recorded in the income statement.

If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is carried out, the combination is accounted for using those provisional values and any adjustments made as a result of completing the initial accounting must be recognized within 12 months of the acquisition date.

Goodwill

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

Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill related to acquisitions of associates is included in "Investments in equity-accounted investees". Separately recognized goodwill is tested for impairment annually – or whenever events or circumstances indicate that it may be impaired – and is carried at cost less any accumulated impairment losses. Impairment losses on goodwill may not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Goodwill impairment losses are recorded within operating profit in the income statement, under "Other operating income and expense, net".

Functional and presentation currency

In accordance with IAS 21, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

Unless otherwise specified, all amounts are presented in millions 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 12);
- current and deferred taxes;
- share of profit of equity-accounted investees.

Profit from ordinary activities corresponds to operating profit as defined above, before "Other operating income and expense, net". These items include income and expenses that are rare, unusual and infrequent, which represent material amounts and whose presentation within other items relating to ordinary activities could be misleading for users of the financial statements in their understanding of the Group's performance.
Costs included in "Other operating income and expense, net" notably include expenses incurred for acquiring new entities or costs borne on the sale of a Group entity.
In 2018, they also included the costs of the one-off "purchasing power" bonus payable to employees in France as announced by the French government at the end of that year.

The Group has elected to present an additional indicator of earnings performance in its income statement:

- EBITDAaL

EBITDA is a key indicator of the Group's operating performance and corresponds to profit from ordinary activities (as defined above) 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 IFRS 15, Revenue from Contracts with Customers:

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

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

- Revenues from the sale of mobile phones and boxes are recognized when they are delivered to the purchaser.

- Revenues from the sale or provision of content supplied by external parties are presented as a gross amount when the Group is deemed to be the party in the transaction with primary responsibility in relation to the end-customer. These revenues are presented net of the amounts due to the content supplier when it is the content supplier that is responsible for providing the content to the end-customer and setting the retail price.

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

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

The Group applies IFRS 16 when recognizing revenues generated by the rental of mobile phones. Based on an analysis of the classification criteria in IFRS 16, the Group considers that the present value of the lease payments receivable is approximately equivalent to the fair value of the leased asset and that losses associated with any cancellation are borne by customers (i.e. the lessees). Consequently, revenues from these transactions are accounted for as sales revenue as provided for in IFRS 16.
The application of IFRS 15 does not affect this accounting treatment.

The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased phone less the present value of the unguaranteed residual value. This accounting treatment does not affect the legal classification of these transactions under French law, which still corresponds to the rental of a movable asset.

Foreign currency transactions

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

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

Earnings per share

The Group presents basic and diluted earnings per share.

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

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

Intangible assets

Intangible assets primarily include the following:

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

  These costs are recognized as intangible assets when they relate to distinctly separate projects for which (i) the costs can be clearly identified, (ii) the technical feasibility of successfully completing the project can be demonstrated, and (iii) it is probable that future economic benefits will be generated.

  These conditions are deemed to be met when the six general criteria defined in IAS 38 are fulfilled, i.e. when the Group can demonstrate:

  1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
  2) its intention to complete the intangible asset and use or sell it;
  3) its ability to use or sell the asset;
  4) how the intangible asset will generate probable future economic benefits;
  5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
  6) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

  Capitalized development costs are presented net of any related subsidies or research tax credits.

- Intangible assets acquired in connection with a business combination. These assets are recognized separately from goodwill when (i) their fair value can be measured reliably, (ii) they are controlled by the Group, and (iii) they are identifiable, i.e. are separable or arise from contractual or other legal rights. Where these assets have a finite useful life they are amortized from the date they are made available for use in the same way as for intangible assets acquired separately, and an impairment loss is recognized if their carrying amount exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired.

Licenses are amortized over the residual license period from the date when the related network is technically ready for the service to be marketed. The Group's 3G and 4G licenses in France are being amortized on a straight-line basis over a period of 18 years on average.

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

The national roaming agreement for Metropolitan France is being amortized over a period of four years as from the effective date of the last addendum signed in early 2017 with the incumbent operator. Amortization is spread over the period based on decreasing volumes between 2017 and 2020.
The Group's Multi-Operator Core Network (MOCN) agreement in Italy is being amortized as from June 2018, when it came into force following the launch of iliad's Italian mobile business.

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

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

Property, plant and equipment

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

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

- buildings: 15 to 50 years;
- technical equipment: 3 to 14 years;
- general equipment: 10 years;
- specific investments for optical fiber network rollouts: 8 to 30 years;
- specific investments for mobile network rollouts: 4 to 18 years;
- computer equipment: 3 to 5 years;
- office furniture and equipment: 2 to 10 years;
- modems: 5 years;
- access fees for co-location facilities used to conduct unbundling operations are depreciated over a period of 15 years;
- access fees for services specific to broadband Internet operations are depreciated over 7 years;
- amounts paid as consideration for obtaining indefeasible rights of use (IRUs) on dark optical fibers are depreciated over the term of use of the fiber concerned.

At each reporting date, the Group assesses whether the depreciation schedules still reflect the useful lives of its assets, and makes amendments where necessary.

Borrowing costs

In accordance with IAS 23, borrowing costs directly attributable to the acquisition or production of a qualifying asset are included in the cost of that asset.

Impairment of non-financial 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 either 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 under the “hold to collect” business model (held for the purpose of collecting contractual cash flows, notably for repayments of principal and collection of interest payments) are measured at amortized cost. This is the case for loans and paid deposits and guarantees.

Financial assets held under the “hold to collect and sell” business model (held for the purpose of collecting contractual cash flows – notably for repayments of principal and collection of interest payments – as well as selling the financial assets) are measured at fair value through other comprehensive income.

Financial assets held under other business models are measured at fair value through profit or loss. This is the case for hedging instruments that are classified as financial assets.
However, in some cases, the Group has used the fair value option available in IFRS 9, and on initial recognition has irrevocably designated certain financial assets at fair value through other comprehensive income that would otherwise have been designated at fair value through profit or loss. This is notably the case for investment securities.

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 corresponds to the original invoice amount.

The Group recognizes a provision for expected credit losses on receivables. The probability of default and the expected credit loss are measured based on historical data adjusted for forward-looking information such as specific factors or the general economic environment.
Expected credit losses are measured by reference to the probability of default occurring, the “loss given default” (i.e. the size of the loss in the event of default), and exposure at default.
The amount of expected credit losses is remeasured at each reporting date to reflect changes in credit risk since the initial recognition of the financial instruments concerned. In order to assess whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the credit default risk at the reporting date with the default risk on the financial instrument at the initial recognition date. This allows the Group to collate reasonable and documented quantitative and qualitative information about expected credit losses, including the existence of any unresolved claims and litigation, claims history and any significant financial difficulties experienced by its debtors.

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 for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Cash and cash equivalents

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

Bank overdrafts are classified as current financial liabilities.

Assets held for sale

In accordance with IFRS 5, non-current assets that are immediately available for sale in their present condition, and whose sale is highly probable in the short/medium term are classified as "Assets held for sale".

These assets are presented in the balance sheet under "Assets held for sale" and are measured at the lower of carrying amount and fair value less costs to sell.

Own shares held

Own shares held are recognized as a deduction from equity based on their acquisition cost. Gains and losses on the disposal of own shares held are also recorded in equity.

Provisions

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, when the Group's obligations to third parties known at the balance sheet date are certain or likely to cause an outflow of resources for the benefit of a third party, without at least equivalent consideration, a provision is recorded when the amount concerned can be estimated with sufficient reliability.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

<u>Interest-bearing borrowings</u>

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

<u>Convertible bonds</u>

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

Employee benefits

Other than share-based payments – which are described in a specific note – the only employee benefits within the Group correspond to post-employment benefits.
In accordance with IAS 19, Employee Benefits, independent actuarial valuations of post-employment benefit obligations under defined benefit plans are made using the projected unit credit method, with benefit entitlements recognized in line with vesting.

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

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

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

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

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

Stock options and share grants

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

Calculations of the fair value of stock options are performed based on criteria such as the exercise price and life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends on the shares and the risk-free interest rate over the life of the options.

The fair value of stock options is recognized under "Share-based payment expense" on a straight-line basis over the vesting period (i.e. the service period that must be completed in order for the options to vest), with a corresponding adjustment to equity for equity-settled plans and to employee-related liabilities for cash-settled plans.

Performance shares are measured at fair value based on the iliad share price at the grant date and, where appropriate, taking into account certain vesting conditions using a mathematical valuation model. Vesting conditions not taken into account for the fair value measurement at the vesting date are taken into account in estimating the number of shares that will vest at the end of the vesting period. This benefit is recognized in the income statement under "Share-based payment expense", on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

A certain number of Group employees have been granted shares in iliad subsidiaries subject to conditions relating to their presence within the Group. The shares are measured based on the fair value of the benefit granted to the employee on the grant date, with the calculation incorporating assumptions concerning the staff turnover rate for beneficiaries, a discount in respect of the lock-up period, and the fair value of the shares at the grant date. This benefit is recognized in the income statement under “Share-based payment expense”, on a straight-line basis over the vesting period of the shares, with a corresponding adjustment to equity.

Derivative financial instruments and hedging activities

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

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

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. It also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Notes 34 and 35. 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 is exercised, terminated or sold;
- 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 38.

Changes in scope of consolidation in 2019

On January 18, 2019, the Group announced that it had entered into a strategic alliance with Jaguar Network by acquiring a 75.9% majority stake in the Company for €99 million. Jaguar Network's long-standing shareholder and founder has retained the remaining 24.1% interest in the company and continues to serve as its Chief Executive Officer.

A new company – Investissement dans la Fibre des Territoires (IFT) – was created in 2019, and in October the Group transferred to IFT its co-financed fiber assets which were previously held by Free and Free Infrastructure.
This transaction did not have any impact on consolidated profit for 2019. On February 28, 2020, the Group sold a majority interest in IFT to a third party.
In accordance with IFRS 5, the corresponding assets have been reclassified as assets held for sale in the consolidated financial statements at December 31, 2019.

In December 2019, Free Mobile transferred its passive mobile infrastructure business to On Tower France. Following this transfer, 70% of the shares in On Tower France were sold to a third party for €1,403 million. The impact of this transaction on consolidated profit for 2019 is described in Note 11.
At end-2019, the Group held a 30% stake in On Tower France, which has been consolidated by the equity method since the Group sold its majority interest in the company.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future.

It continually reviews 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 the fair value of certain financial assets.
- Assessment of the recoverable amount of deferred tax assets recognized for tax loss carryforwards.
- Assessment of doubtful receivables and calculating the corresponding impairment losses.
- The length of mobile phone rental periods.
- Assessment of the estimated net realizable value of inventories and calculating the corresponding impairment losses.
- Assessment of risks related to disputes and litigation in process and calculating the corresponding provisions.
- Estimation of future cash outflows for certain operating licenses granted to the Group for which the definitive prices have not yet been set.
- Determining whether the Group is principal or agent in accordance with IFRS 15.
- Determining the non-cancellable term of leases, separating the lease and service components, and determining the incremental borrowing rate when the rate implicit in the lease cannot be readily determined for the purpose of applying IFRS 16.

NOTE 4: REVENUES

Consolidated revenues rose 9.1% to €5.3 billion in 2019.

The presentation of the Group's revenues by geographic segment is provided in Note 5 below.

This presentation may be changed in the future, depending on operating criteria and the development of the Group's businesses.

NOTE 5: SEGMENT INFORMATION

The Group has two operating segments, effective since the launch of its business in Italy:

- France
- Italy

2019 revenues

In € millions	France	Italy	Total
Revenues			
Landline	2,709	0	**2,709**
Mobile	2,202	427	**2,629**
Intra-group sales	(6)	0	**(6)**
Total	4,905	427	**5,332**

2019 earnings

In € millions	France	Italy	Total
Earnings			
EBITDAaL	1,907	(253)	**1,654**
Share-based payment expense	(26)	(1)	**(27)**
Depreciation, amortization and provisions for impairment of non-current assets	(1,020)	(163)	**(1,183)**
Profit/(loss) from ordinary activities	861	(417)	**444**
Profit/(loss) for the period	1,787	(61)	**1,726**

Assets, excluding investments in equity-accounted investees and related options

In € millions	France	Italy	Total
Non-current assets			
Intangible assets (carrying amount)	1,411	2,318	**3,729**
Right-of-use assets (carrying amount)	2,500	373	**2,873**
Property, plant and equipment (carrying amount)	5,034	206	**5,240**
	0		
Current assets (excluding cash and cash equivalents, financial assets and tax assets)	907	293	**1,200**
	0		
Cash and cash equivalents	1,592	1	**1,593**

Liabilities, excluding financial liabilities and taxes payable

In € millions	France	Italy	Total
Non-current liabilities			
Other non-current liabilities	134	1,199	**1,333**
Current liabilities			
Trade and other payables	1,147	707	**1,854**

NOTE 6: 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;
- costs and fees related to the FTTH business;
- acquisitions of goods and services for resale or for use in designing goods or services invoiced by the Group.

External charges primarily comprise:

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

NOTE 7: HUMAN RESOURCES DATA

Payroll costs

Payroll costs break down as follows:

In € millions	2019	2018
▪ Wages and salaries	(224)	(213)
▪ Payroll taxes	(68)	(72)
Total	**(292)**	**(285)**

Number of employees at year-end

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

Number of employees at year-end	2019	2018
▪ Management	1,930	1,573
▪ Other	9,153	8,503
Total	**11,083**	**10,076**

Post-employment benefits

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

The following main economic assumptions were used to measure the Group's post-employment benefit obligations at December 31, 2019 and 2018:

In € millions	2019	2018
Present value of obligation at beginning of year:	19	19
▪ Current service cost	3	3
▪ Loss/(gain) from changes in assumptions	5	(4)
▪ Experience (gains)/losses	0	1
Total	**27**	**19**

Movements in the Group's post-employment benefit obligations in 2019 and 2018 can be analyzed as follows:

	2019	2018
▪ Discount rate	1.00%	1.90%
▪ Long-term inflation rate	2%	2%
▪ Mortality table	INSEE TD/TV 2013-2015	INSEE 2012-2014
▪ Type of retirement	Voluntary	Voluntary
▪ Retirement age		
- Management - Other	Statutory retirement age post 2014 French pension reform and the 2015 French Social Security Financing Act	Statutory retirement age post 2014 French pension reform and the 2015 French Social Security Financing Act

The impact on equity of the Group's post-employment benefit obligations was a negative €4,775 thousand (before tax) at December 31, 2019 and the amount recognized in the income statement for the year then ended corresponded to a €3,637 thousand expense (before tax).

NOTE 8: 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 Online.
- The technological development costs incurred in the mobile telephony business, notably concerning the network's architecture and functionalities. These costs are primarily incurred by Free Mobile.

Development costs incurred in 2019 are presented net of any related research tax credits.

In € millions	2019	2018
▪ Capitalized development costs	(13)	(10)
▪ Development costs recognized directly in the income statement	(1)	(1)
Total	**(14)**	**(11)**

NOTE 9: OTHER INCOME AND EXPENSES FROM OPERATIONS

"Other income from operations" breaks down as follows:

In € millions	2019	2018
▪ Proceeds from sales of non-current assets	6	36
▪ Customer contract termination fees	8	9
▪ Other revenues	4	18
Total other income from operations	**18**	**63**

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

In € millions	2019	2018
▪ Carrying amount of divested non-current assets	(5)	(32)
▪ Royalties and similar fees	(44)	(42)
▪ Bad debts	0	0
▪ Other	(5)	(9)
Total other expenses from operations	**(54)**	**(83)**

In € millions	2019	2018
Other income and expenses from operations, net	(36)	(20)

NOTE 10: 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 € millions	2019	2018
▪ Depreciation and amortization expense:		
. Intangible assets	(370)	(287)
. Property, plant and equipment	(814)	(765)
▪ Additions to provisions for impairment of non-current assets:		
. Property, plant and equipment	(2)	(1)
▪ Depreciation/amortization of investment grants		
. Intangible assets	2	1
. Property, plant and equipment	1	1
Total	**(1,183)**	**(1,051)**

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

In € millions	2019	2018
▪ Provisions for contingencies and charges	(44)	6
▪ Provisions for impairment of inventories and trade receivables	(65)	(32)
Total	**(109)**	**(26)**

NOTE 11: OTHER OPERATING INCOME AND EXPENSE, NET

In € millions	2019	2018
▪ Acquisitions and sales of real estate held for sale	(1)	(10)
▪ Gains on asset disposals	1,968	0
▪ Other operating expenses	(284)	0
Total	**1,683**	**(10)**

The €1 million net expense recognized in 2019 under "Acquisitions and sales of real estate held for sale" mainly related to IRE and IMI.

Gains on asset disposals

On May 7, 2019, the Group announced that it had entered into a strategic partnership with Cellnex concerning its passive mobile infrastructure in France and Italy. The partnership deal was finalized on December 3, 2019 for Italy and December 23, 2019 for France.

In France, iliad sold to Cellnex 70% of the company that manages its French passive mobile telecommunications infrastructure ("On Tower France"), comprising 5,700 sites at end-2019.

Prior to the sale of this 70% stake, the Group had transferred to On Tower France all of the assets and liabilities related to its passive mobile telecommunications infrastructure activities for almost €2 billion.

In Italy, this partnership concerned the sale of around 2,200 sites. The partnership deal was completed by iliad Italia on December 3, 2019 and a total amount of €600 million was paid to iliad.

The total gain recognized on these two disposals represented €1,968 million in 2019.

Other operating expenses

This caption includes miscellaneous costs and other expenses incurred by the Group in connection with operations initiated in 2019, including mainly the partnership with Cellnex.

It also includes impairment losses recognized against long-term contracts that have become onerous following the Group's strategic repositioning or due to changes in economic circumstances or market conditions since the contracts were signed.

NOTE 12: FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be analyzed as follows:

In € millions	2019	2018
▪ Income from cash and cash equivalents	1	1
▪ Finance costs, gross:		
. Interest on borrowings	(69)	(47)
Finance costs, net	**(68)**	**(46)**
▪ Other financial income	3	2
Sub-total – Other financial income	3	2
▪ Other financial expenses		
. Translation adjustments/Hedging expense	(2)	(4)
. Discounting expense	(41)	(40)
. Other	0	0
Sub-total – Other financial expenses	(43)	(44)
Other financial expense, net	**(40)**	**(42)**
Interest on lease liabilities	**(35)**	**0**
Net financial expense	**(143)**	**(88)**

Net financial expense primarily concerns the costs of the Group’s various sources of financing (see Note 31) as well as discounting expense.

Finance costs, gross, mainly comprise interest on borrowings.

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

Interest on lease liabilities recognized in 2019 relates to the Group's application of IFRS 16.

NOTE 13: CORPORATE INCOME TAX

Analysis of the corporate income tax charge

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

In € millions	2019	2018
Current taxes		
▪ on income	(341)	(253)
▪ on value added (CVAE)	(38)	(33)
Current income tax charge	**(379)**	**(286)**
Deferred taxes		
▪ on income	134	47
▪ on value added (CVAE)	0	0
Deferred income tax benefit/(charge)	**134**	**47**
Total tax charge	**(245)**	**(239)**

Tax group

iliad has set up a tax group, which at end-2019 included all consolidated companies except for companies that were less than 95%-owned by the Group and companies whose registered office is located outside France.

Description of deferred tax assets/liabilities and tax loss carryforwards

The iliad Group’s deferred tax assets and liabilities mainly arise on non-current assets and on tax loss carryforwards.

At December 31, 2019, deferred tax assets arising on tax loss carryforwards related solely to Italy and amounted to €44 million compared to €45 million at December 31, 2018. The tax loss carryforwards were recognized in full at December 31, 2019 in view of the resounding commercial success of the launch of the Group’s Italian subsidiary and based on the Group’s five-year forecasts for this subsidiary.
The tax losses in Italy can be carried forward indefinitely.
The iliad Group expects these losses to be absorbed within a period of approximately five years.

Tax proof

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

In € millions	2019	2018
Profit for the period	1,726	**330**
▪ Corporate income tax	245	239
Consolidated profit from continuing operations before tax	**1,971**	**569**
Theoretical tax rate	32.02%	34.43%
▪ Net impact of permanent differences	-22.04%	+2.96%
▪ Impact of unrecognized tax loss carryforwards	-0.09%	-0.16%
▪ Impact of different tax rates	+2.53%	+4.75%
▪ Other impacts	0.00%	+0.02%
Effective tax rate	12.42%	42.00%

Unrecognized deferred tax assets

Unrecognized deferred tax assets concern:

- Tax loss carryforwards of companies outside the iliad tax group that have been in a loss-making position for several years and are not expected to return to profit in the near future.

- Tax loss carryforwards that are not expected to be utilized based on the projected future earnings of the companies concerned using information available at the balance sheet date, or when the companies concerned have been historically loss-making and their turnaround is in progress.

Unrecognized deferred tax assets totaled €1,573 thousand at December 31, 2019 versus €899 thousand at December 31, 2018.

NOTE 14: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share:

Basic earnings per share	2019	2018
▪ Number of shares at the year-end	59,162,081	59,045,555
▪ Weighted average number of shares	58,092,463	58,602,699

Diluted earnings per share

	2019	2018
Profit for the period attributable to owners of the Company	**1,719**	**323**
Interest expense on OCEANE convertible bonds	0	0
Diluted profit for the period attributable to owners of the Company	**1,719**	**323**
Weighted average number of shares outstanding (after dilution)		
▪ Weighted average number of shares outstanding (see above)	58,092,463	58,602,699
▪ Number of share equivalents:		
. Stock options and free share grants	470,803	1,358,337
Maximum weighted average number of shares after dilution	**58,563,266**	**59,961,036**
Diluted earnings per share (in €)	**29.35**	**5.38**

Dilutive instruments

As iliad’s average share price in 2019 was €97.64, all of the Group’s stock option and free share plans were considered to be dilutive during the year except for the iliad free share plan set up in 2019.

NOTE 15: 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 2019 and 2018 can be analyzed as follows:

2019	Note	Balance at Jan. 1, 2019	Net debits	Net credits	Impact of changes in	Other	Balance at Dec. 31, 2019
▪ Net inventories	23	90		(4)			86
▪ Net trade receivables	24	641		(83)	(1)	4	561
▪ Other net receivables	24	320	257		(24)		553
▪ Trade payables (suppliers of goods and services)	32	(712)	45		4		(663)
▪ Other payables		(449)		(138)	(4)	(4)	(595)
TOTAL		**(110)**	**302**	**(225)**	**(25)**	**0**	**(58)**
Change in operating working capital requirement in 2019			**77**				

2018	Note	Balance at Jan. 1, 2018	Net debits	Net credits	Impact of changes in	Other	Balance at Dec. 31, 2018
▪ Net inventories	23	31	59		0	0	90
▪ Net trade receivables	24	492	149		0	0	641
▪ Other net receivables	24	233	87		0	0	320
▪ Trade payables (suppliers of goods and services)	32	(490)		(220)	1	(3)	(712)
▪ Other payables		(347)		(106)	4	0	(449)
TOTAL		**(81)**	**295**	**(326)**	**5**	**(3)**	**(110)**
Change in operating working capital requirement in 2018			**(31)**				

Other receivables

	Note	December 31, 2019	December 31, 2018
Trade and other receivables:	24	1,114	972
▪ Net trade receivables (incl. VAT)	24	(561)	(641)
▪ Receivables on sales of non-current assets (excl. VAT)	24	0	(11)
Other receivables		**553**	**320**

Other payables

	Note	December 31, 2019	December 31, 2018
Trade and other payables:	32	3,187	3,443
▪ Suppliers of goods and services (incl. VAT)	32	(664)	(712)
▪ Suppliers of non-current assets (excl. VAT)		(1,812)	(2,282)
Other payables		**711**	**449**

Acquisitions of property, plant and equipment and intangible assets

This item can be analyzed as follows:

	Note	December 31, 2019	December 31, 2018
▪ Acquisition of intangible assets	17	155	1,513
▪ Acquisition of property, plant and equipment	20	1,732	1,702
▪ Suppliers of non-current assets (excl. VAT):			
. at January 1		2,282	1,487
. impact of first-time application of IFRS 16		(20)	0
. at December 31		(1,796)	(2,282)
▪ Other		(110)	27
Total		**2,243**	**2,447**

Cash and cash equivalents

	Note	Cash and cash equivalents at December 31, 2019	Cash and cash equivalents at December 31, 2018
Cash (including currency hedges)	25	259	68
Marketable securities	25	1,334	113
Sub-total		1,593	181
Bank overdrafts	31	(2)	(8)
Total		**1,591**	**173**

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 € millions	2019	2018
▪ Acquisitions of assets under finance leases	**0**	**39**

These contracts were reclassified in 2019 and are now recognized under "Right-of-use assets" in accordance with IFRS 16.

NOTE 16: GOODWILL

In € millions	2019	2018
Carrying amount at January 1	294	215
Carrying amount at December 31	**294**	**215**

The €79 million year-on-year increase in goodwill reflects the acquisition of Jaguar Network on January 18, 2019.

The table below shows a breakdown of the goodwill calculation for this acquisition:

Purchase price of Jaguar Network	**99**
▪ Jaguar equity at the acquisition date	4
▪ Valuation of the Jaguar brand	3
▪ Valuation of Jaguar customer relationships	25
▪ Impact of deferred tax	(8)
▪ Other allocations	3
Remeasured Jaguar equity at the acquisition date	27
Share of remeasured equity acquired by Iliad	**20**

Goodwill arising on the Jaguar Network acquisition	**79**

NOTE 17: INTANGIBLE ASSETS

Intangible assets break down as follows:

In € millions	December 31, 2019			December 31, 2018		
	Gross	Amortization and impairment	Net	Gross	Amortization and impairment	Net
Acquisitions:						
▪ 3G licenses - France	323	143	180	323	125	198
▪ 4G licenses - France	1,296	228	1,068	1,284	163	1,121
▪ Licenses - French overseas départements	11	0	11	8	0	8
▪ Licenses - Italy	2,052	212	1,840	2,050	75	1,975
▪ Alice customer base	25	24	1	25	22	3
▪ Other intangible assets	1,864	1,252	612	1,726	1,105	621
Internally-generated intangible assets:						
▪ Development costs	28	11	17	22	10	12
Total	**5,599**	**1,870**	**3,729**	**5,438**	**1,500**	**3,938**

France:

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

In September 2011, the Group was allocated a license for 20 MHz (duplex) of spectrum in the new generation 4G (2,600 MHz) frequency band for a cost of €278.1 million. The carrying amount of this asset includes related borrowing costs in accordance with IAS 23. This spectrum has been used since December 2013.

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

Following a spectrum auction in France, in November 2015 the Group was allocated 10 MHz (duplex) in the 700 MHz (4G) band for €933 million.

This frequency band was gradually brought into service between 2016 and 2019 as it became available.
The first tranche of the 700 MHz band (20.66%) was brought into service in 2016. New tranches were subsequently brought into service throughout 2018 (representing 34.03% of the band) and in 2019 (45.31%).
At December 31, 2019, the entire 700 MHz (4G) frequency band had therefore been brought into service.

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

In 2018, ARCEP (the French telecommunications regulator) carried out a procedure to reallocate frequencies in the 900 MHz, 1,800 MHz and 2.1 GHz bands, whose licenses expire between 2021 and 2024. Following this procedure, the Group will have additional frequencies in the 900 MHz and 2.1 GHz bands. As mentioned above, Free Mobile already has a license to use frequencies in the 1,800 MHz band.

Following ARCEP’s final decision issued on November 15, 2018 concerning the reallocation of frequencies, the Group will have an additional 3.7 MHz in the 900 MHz frequency band and an additional 9.8 MHz in the 2.1 GHz band. This reallocation procedure will gradually lead to a more balanced split of frequencies between France’s operators. The frequencies in the 900 MHz and 2.1 GHz bands allocated to Free Mobile will be available when their current licenses expire, i.e. in 2021 and 2024 respectively.

The Group currently has a total portfolio of 55 MHz duplex with balanced coverage across Metropolitan France, enabling it to deliver high-performing services in both 3G and 4G. This portfolio will be increased to 68.5 MHz following the frequency reallocation procedure described above.

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.

Italy:

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

The assets transferred to the Group pursuant to this agreement include licenses to use a portfolio of 2x35 MHz frequencies (2x5 MHz in the 900 MHz band, 2x10 MHz in the 1,800 MHz band, 2x10 MHz in the 2,100 MHz band and 2x10 MHz in the 2,600 MHz band) at a cost of €450 million (excluding extensions and transfer taxes), to be paid between 2017 and 2019. At December 31, 2019, the Group had paid all of the amounts due for these frequencies.

In addition, in 2017, the Group paid €220 million to the Italian government under its process to refarm and extend the licenses for 1,800 MHz frequencies until 2029.

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

Part of this frequency portfolio was used by Wind/H3G during a transition period that expired at the end of 2019.

In accordance with IAS 38, the Group recognized an €895.9 million intangible asset, corresponding to the present value of the expected cash outflows for the Italian spectrum licenses.

The discount rate used to calculate this intangible asset was 2.11%, corresponding to the average interest rate on the Group's gross borrowings for the second half of 2016.

In its 2018 Finance Act published in late 2017, the Italian government issued its procedures for the assignment of 700 MHz frequencies as well as the 3,600 MHz-3,800 MHz and 26 GHz-27 GHz frequencies that will be used for 5G. The results of the spectrum auction were announced in October 2018,

and the Group was allocated the following (for a total of €1,193 million):

- 2x10 MHz in the 700 MHz band;
- 20 MHz in the 3.6-3.8 GHz band;
- 200 MHz in the 26.5-27.5 GHz band.

At December 31, 2019, the Group had paid a total of €152 million for these frequencies and the balance will be paid by end-2022.

In accordance with IAS 38, the Group recognized a €1,128.8 million intangible asset, corresponding to the present value of the expected cash outflows for its Italian 5G license. The discount rate used to calculate this intangible asset was 1.56%, corresponding to the average interest rate on the Group's gross borrowings for 2018. The contra-entry to the recognition of this €1,128.8 million intangible asset was recorded as a payable.

Group:

Borrowing costs capitalized in previous years relating to the Group's licenses represented a gross amount of €87 million at December 31, 2019. The amount capitalized during the year was €7 million.

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

Movements in net intangible assets can be analyzed as follows:

In € millions	December 31, 2019	December 31, 2018
Net at January 1	3,938	2,705
Additions:		
. acquisitions	155	1,513
. asset remeasurement	0	0
. internally-generated intangible assets	12	8
Reclassifications	0	0
Other	(6)	(1)
Amortization and impairment	(370)	(287)
Net at December 31	**3,729**	**3,938**

Intangible assets in progress

The carrying amount of intangible assets in progress is included in the carrying amounts of the various categories of intangible assets, as follows:

In € millions	December 31, 2019	December 31, 2018
▪ Licenses	1,620	2,470
▪ Other	2	1
Total	**1,622**	**2,471**

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.

Impairment tests

At December 31, 2019 the Group carried out its annual impairment test on its France Retail Telecom CGU and Italy Retail Telecom CGU. The test was performed by comparing each CGU's recoverable amount against its carrying amount.

The recoverable amounts were calculated using the discounted cash flow method based on in-house Business Plans drawn up by the Group.
Consequently, on the basis of these impairment tests, no impairment losses were recognized against any of the assets allocated to the two CGUs.

The assumptions used for calculating the recoverable amounts of the France and Italy CGUs were as follows at December 31, 2019:

	France CGU	**Italy CGU**
Post-tax discount rate	6.4%	10.0%
Perpetuity growth rate	1.0%	1.5%

Sensitivity of recoverable amounts

At December 31, 2019, the Group performed a sensitivity test on its Italy Retail Telecom CGU. No material impairment loss came to light as a result of this test.

The test measured sensitivity to each of the following variables:
− an increase of 0.5% in the discount rate;
− a decrease of 0.5% in the perpetual growth rate;
− a decrease of 5% in cash in the last year of the business plan.

NOTE 19: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group’s three main types of leases are as follows:

	Networks	Real estate	Other
January 1, 2019	89.7%	9.8%	0.5%
December 31, 2019	91.9%	7.4%	0.6%

The carrying amount of right-of-use assets breaks down as follows:

In € millions	Networks	Real estate	Other	TOTAL
Carrying amount at January 1, 2019	**1,881**	**205**	**10**	**2,096**
Acquisitions (new assets)	1,676	33	17	**1,726**
Disposals	(407)	(1)	0	**(408)**
Reclassification of assets held for sale	0	0	0	**0**
Impact of changes in scope of consolidation	4	6	0	**10**
Other	(28)	5	0	**(23)**
Depreciation	(489)	(31)	(8)	**(528)**
Carrying amount at December 31, 2019	**2,637**	**217**	**19**	**2,873**

Lease liabilities break down as follows:

In € millions		Networks	Real estate	Other	TOTAL
January 1, 2019	Non-current	1,299	169	3	1,471
January 1, 2019	Current	506	30	6	542
Total carrying amount of lease liabilities at January 1, 2019		***1,805***	***199***	***9***	***2,013***
December 31, 2019	Non-current	2,089	193	9	2,291
December 31, 2019	Current	481	26	8	515
Total carrying amount of lease liabilities at December 31, 2019		***2,570***	***219***	***17***	***2,806***

Breakdown of the Group’s undiscounted lease liabilities at December 31, 2019:

In € millions	December 31, 2019	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Due beyond 5 years
Undiscounted lease liabilities	**3,845**	592	441	367	294	230	1,921

NOTE 20: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment can be analyzed as follows:

In € millions	December 31, 2019			December 31, 2018		
	Gross	Depreciation	Net	Gross	Depreciation	Net
▪ Land and buildings(1)	79	5	74	154	13	141
▪ Network usage rights	191	114	77	189	105	84
▪ Service access fees	750	413	337	763	396	367
▪ Network equipment(2)	7,570	3,424	4,146	7,277	3,129	4,148
▪ Other	772	166	606	753	135	618
TOTAL	**9,362**	**4,122**	**5,240**	**9,136**	**3,778**	**5,358**
(1) of which finance leases	0	0	0	85	9	76
(2) of which finance leases	0	0	0	224	150	74

In accordance with IFRS 16, assets relating to finance leases were reclassified to "Right-of-use assets" at January 1, 2019.

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

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

In € millions	2019	2018
Net at January 1	**5,358**	**4,417**
Impact of applying IFRS 16	(125)	
Net at January 1 after applying IFRS 16	**5,233**	**4,417**
Acquisitions(*)	1,732	1,740
Disposals	(414)	(32)
Reclassifications	(534)	0
Impact of changes in scope of consolidation	21	(1)
Other	(13)	(1)
Depreciation and impairment	(785)	(765)
Net at December 31	**5,240**	**5,358**

(*) Acquisitions excluding assets acquired under finance leases	0	1,702

During 2019, the Group kept up its capital spending drive for growth projects. This included the following:

- A step-up in the pace of investments for the FTTH network rollout, with a particular acceleration in rollouts in “averagely populated areas”, and an increase in the number of subscribers being connected up to fiber.

- Mobile-related capital expenditure, reflecting the significant progress made in the mobile network rollout and technological upgrades, particularly for 4G/4G+.

- Capital expenditure related to the launch of the new Freeboxes at end-2018.

- Capital expenditure for fixed operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses).

- Investment in the hosting business, which is growing rapidly.

- Investments related to the Group’s Italian mobile business (expenditure for structural work and capital outlay for the network).

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 2019, no such events or circumstances were identified that had a material effect on the carrying amount of these assets.

Assets under construction

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

In € millions	December 31, 2019	December 31, 2018
▪ Land and buildings	28	29
▪ Network usage rights	3	3
▪ Network equipment	926	772
Total	**957**	**804**

NOTE 21: EQUITY-ACCOUNTED INVESTEES

The Group has three main equity-accounted investees:

- Telecom Réunion-Mayotte (TRM) – 50% interest, acquired on November 6, 2015 for €24 million.

- NJJ Boru – 49% interest, acquired on April 6, 2018 for c. €316 million as part of the eir transaction. At the same date, NJJ Boru acquired a 64.5% interest in eir.
  The Group therefore holds a 31.6% indirect interest in eir – Ireland's incumbent telecom operator – alongside NJJ (Xavier Niel's private holding company), which agreed to purchase a 32.9% indirect interest in eir.

  This investment by iliad and NJJ (via its subsidiary NJJ Tara) was carried out through a joint vehicle – NJJ Boru – which is 49% owned by the Group and 51% by NJJ Tara.

  The €316 million acquisition price breaks down as (i) €300 million corresponding to the value of the Group's investment in eir, recognized by the equity method and (ii) €16 million representing the value of the call option granted to iliad by NJJ Tara (see Note 22).

- On December 23, 2019, iliad sold to Cellnex 70% of On Tower France's shares for €1,404 million. During 2019 all of Free Mobile's passive mobile telecommunications infrastructure was transferred to On Tower France. At December 31, 2019, the Group still held a 30% stake in On Tower France.

Share of profit/(loss) of equity-accounted investees:

In € millions	2019	2018
Share of profit/(loss) of equity-accounted investees before tax	(11)	(19)
Share of tax of equity-accounted investees	(2)	(4)
Share of profit/(loss) of equity-accounted investees after tax	**(13)**	**(23)**

The Group's share of profit/(loss) of equity-accounted investees in 2018 and 2019 was affected by non-recurring items, as follows:

- A negative €26 million in 2018, primarily corresponding to acquisition-related costs for the eir transaction and the impact of the restructuring plan undertaken by eir after the transaction.
- A negative €28 million in 2019, mainly attributable to non-recurring costs incurred by eir (for renegotiating its debt and leaving its long-standing head office).

Movements in the Group's investments in equity-accounted investees were as follows in 2019 and 2018:

In € millions	2019	2018
At January 1	318	16
Share of net assets of equity-accounted investees	0	0
Goodwill	0	0
Investments in equity-accounted investees at January 1	**318**	**16**
Movements		
Share of profit/(loss) of equity-accounted investees (1)	(13)	(23)
Share of OCI of equity-accounted investees	76	25
Dividends paid	0	0
Translation adjustments	0	0
Capital reductions	0	0
Acquisitions and changes in scope of consolidation	601	300
Other	0	0
Investments in equity-accounted investees at December 31	**982**	**318**

(1) Including the share of NJJ Boru's loss: €25 million in 2018 and €16 million in 2019.

The main changes in scope of consolidation concern (i) NJJ Boru's acquisition of eir in 2018 and (ii) the first-time equity accounting of On Tower France in 2019 (following the Group's sale of a 70% majority stake in that company on December 23, 2019).

The following table sets out the key financial information of the TRM sub-group, based on its most recent consolidated financial statements prepared in accordance with IFRS:

In € millions	2019	2018
Revenues	64	62
Profit for the period	6	5
Other comprehensive income	0	0
Total comprehensive income	**6**	**5**
Non-current assets	101	94
Current assets	31	24
Non-current liabilities	(61)	(51)
Current liabilities	(25)	(32)
Total net assets	**46**	**35**

The following table sets out the key financial information of the NJJ Boru sub-group, based on its most recent consolidated financial statements prepared in accordance with IFRS:

In € millions	**2019**	**2018**
Revenues	1,198	935
Profit/(loss) for the period	(52)	(73)
Other comprehensive income	240	77
Total comprehensive income	**188**	**4**
Non-current assets	4,312	4,133
Current assets	549	483
Non-current liabilities	(3,030)	(2,978)
Current liabilities	(644)	(639)
Total net assets	**1,187**	**999**

The following table sets out the key financial information of On Tower France, based on its most recent financial statements prepared in accordance with IFRS:

In € millions	**2019**
Revenues	5
Profit for the period	2
Other comprehensive income	0
Total comprehensive income	**2**
Non-current assets	2,007
Current assets	26
Non-current liabilities	(10)
Current liabilities	(17)
Total net assets	**2,006**

iliad's consolidated financial statements include transactions carried out by the Group with equity-accounted investees as part of its routine business. These transactions are conducted on arm's length terms.

The Group has no off-balance-sheet commitments relating to equity-accounted investees.

NOTE 22: OTHER FINANCIAL ASSETS

Other financial assets break down as follows by nature:

In € millions	December 31, 2019	December 31, 2018
Other long-term financial assets		
▪ Other investment securities	35	25
▪ Loans, receivables and other	2	18
▪ Guarantee deposits	24	7
Total other long-term financial assets	**61**	**50**
Other short-term financial assets		
▪ Loans and receivables	2	6
Total other short-term financial assets	**2**	**6**
Total other financial assets	63	56

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 € millions	December 31, 2019	December 31, 2018
▪ Financial assets carried at fair value through profit or loss	18	22
▪ Financial assets carried at fair value through OCI	35	25
▪ Financial assets carried at amortized cost	10	9
Total other financial assets	63	56

NJJ Tara has granted the Group a call option exercisable in 2024 and 2025 which covers 80% of NJJ Tara's interest in NJJ Boru (i.e. 41% of NJJ Boru and, indirectly, 26.3% of eir's capital). The option will be exercisable at a price representing a 12.5% discount to fair market value, as determined by an independent valuer, but with a floor calculated based on an annual yield of 2%.

This call option was recognized as a non-current financial asset in an amount of €16 million in the Group's consolidated financial statements at December 31, 2019 (see Note 21).

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

In € millions	2019	2018
Carrying amount at January 1	56	37
Acquisitions	11	13
Fair value adjustments	0	5
Redemptions and repayments	0	0
Impact of changes in scope of consolidation	0	16
Disposals	(4)	(15)
Additions to provisions	0	0
Carrying amount at December 31	**63**	**56**

Acquisitions and redemptions and repayments in 2018 and 2019 primarily concerned movements in guarantee deposits paid and receivables due in more than one year.

NOTE 23: INVENTORIES

Inventories break down as follows:

In € millions	December 31, 2019	December 31, 2018
Raw materials	23	57
Work-in-progress		0
Finished products	73	35
Inventories – gross	**96**	**92**
Provisions:		
. raw materials	(3)	0
. finished products	(7)	(2)
Total provisions	**(10)**	**(2)**
Inventories – net	86	90

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

The year-on-year increase in inventories of finished products is mainly due to the launch of the Group's new box, the Freebox Delta, a part of which (the player) is sold to the subscriber.

NOTE 24: OTHER ASSETS

Other non-current assets break down as follows:

In € millions	December 31, 2019	December 31, 2018
Other receivables recorded under other non-current assets:		
Other receivables	64	32
Total – gross	**64**	**32**
Amortization and provisions for other receivables	(44)	(16)
Net other receivables (other non-current assets)	**20**	**(16)**

Other receivables recorded under other non-current assets solely relate to contract assets (customer acquisition costs) recognized in accordance with IFRS 15.

Trade and other receivables break down as follows:

In € millions	December 31, 2019	December 31, 2018
Trade and other receivables recorded under current assets		
Trade receivables	643	769
Advances and prepayments	8	7
Tax receivables (VAT)	399	191
Sundry receivables	72	54
Prepaid expenses	75	70
Total – gross	**1,197**	**1,091**
Provisions for trade receivables	(83)	(117)
Provisions for other receivables	0	(2)
Net trade and other receivables (current assets)	**1,114**	**972**

Net trade receivables	560	652
Net other receivables	554	320

NOTE 25: CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

In € millions	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Mutual funds (UCITS) **Net value**	1,334	1,334	113	113
Cash (excluding bank overdrafts)	259	259	68	68
Total – net	**1,593**	**1,593**	**181**	**181**

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

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

Consequently, the Group invests its surplus cash in UCITS that fall into the "euro monetary" classification of the French securities regulator (*Autorité des Marchés Financiers* – AMF).

NOTE 26: RECEIVABLE AND LIABILITY RELATED TO THE SHARE BUYBACK OFFER

On November 12, 2019, iliad SA filed a draft share buyback offer with the AMF covering 11,666,666 iliad shares with a view to reducing the Company's capital by a maximum gross amount of €1.4 billion.
The AMF issued its compliance decision on December 3, 2019 and on the same date approved the offering circular under (*visa*) no. 19-557. At the end of the offer period – which ran from December 23, 2019 through January 13, 2020 – a total of 11,666,666 shares had been repurchased for a total gross amount of €1,399,999,920. The settlement date for the buyback offer was January 31, 2020 and the repurchased shares were canceled on that date.

The buyback offer was fully financed by a capital increase carried out through the issue of 11,666,666 new shares. Existing shareholders were not given a pre-emptive right to subscribe for the shares, but were given a priority subscription period. The prospectus for this issue (comprising an offer circular, a summary and the universal registration document) was filed on January 17, 2020 and was approved by the AMF under no. 20-013. Based on the certificate issued by the custodian, on January 29, 2020, the Company's Chief Executive Officer placed on record the completion of the capital increase through the issue of 11,666,666 new shares. Out of this total, 10,725,778 new shares were subscribed by iliad's majority shareholder, Xavier Niel, through Holdco II, a company that he wholly controls.

On November 11, 2019, Xavier Niel, through Holdco II, had undertaken to take up the entire share issue by placing an order covering the full amount of the open market offer, thereby guaranteeing the success of the issue.

The share buyback followed by the capital increase have enabled iliad to retain its investment capacity and are a clear sign of Xavier Niel's confidence in the Group's growth prospects.

These transactions had no impact on the number of Company shares or the amount of its share capital.

In accordance with IAS 32, as the Company had made a firm commitment at December 31, 2019 to buy back its shares and the majority shareholder had given a firm commitment to subscribe for the shares to be issued under the above-mentioned capital increase, a liability and a corresponding asset of €1.4 billion were recognized in the 2019 financial statements.

NOTE 27: ASSETS HELD FOR SALE

Assets held for sale break down as follows:

In € millions	December 31, 2019	December 31, 2018
Real estate held for sale	13	15
Other assets held for sale	550	0
Total	**563**	**15**

Two major transactions were launched in 2019 and will be pursued in 2020.

- Sale of co-financed fiber assets

At December 31, 2019, IFT held the Group's co-financed fiber assets, which were previously owned by Free and Free infrastructure. On February 28, 2020, a majority stake in IFT was sold to a third party.

- Sale of passive mobile telecommunications infrastructure

iliad Italia sold 80% of its mobile infrastructure to Cellnex in 2019 and the remaining 20% will be sold in 2020.

At December 31, 2019, assets held for sale primarily related to (i) the finalization of the above-mentioned transactions, and (ii) the sale of mobile sites under construction as part of the partnership with Cellnex.

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

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

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 28: EQUITY

SHARE CAPITAL

All of the stock options granted by the Group are exercisable.

During 2019, 33,130 options were exercised for the same number of new shares.
Combined with Up2Share, this transaction led to an increase of €70 thousand in the share capital.

Following a subsequent €44 thousand capital reduction due to the cancellation of treasury shares, the Company's share capital amounted to €13,110 thousand at December 31, 2019 versus €13,085 thousand at December 31, 2018.

At December 31, 2019 the Group held 771,542 iliad shares.

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

Shareholder	Number of shares	%
Executive Management	33,316,649	56.31
Public	25,845,432	43.69
Total	**59,162,081**	**100**

DIVIDENDS

At the Annual General Meeting held on May 21, 2019, the Company's shareholders resolved to pay a dividend of €0.90 per share, representing a total payout of €53,230 thousand.
The dividend was paid on June 24, 2019.

The dividend paid in 2019 for 2018 totaled €53,230 thousand. No interim dividend was paid in 2019.

At the next Annual General Meeting, shareholders will be asked to approve a dividend payment of €2.60 per share.

EMPLOYEE SHARE ISSUE

At its meeting on May 21, 2019, the Board of Directors decided to carry out an employee share issue – called Up2Share – which involved offering iliad shares to Group employees who are members of a Group Employee Savings Plan or an International Group Employee Savings Plan. The concept of this employee share issue – which was carried out via a capital increase for iliad S.A. – was approved by the Board on December 10, 2018.
The Up2Share issue resulted in 283,396 new iliad shares being subscribed by Group employees.

NOTE 29: STOCK OPTION AND SHARE GRANT PLANS

Stock option plans

The following tables summarize the main features of the various stock option plans approved in 2019 and prior years, and outstanding at the year-end. No expense was recorded for these plans in either 2019 or 2018.

At December 31, 2019

Date of Shareholders' Meeting	Date of plan launch	Exercise price *(in €)*	Number of options outstanding at Jan. 1, 2019	Number of options granted in 2019	Number of options forfeited in 2019	Number of options exercised in 2019	Number of exercisable options	Number of non-exercisable options
Iliad								
May 29, 2008	Aug. 30, 2010	67.67	112,128	0	0	21,385	90,743	0
May 24, 2011	Nov. 7, 2011	84.03	186,273	0	0	11,745	174,528	0

At December 31, 2018

Date of Shareholders' Meeting	Date of plan launch	Exercise price *(in €)*	Number of options outstanding at Jan. 1, 2018	Number of options granted in 2018	Number of options forfeited in 2018	Number of options exercised in 2018	Number of exercisable options	Number of non-exercisable options
Iliad								
May 29, 2008	Nov. 5, 2008	53.79	43,899	0	200	43,699	0	0
May 29, 2008	Aug. 30, 2010	67.67	130,615	0	0	18,487	112,128	0
May 24, 2011	Nov. 7, 2011	84.03	223,374	0	0	37,101	186,273	0

Exercise dates of options

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

Date of plan launch	Exercise dates
August 30, 2010	30% of the options exercisable since August 29, 2014 and 70% since August 29, 2015
November 7, 2011	Options exercisable since November 6, 2016

Share grant plans

Free Mobile

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

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

On June 14, 2019, acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the implementation of the liquidity mechanism for Free Mobile shares provided for in the shareholders' agreement signed in 2010, through the exercise of iliad's call option for the shares stipulated in the agreement.
In accordance with the above-mentioned shareholders' agreement, the purchases of the Free Mobile shares concerned were settled solely in iliad shares and the Free Mobile shares were valued by an independent valuation firm using a multi-criteria approach (including EBITDA and EBITDA-CAPEX multiples, etc.). Based on a recommendation by its independent directors, the Board appointed a second independent valuation firm in order to provide additional reassurance to iliad's shareholders. The value of the Free Mobile shares came to €11.7 and the exchange ratio was 8.9 Free Mobile shares for one iliad share. In July 2019, iliad exchanged the Free Mobile shares for 954,046 of its own shares for the purpose of remitting these shares to the employees and executive officers concerned. Following this transaction, iliad held 99.62% of Free Mobile's capital.
The expense recorded in relation to these plans totaled €508 thousand in 2018 and €349 thousand in 2019.

iliad

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

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

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- ✓ October 30, 2020: 40% of the shares will vest if the EBITDA margin in France for 2019 (excluding sales of devices) is higher than the EBITDA margin in France for 2017.
- ✓ October 30, 2021: 10% of the shares will vest if the EBITDA margin in France (excluding sales of devices) for 2020 is higher than 40%.
- ✓ October 30, 2022: 10% of the shares will vest if the total number of fiber subscribers is higher than 1.7 million at October 1, 2022.
- ✓ October 30, 2023: 40% of the shares will vest if the total number of fiber subscribers is higher than 2.5 million at October 1, 2023.

The expense recognized for this plan amounted to €10,877 thousand in both 2018 and 2019.

Following an authorization given at the Shareholders' Meeting of May 16, 2018, iliad set up a share grant plan involving shares representing up to 1% of its share capital.

During 2018, the Company granted shares representing 0.5% of its share capital to 122 employees and executive officers.

The vesting of these shares – which will take place in four equal tranches between 2021 and 2024 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- ✓ September 30, 2021 - end of the vesting period for Tranche 1:
  - o 50% of the shares will vest if EBITDA less CAPEX in France (excluding B2B operations) is higher than €1 billion at December 31, 2020; and
  - o 50% of the shares will vest if the EBITDA margin for France (excluding sales of devices) is higher than 40% for the year ended December 31, 2020.

- ✓ September 30, 2022 - end of the vesting period for Tranche 2: all of the Tranche 2 shares will vest if the EBITDA margin for France (excluding sales of devices) is higher for the year ended December 31, 2021 than for the year ended December 31, 2020.

- ✓ September 30, 2023 - end of the vesting period for Tranche 3:
  - o 50% of the shares will vest if the number of fiber subscribers in France is higher than 3 million at September 1, 2023; and
  - o 50% of the shares will vest if the number of mobile subscribers in Italy is higher than 6 million at September 1, 2023.

- ✓ September 30, 2024 - end of the vesting period for Tranche 4:
  - o 50% of the shares will vest if the number of fiber subscribers in France is higher than 3.5 million at September 1, 2024; and
  - o 50% of the shares will vest if the Group's revenues in Italy are higher than €500 million at June 30, 2024.

The expense recognized for this plan amounted to €368 thousand in 2018 and €6,687 in 2019.

During 2019, the Company set up another share grant plan representing almost 0.5% of its share capital and covering 184 Group employees and executive officers.

The vesting of these shares – which will take place in three unequal tranches between 2021 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) the following performance conditions for each tranche:

- ✓ November 30, 2021 - end of the vesting period for Tranche 1 (representing 30% of the total shares granted): the shares will vest if consolidated EBITDAaL less CAPEX (excluding payments for frequencies) in 2020 is at least equal to consolidated EBITDAaL less CAPEX (excluding payments for frequencies) for 2019.

- ✓ November 30, 2022 - end of the vesting period for Tranche 2 (representing 40% of the total shares granted):
    - o 50% of the shares will vest if the number of fiber subscribers is equal to or higher than 3 million at June 30, 2022; and
    - o 50% of the shares will vest if consolidated EBITDAaL margin for 2021 is equal to or higher than consolidated EBITDAaL margin for 2019.

- ✓ November 30, 2023 - end of the vesting period for Tranche 3 (representing 30% of the total shares granted): the shares will vest if the number of fiber subscribers is equal to or higher than 3.7 million at June 30, 2023.

The expense recognized for this plan amounted to €875 thousand in 2019.

iliad Italia

Following an authorization given by its director on July 16, 2018, iliad Holding S.p.A set up a share grant plan involving shares representing up to 2.7% of the share capital of its subsidiary, iliad Italia, and drew up the list of beneficiaries.

Shares representing 2.5% of iliad Italia's share capital were granted to 53 Italian and French employees in 2018 (including one Italian executive).
Another grant, representing around 0.15% of the share capital, was made to 13 of the Group's Italian employees in 2019.

The shares of each beneficiary will vest after a period of two years, provided that the beneficiary still forms part of the Group at the vesting date. The vested shares will then be subject to a five-year lock-up period, following which the beneficiaries will have the option to receive their entitlements in cash or iliad shares, with the price of their iliad Italia shares determined by an independent valuer.

The expense recognized for this plan amounted to €683 thousand in 2018 and €2,787 thousand in 2019.

NOTE 30: PROVISIONS

The provisions for contingencies and charges recognized at December 31, 2019 are intended to cover costs resulting from the Group's business risks, litigation risks, tax reassessment risks, employee-related risks and expenses on long-terms contracts that have become onerous.

These provisions break down as follows:

In € millions	December 31, 2019	December 31, 2018
Long-term provisions		
Provisions for contingencies	0	0
Provisions for charges	164	2
Total long-term provisions	**164**	**2**
Short-term provisions		
Provisions for contingencies	51	34
Provisions for charges	105	1
Total short-term provisions	**156**	**35**
Total provisions for contingencies and charges	**320**	**37**

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 2019:

In € millions	At Dec. 31, 2018	Increases in 2019	Decreases in 2019 (utilizations)	Decreases in 2019 (surplus provisions)	Impact of changes in scope of consolidation	Other movements	At Dec. 31, 2019
Provisions for contingencies	34	21	(4)	(1)	0	1	51
Provisions for charges	3	252	0	0	0	14	269
TOTAL	**37**	**273**	**(4)**	**(1)**	**0**	**15**	**320**

Increases in 2019 particularly include the provisions for impairment recognized against long-term contracts that have become onerous following the Group's strategic repositioning or due to changes in economic circumstances or market conditions since the contracts were signed.

Movements in provisions for contingencies and charges were as follows in 2018:

In € millions	At Dec. 31, 2017	Increases in 2018	Decreases in 2018 (utilizations)	Decreases in 2018 (surplus provisions)	Impact of changes in scope of consolidation	Other movements	At Dec. 31, 2018
Provisions for contingencies	43	11	(3)	(17)	0	0	34
Provisions for charges	1	0	0	0	0	2	3
TOTAL	**44**	**11**	**(3)**	**(17)**	**0**	**2**	**37**

NOTE 31: FINANCIAL LIABILITIES

Financial liabilities can be analyzed as follows:

In € millions	December 31, 2019	December 31, 2018
Bank borrowings	1,079	934
Bonds	2,438	2,434
Finance lease liabilities	0	38
Other	1	1
Total long-term financial liabilities	**3,518**	**3,407**
Bank borrowings and short-term marketable securities	1,665	715
Finance lease liabilities	0	23
Bank overdrafts	3	7
Cash flow hedges	0	0
Other	17	12
Total short-term financial liabilities	**1,685**	**757**
TOTAL	**5,203**	**4,164**

Financial liabilities are classified as short-term when their contractual maturity or early repayment date is within one year and as long-term when their contractual maturity is beyond one year.

All Group borrowings are denominated in euros.

The table below summarizes movements in borrowings in 2019 and 2018:

In € millions	2019	2018
Borrowings at January 1	4,164	2,665
Impacts of applying IFRS 16	(60)	
Borrowings at January 1 after applying IFRS 16	4,104	
New borrowings (1)	1,135	1,567
Repayments of borrowings (2)	(68)	(86)
Change in bank overdrafts	(5)	6
Impact of cash flow hedges	0	0
Impact of changes in scope of consolidation	23	0
Other	13	12
Total borrowings at December 31	**5,203**	**4,164**

(1) New borrowings excluding finance lease liabilities		1,528
(2) Finance lease repayments		(29)

Description of the Group's main bond debt at December 31, 2019

On December 1, 2015 the Group issued €650 million worth of bonds paying interest at 2.125% per year. These bonds will be redeemed at face value at maturity on December 5, 2022.

On October 10, 2017 the Group issued €650 million worth of bonds paying interest at 1.500% per year. These bonds will be redeemed at face value at maturity on October 14, 2024.

On April 23, 2018 the Group issued a further €1,150 million worth of bonds in two tranches:

- a first tranche of €500 million, paying interest at 0.625% per year and redeemable at face value at maturity on November 25, 2021;

- a second tranche of €650 million, paying interest at 1.875% per year and redeemable at face value at maturity on April 25, 2025.

Guarantees given

The Group has not given any specific guarantees in return for its existing borrowing facilities with banks.

Description of the Group's main bank borrowing facilities outstanding at December 31, 2019

A €1,650 million syndicated revolving credit facility

The Group has a €1,650 million syndicated revolving credit facility set up with a pool of French and international banks, whose maturity can now be extended until 2025 following the facility's renegotiation on July 16, 2018. The related loan agreement was further amended on February 12, 2019.

Following this latest amendment, the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.250% and 1.200% per year depending on the Group's leverage ratio.

None of this facility had been drawn down at December 31, 2019.

The related financial covenants are described in Note 35.

A €500 million term-loan

The Group has a €500 million term-loan set up with a pool of French and international banks, which following its renegotiation on July 16, 2018, now matures in 2023. The related loan agreement was further amended on February 12, 2019.
Following this latest amendment, the applicable interest rate on the loan is based on Euribor for the period plus a margin of between 0.700% and 1.500% per year depending on the Group's leverage ratio.

This loan had been drawn down in full at December 31, 2019 but the entire amount was repaid early on January 9, 2020.

The related financial covenants are described in Note 35.

Loans granted by the European Investment Bank (EIB)

In 2010, the EIB granted iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. This loan is repayable in installments with a final maturity in 2020.

In late August 2012, the EIB granted iliad another loan (€200 million) to help finance its rollout of next-generation fixed networks. This loan was due in 2022 and was repayable in installments as from 2020 but the full outstanding amount was repaid early on February 28, 2020.

On December 8, 2016, the EIB granted iliad another €200 million loan to help finance its rollout of optical fiber networks. The loan is repayable in installments as from 2020 with a final maturity in 2030.

On December 17, 2018, the EIB granted iliad a further €300 million loan to help finance its rollout of optical fiber networks.

All of these loans had been fully drawn down at December 31, 2019 but the Group early repaid a portion amounting to €83 million at the beginning of 2020.

All of the related loan agreements were amended on February 22, 2019.

The related financial covenants are described in Note 35.

Loans granted by KFW IPEX-Bank

On December 13, 2017, KFW IPEX-Bank granted the Group a €90 million loan to help finance the rollout of its FTTH network. This loan – which had been fully drawn down at December 31, 2019 – is repayable in installments and has an 11-year maturity. The related loan agreement was amended on February 15, 2019.

On April 26, 2019, KFW IPEX-Bank granted the Group a further €150 million loan to help finance the rollout of its fixed and mobile networks in France and Italy. This loan is repayable in installments with a final maturity in 2031. It had not been drawn down at December 31, 2019 and remains available for draw-down until April 26, 2021.

The interest rate on both of the above loans is based on Euribor for the period plus a margin of between 0.90% and 1.20% per year depending on the Group's leverage ratio.

The related financial covenants are described in Note 35.

A €50 million bilateral credit facility with a bank

On November 29, 2018, the Group set up a €50 million bilateral credit facility with a bank for the purpose of its general financing needs. This facility took the form of a bullet loan with a five-year maturity. The related loan agreement was amended on March 4, 2019.

Following this amendment, the applicable interest rate on the facility is based on Euribor for the period plus a margin of between 0.70% and 1.50% per year depending on the Group's leverage ratio. This facility had been fully drawn down at December 31, 2019 but the entire outstanding amount was repaid early on January 27, 2020.

The related financial covenants are described in Note 35.

Schuldscheindarlehen (German private placement with institutional investors)

On May 22, 2019, iliad carried out a *Schuldscheindarlehen* issue (*Schuldschein* notes), raising a total €500 million, in six tranches:

- three fixed-rate tranches totaling €175 million, paying interest at 1.400%, 1.845% and 2.038%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively;

- three variable-rate tranches totaling €325 million, with lending margins of 1.40%, 1.70% and 1.80%, and redeemable at maturity on May 22, 2023, May 22, 2026 and May 24, 2027, respectively.

Short-and medium-term marketable securities program

<u>€1 billion short-term NEU CP program</u>

The Group has had a NEU CP program (formerly called a commercial paper program) since the first half of 2012, which was set up to diversify the sources and maturities of its financing.

The program originally represented €500 million, but as part of its annual renewal process it was increased to €800 million in 2015 and then €1 billion in early 2017. It was then further increased to €1.4 billion by way of an amendment dated September 16, 2019.

At December 31, 2019, €995 million worth of the program had been used.

Breakdown of borrowings by type of rate

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

In € millions	December 31, 2019	December 31, 2018
Fixed-rate borrowings	3,245	2,874
Variable-rate borrowings	1,957	1,290
Total borrowings at December 31	**5,203**	**4,164**

Breakdown of committed financing facilities by maturity

The following table presents a breakdown of the Group's total committed financing facilities by nature and contractual maturity/early repayment date at December 31, 2019:

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Bank borrowings	670	524	555	1,749
Bonds	0	1,138	1,300	2,438
Short- and medium-term marketable securitie	995	0	0	995
Bank overdrafts	3	0	0	3
Other	17	0	1	18
Total borrowings	1,685	1,662	1,856	5,203
Trade payables	1,172	1,247	57	2,476
Total committed financing facilities	2,857	2,909	1,913	7,679

NOTE 32: TRADE AND OTHER PAYABLES

This item breaks down as follows:

In € millions	December 31, 2019	December 31, 2018
Trade and other payables recorded under other non-current liabilities:		
Trade payables	1,304	1,544
Accrued taxes and employee-related payables	29	19
Other	0	0
Sub-total	**1,333**	**1,563**
Trade and other payables recorded under current liabilities:		
Trade payables	1,172	1,474
Advances and prepayments	113	6
Accrued taxes and employee-related payables	410	290
Other	39	22
Deferred income	120	88
Sub-total	**1,854**	**1,880**
Total	**3,187**	**3,443**

Total trade payables can be analyzed as follows:

In € millions	December 31, 2019	December 31, 2018
Suppliers of goods and services	664	712
Suppliers of non-current assets	1,812	2,306
Total	**2,476**	**3,018**

NOTE 33: RELATED-PARTY TRANSACTIONS

Related-party transactions solely correspond to transactions with key management personnel.

Transactions with key management personnel

- Persons concerned:

Under IAS 24, key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. For the iliad Group, these persons correspond to members of the Board of Directors of iliad S.A. and members of the Management Committee.

- Compensation paid to the 11 members of the Group's key management personnel in 2019 and 2018 breaks down as follows:

In € millions	2019	2018
▪ Total compensation	3	3
▪ Share-based payments	10	6
Total	**13**	**9**

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

Impact of Free Mobile share grants

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

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

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

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

On March 12 and May 14, 2018, iliad S.A.'s Board of Directors authorized further cash settlements for part of the entitlements of the Free Mobile employees and executive officers who were beneficiaries under the share grant plans. These cash settlements together represented up to 30% of the beneficiaries' Free Mobile shares initially granted and the per-share price was set by an independent valuer in both cases.

On June 14, 2019, acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the implementation of the liquidity mechanism for Free Mobile shares provided for in the shareholders' agreement signed in 2010, through the exercise of iliad's call option for the shares stipulated in the agreement.

In accordance with the above-mentioned shareholders' agreement, the purchases of the Free Mobile shares concerned were settled solely in iliad shares and the Free Mobile shares were valued by an independent valuation firm using a multi-criteria approach (including EBITDA and EBITDA-CAPEX multiples, etc.). Based on a recommendation by its independent directors, the Board appointed a second independent valuation firm in order to provide additional reassurance to iliad's shareholders. The value of the Free Mobile shares came to €11.7 and the exchange ratio was 8.9 Free Mobile shares for one iliad share. iliad exchanged the Free Mobile shares for 954,046 of its own shares for the purpose of remitting these shares to the employees and executive officers concerned. Following this transaction, iliad held 99.62% of Free Mobile's capital.

Impact of iliad share grants

2017 Plan

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

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

The vesting of these shares – which will take place in four unequal tranches between 2020 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date, and (ii) performance conditions.

2018 Plan

Following an authorization given at the May 16, 2018 Annual General Meeting, iliad set up a share grant plan involving shares representing up to 1% of its share capital.

During 2018, the Company granted shares representing 0.5% of its share capital to 122 employees and executive officers under this plan.

The vesting of these shares – which will take place in four equal tranches between 2021 and 2024 – is subject to (i) the beneficiary still forming part of the Group at the vesting date, and (ii) performance conditions for each tranche.

2019 Plan

During 2019, the Company set up another share grant plan representing almost 0.5% of its share capital and covering 184 Group employees and executive officers.

The vesting of the shares granted under this plan – which will take place in three unequal tranches between 2021 and 2023 – is subject to (i) the beneficiary still forming part of the Group at the vesting date and (ii) performance conditions applicable for each tranche.

Employee share issue

At its meeting on May 21, 2019, the Board of Directors decided to carry out an employee share issue – called Up2Share – which involved offering iliad shares to Group employees who are members of a Group Employee Savings Plan or an International Group Employee Savings Plan. The concept of this employee share issue – which was carried out via a capital increase for iliad S.A. – was approved by the Board on December 10, 2018.
The Up2Share issue resulted in 283,396 new iliad shares being subscribed by Group employees under preferential conditions.

Impact of iliad Italia share grants

Following an authorization given by its director on July 16, 2018, iliad Holding S.p.A set up a share grant plan involving shares representing up to 2.7% of the share capital of its subsidiary, iliad Italia, and drew up the list of beneficiaries.
Shares representing 2.5% of iliad Italia's share capital were granted to 53 of the Group's Italian and French employees in 2018 (including one Italian executive).
Another grant, representing around 0.15% of the share capital, was made to 13 of the Group's Italian employees in 2019.

The shares of each beneficiary will vest after a period of two years, provided that the beneficiary still forms part of the Group at the vesting date. The vested shares will then be subject to a five-year lock-up period, following which the beneficiaries will have the option to receive their entitlements in cash or iliad shares, with the price of their iliad Italia shares determined by an independent valuer.

The expense recognized for this plan amounted to €683 thousand in 2018 and €2,787 thousand in 2019.

Transaction with On Tower France

Within the scope of the iliad Group's strategic partnership with Cellnex concerning its passive mobile infrastructure in France and Italy (see Note 11), On Tower France has been providing the iliad Group with hosting services for its passive mobile infrastructure in France since December 2019. The strategic partnership also provides for the construction of new sites that will be sold by the iliad Group to On Tower France. At December 31, 2019, the iliad Group held 30% of the shares of On Tower France (see Note 21).

Transaction with NJJ Boru:

The iliad Group performs various services on behalf of NJJ Boru (49%-owned by the iliad Group), the parent company of eir. In 2019, the Group recognized €2,850 thousand in revenues for these services.

Transaction with Monaco Telecom

iliad has signed an agreement with Monaco Telecom, a Monaco-based company controlled by a party related to the Group, to lease sites containing the Group's equipment. The amount invoiced by Monaco Telecom for making these sites available totaled €1,625 thousand in 2019.

Transaction with Salt Mobile

Free Mobile performs technical services on behalf of Salt, a Swiss company that is controlled by a party related to the Group. In 2019, the Group recognized €1,750 thousand in revenues for these services.

NOTE 34: FINANCIAL INSTRUMENTS

Reconciliation by class of instrument and accounting category

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.

FINANCIAL INSTRUMENTS

In € millions	Assets carried at fair value through profit or loss	Assets carried at fair value through OCI	Assets carried at amortized cost	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2019						
Cash	259				259	259
Marketable securities	1,334				1,334	1,334
Trade receivables			560		560	560
Other receivables			554		554	554
Other short-term financial assets	2		0		2	2
Other long-term financial assets	16	35	10		61	61
Long-term financial liabilities				(3,518)	(3,518)	(3,518)
Short-term financial liabilities				(1,685)	(1,685)	(1,685)
Other non-current liabilities				(1,333)	(1,333)	(1,333)
Other current liabilities				(1,854)	(1,854)	(1,854)
Total	**1,611**	**35**	**1,124**	**(8,390)**	**(5,620)**	**(5,620)**

In € millions	Assets carried at fair value through profit or loss	Assets carried at fair value through OCI	Assets carried at amortized cost	Liabilities carried at amortized cost	Carrying amount	Fair value
At December 31, 2018						
Cash	68				68	68
Marketable securities	113				113	113
Trade receivables			652		652	652
Other receivables			320		320	320
Other short-term financial assets			0		0	0
Other long-term financial assets	22	25	9		56	56
Long-term financial liabilities				(3,407)	(3,407)	(3,407)
Short-term financial liabilities				(757)	(757)	(757)
Other non-current liabilities				(1,563)	(1,563)	(1,563)
Other current liabilities				(1,880)	(1,880)	(1,880)
Total	**203**	**25**	**981**	**(7,607)**	**(6,398)**	**(6,398)**

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 comprise cash and cash equivalents, which are measured by reference to a quoted market price in an active market where such a market exists.
- Assets carried at fair value through OCI mainly comprise investment securities.
- Receivables carried at amortized cost chiefly concern loans, deposits and guarantees, trade receivables and a number of other short-term receivables.
- Liabilities carried at amortized cost – calculated using the effective interest method – essentially correspond to borrowings, trade payables and other short- and long-term payables.
- Derivative instruments are carried at fair value with changes in fair value recognized either directly in the income statement or in equity when hedge accounting is applied.

The fair value of financial assets and liabilities is primarily determined as follows:

- The fair value of (i) trade receivables and payables; and (ii) other short-term receivables and payables, corresponds to their carrying amount in view of their very short maturities.
- The fair value of bonds is estimated at each balance sheet date.
- The fair value of liabilities related to finance leases corresponds to their carrying amount in view of their differing forms and maturities.

NOTE 35: 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 2019.

At December 31, 2019 all of these currency hedges qualified as cash flow hedges under IFRS 9.

Currency hedges had a negative impact of €2,642 thousand on the Group's income statement in 2019 and a negative €2,221 thousand impact on equity.

Interest rate risk

As a significant portion of the Group’s borrowings is at fixed rates (bonds and EIB loans), it did not consider it necessary to set up any interest rate hedges at December 31, 2019.

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

In view of the high proportion of fixed-rate borrowings, the Group now has very little exposure to fluctuations in interest rates on its medium- and long-term debt.

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, 2019.

In € millions	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Total
Financial liabilities	1,685	1,662	1,856	5,203
Financial assets	2	16	45	63
Net position before hedging	**1,683**	**1,646**	**1,811**	**5,140**
Off-balance sheet position				
Net position after hedging	**1,683**	**1,646**	**1,811**	**5,140**

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 €10,992 thousand increase or decrease in profit for the period.

Equity risk

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

It does, however, hold a number of its own shares, but in view of the very low number concerned any change in the iliad share price would have a negligible impact on the Group’s profit and equity (see Note 28).

Liquidity risk

The Group draws on its solid profitability, available cash and bank credit facilities, as well as its access to various sources of financing (banks, bond markets and money markets) to ensure that it has the requisite funds to finance its business development.

At December 31, 2019 the Group’s borrowings as described above were not subject to any liquidity risk and it had not breached any of the covenants applicable to its various bank credit facilities (including the EIB loans, the KFW IPEX-Bank loans and its syndicated facilities).

At December 31, 2019 the applicable covenants (which take the form of financial ratios), as agreed on following the various amendments to the loan agreements described in Note 31 were as follows:

	Applicable financial ratios	Consequence of breach	Actual ratios at December 31, 2019
• €1,650 million credit facility (Borrower – Iliad) • €500 million term-loan (Borrower – Iliad) • €150 million EIB loan granted in 2010 (Borrower – Iliad) • €200 million EIB loan granted in 2012 (Borrower – Iliad) • €200 million EIB loan granted in 2016 (Borrower – Iliad) • €300 million EIB loan granted in 2018 (Borrower – Iliad) • €100 million EIB loan granted in 2019 (Borrower – Iliad) • €200 million EIB loan granted in 2019 (Borrower – Iliad) • €90 million KFW credit facility granted in 2017 (Borrower – Iliad) • €150 million KFW credit facility granted in 2019 (Borrower – Iliad) • €50 million bilateral credit facility granted in 2018 (Borrower – Iliad)	Leverage ratio < 3.5	Early repayment	Leverage ratio: 2.1

The Group's leverage ratio corresponds to the ratio of consolidated net debt to EBITDA (excluding provisions) for the period.

At December 31, 2019 the Group was not exposed to any liquidity risk in view of the profitability of its operations, the maturity schedule of its debt (see Note 31) and its low leverage.

Credit and counterparty risk

The Group's financial assets primarily comprise cash and cash equivalents – particularly short-term investments – as well as trade and other receivables (see Note 34, "Financial instruments").

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

- Trade receivables: at December 31, 2019, trade receivables represented a gross amount of €643 million and a net amount of €560 million (see Note 24, "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, 2019 the Group's short-term investments amounted to €1,334 million (see Note 26, "Cash and cash equivalents"). As a result of the policy described above, these investments do not expose the Group to a significant level of counterparty risk.

Analysis of trade receivables

At December 31, 2019 trade receivables totaled €643 million and provisions for doubtful receivables amounted to €83 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 36: OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

36-1. NETWORK INVESTMENTS

At December 31, 2019 the Group had €92.8 million worth of commitments related to future network investments.

36-2. COMMITMENTS RELATED TO TELECOM LICENSES

France

On January 14, 2018, the Group (through its subsidiary, Free Mobile), along with France's other mobile operators, signed an agreement with the French government aimed at improving the national coverage of ultra-fast mobile networks through increased use of active and passive RAN sharing. By way of this agreement, the Group has undertaken to (i) deploy 2,000 four-operator RAN-sharing sites in "white spots" within five years, (ii) deploy 3,000 sites in "gray spots" (located in priority rollout areas) within five years, and (iii) increase its coverage level by end-2029 if it obtains frequencies in the 900 MHz band following the 900 MHz refarming procedure. In return for these commitments, the government has undertaken not to increase the annual license fees for the 900, 1,800 and 2,100 MHz licenses and to grant the sites deployed in white and gray spots an exemption from the "IFER" network tax until 2022.

3G license – 900/2,100 MHz

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

4G license – 2,600 MHz

By way of decision 2011-1169 dated October 11, 2011, ARCEP authorized Free Mobile to use a block of frequencies in the 2.6 GHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this authorization – which has been given for a renewable 20-year period – require the Free Mobile network to cover 25% of the French population by 2015, 60% by 2019, 75% by 2023, 98% by 2027 and 99.6% by 2030. The first three milestones have now been met.

1,800 MHz license

By way of decision 2014-1542 dated December 16, 2014, ARCEP authorized Free Mobile to use a block of frequencies in the 1,800 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use between January 2015 and October 2031. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 25% of the French population by October 2015, 60% by October 2019 (objective achieved) and 75% by October 2023. Free Mobile will, however, be able to meet these coverage obligations using other frequencies that it is authorized to utilize.

700 MHz license

By way of decision 2015-1567 dated December 8, 2015, ARCEP authorized Free Mobile to use 10 MHz in the 700 MHz band in Metropolitan France in order to set up and operate a mobile communications network for public use. The obligations imposed on Free Mobile under this decision require the Free Mobile network to cover 98% of the French population by January 2027 and 99.6% by the end of 2030.

Licenses for French overseas *départements* and *collectivités*

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

Guadeloupe and Martinique:

- Frequencies in the 800 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

French Guiana:

- Frequencies in the 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

Saint-Barthélemy and Saint Martin:

- Frequencies in the 800 MHz, 900 MHz, 1,800 MHz, 2.1 GHz and 2.6 GHz bands.

This decision contained a number of obligations for the Group concerning (i) network rollouts and coverage, (ii) compliance with the terms of the cross-border coordination agreements entered into with France's neighboring countries, and (iii) regional economic development, employment and investment.

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

Italy

The decision issued on November 4, 2016 by the Italian Ministry of Economic Development (MiSE) approving the transfer of the licenses to use a portfolio of 35 MHz (duplex) frequencies (see Note 17, “Intangible Assets”) to iliad Italia (an iliad Group subsidiary) contained a number of coverage obligations, whereby iliad Italia must:

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

By way of decision no. 231/18/CONS, the Italian telecoms regulator AGCOM set out the coverage obligations applicable to the country’s 5G operators. Pursuant to the decision, iliad Italy is required to:

- Roll out its network and use the 3,600 MHz frequencies allocated to it within two years of it becoming available.
- Provide 3,600 MHz coverage to 5% of the population in each of Italy’s regions within 48 months of the frequencies being allocated.
- Provide 700 MHz coverage to 80% of the Italian population 36 months after the frequencies become available (i.e. by June 2022) and to 99.4% of the population 54 months after the frequencies become available. The second milestone may be achieved through roaming or frequency sharing agreements, for example.
- Provide 700 MHz coverage across the main transport hubs, including ports, within 42 months, and across the main tourist areas within 66 months of them being identified.

36-3. OTHER COMMITMENTS

At December 31, 2019 the Group had access to:

- A €1,650 million credit facility, none of which had been drawn down.
- A €1,400 billion NEU CP program, of which €995 million had been used.
- Several loans granted by the EIB, of which €608 million had been drawn down.
- Two loans granted by KFW IPEX-Bank representing an aggregate amount of €240 million, of which €90 million had been drawn down.

At the same date:

- Other commitments given by the Group amounted to €1,078.3 million.
- Other commitments received by the Group totaled €9 million.

36-4. COLLATERALIZED DEBT

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

36-5. ACCRUED DISCOUNTED TRADE NOTES

The Group does not use this type of financing.

36-6. CLAIMS AND LITIGATION

In the course of its business, the iliad Group is involved in several labor, regulatory, tax and sales disputes.
The main legal proceedings currently affecting the Group are as follows:

Disputes with SFR

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

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

On August 20, 2019, BFM TV, RMC Découverte and Diversité TV France launched legal proceedings (with the *Tribunal de Grande Instance*) for Free to be sanctioned for breaching their brand rights and neighboring rights. In relation to their neighboring rights the three companies are claiming lump-sum damages (which they will allocate between themselves) amounting to €811,600 for each month between March 20, 2019 and the end of the alleged breach, as well as €150,000 in damages for non-pecuniary losses. For the alleged breach of their brand rights, BFM TV and RMC Découverte are claiming €2,000,000 in damages and Diversité TV France is claiming €500,000. Lastly, all three companies are claiming €70,000 in damages for non-pecuniary losses related to the alleged breach of their brand rights. Free considers that it did not commit any of the breaches alleged by BFM TV, RMC Découverte and Diversité TV France. Proceedings are still ongoing in this case.

Disputes with Bouygues Telecom

In late 2014, Bouygues Telecom filed an application with the Paris Commercial Court, claiming that Free Mobile had breached its obligations as a mobile telephony operator and accusing it of misleading commercial practices. Free Mobile is contesting Bouygues Telecom's position in this case, which it does not consider to be founded. Bouygues Telecom estimated its alleged losses in relation to the case at €813 million. By way of a decision on February 27, 2019, the Paris Commercial Court dismissed all of Bouygues Telecom's claims and ordered it to pay Free Mobile €350,000 in costs pursuant to Article 700 of the French Civil Procedure Code. On February 10, 2020, Bouygues Telecom appealed the Paris Commercial Court's decision.

On November 10, 2015, Free filed an application with the Paris Commercial Court for (i) an injunction ordering Bouygues Telecom to cease marketing practices that constitute unfair competition and defamation, and (ii) €275.6 million in damages for Free's related loss. Bouygues Telecom issued a counter-claim alleging that it had suffered €284.7 million in losses for unfair competitive practices. The case is still ongoing.

Dispute with UFC

On March 11, 2019, the French consumer group, UFC, used the powers granted to it under Article 623-1 of the French Consumer Code to file a petition against Free Mobile with the Paris District Court (Tribunal de Grande Instance). UFC is claiming that Free Mobile failed to respect its contractual obligations because it charged nine subscribers for not returning their rented phones, whereas the subscribers had allegedly provided proof that they had sent back the devices in accordance with Free Mobile's General Terms and Conditions of Subscription. UFC requested the court to order Free Mobile (i) to reimburse the expenses wrongly charged, and (ii) publish the requisite information to make the consumers concerned aware of their right to compensation. The case is still ongoing.

NOTE 37: EVENTS AFTER THE REPORTING DATE

On January 16, 2020, iliad announced the results of its public share buyback offer launched on November 12, 2019. This offer – which ran from December 23, 2019 to January 13, 2020 (inclusive) – gave shareholders the possibility of selling their iliad shares back to the Company at a price of €120 per share, subject to an overall ceiling of 11,666,666 shares. As the total number of shares tendered to the buyback offer, i.e.15,239,719, was in excess of the maximum 11,666,666 that iliad had undertaken to repurchase, the number of shares in the buyback requests was reduced proportionately in line with shareholders' ownership interests in the Company (in accordance with Article R. 225-155 of the French Commercial Code). Consequently, iliad repurchased 11,666,666 of its own ordinary shares, representing 19.7% of its share capital. The buyback offer was fully financed by a capital increase carried out via a share issue on the open market, for which existing shareholders did not have pre-emptive subscription rights but were given a priority subscription period. As a result of this capital increase, the buyback offer had no impact on iliad’s debt or on its earnings per share because the repurchased shares were subsequently canceled.

The share issue – which was launched on January 20, 2020 and represented the same amount as the share buyback offer – was open to all iliad shareholders and was fully guaranteed by Xavier Niel (via a company wholly controlled by Xavier Niel). The results of the share issue – which were published on January 27, 2020 – were that 10.7 million new shares were purchased directly and indirectly by Xavier Niel, and the remaining 940,888 new shares were purchased by other shareholders.

On February 28, 2020, iliad S.A. announced that in accordance with the agreement announced on September 3, 2019, it had closed its strategic partnership deal with InfraVia (a French private equity firm specialized in infrastructure) through the sale to InfraVia of 51% of Investissements dans la Fibre des Territoires (IFT), based on a full enterprise value for IFT of approximately €600 million. Formed specifically for the purpose of this partnership, IFT is a company dedicated to actively managing fiber lines. In particular, it is tasked with acquiring and operating the Group’s co-financed FTTH tranches outside very densely populated areas of France. Under a very long-term service agreement, IFT provides Free with all access and information services for the co-financed sockets concerned and will also be able to offer the same services to third-party operators.

Lastly, the Group has repaid several of its borrowing facilities since the beginning of 2020, in advance of their contractual maturities. The borrowings were therefore reclassified to short-term debt in the 2019 financial statements. These early repayments – which were made using the sale proceeds generated when the strategic partnership with Cellnex was set up in 2019 – were as follows:

- January 9, 2020: early repayment of a €500 million term-loan set up with a pool of commercial banks (original contractual maturity in 2023).
- January 27, 2020: early repayment of a €50 million bilateral credit facility granted by a bank (original contractual maturity in 2023).
- February 28, 2020: early repayment of €83 million of a loan granted by the EIB (original contractual maturity in 2022).

NOTE 38: LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2019

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

	Registration	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Iliad 16 rue de la Ville l'Evêque 75008 Paris	342 376 332	Paris	100.00%	100.00%	Full
Assunet 16 rue de la Ville l'Evêque 75008 Paris	421 259 797	Paris	89.96%	89.96%	Full
Centrapel 8 rue de la Ville l'Evêque 75008 Paris	434 130 860	Paris	100.00%	100.00%	Full
Certicall 40 avenue Jules Cantini 13006 Marseille	538 329 913	Paris	100.00%	100.00%	Full
Equaline 18 rue du Docteur G. Pery 33300 Bordeaux	538 330 358	Paris	100.00%	100.00%	Full
F Distribution 8 rue de la Ville l'Evêque 75008 Paris	528 815 376	Paris	100.00%	100.00%	Full
Fibre Inc. 1209 Orange Street, Wilmington New Castle County, 19801 Delaware – United States	/	Wilmington	100.00%	100.00%	Full
Freebox 16 rue de la Ville l'Evêque 75008 Paris	433 910 619	Paris	97.99%	97.99%	Full
Free Caraïbe 8 rue de la Ville l'Evêque 75008 Paris	808 537 641	Paris	100.00%	100.00%	Full
Free Carrier 16 rue de la Ville l'Evêque 75008 Paris	790 148 944	Paris	100.00%	100.00%	Full
Free 8 rue de la Ville l'Evêque 75008 Paris	421 938 861	Paris	100.00%	100.00%	Full
Free Fréquences 16 rue de la Ville l'Evêque 75008 Paris	529 917 833	Paris	99.98%	99.87%	Full
Free Infrastructure 16 rue de la Ville l'Evêque 75008 Paris	488 095 803	Paris	100.00%	100.00%	Full
Free Mobile 16 rue de la Ville l'Evêque 75008 Paris	499 247 138	Paris	99.62%	97.30%	Full

	Registration	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Free R&D 16 rue de la Ville l'Evêque 75008 Paris	537 915 050	Paris	100.00%	100.00%	Full
Free Réseau 16 rue de la Ville l'Evêque 75008 Paris	419 392 931	Paris	100.00%	99.99%	Full
IFW 8 rue de la Ville l'Evêque 75008 Paris	400 089 942	Paris	100.00%	100.00%	Full
IH 8 rue de la Ville l'Evêque 75008 Paris	441 532 173	Paris	100.00%	100.00%	Full
Iliad 10 16 rue de la Ville l'Evêque 75008 Paris	844 880 492	Paris	100.00%	100.00%	Full
Iliad 4 16 rue de la Ville l'Evêque 75008 Paris	799 285 820	Paris	100.00%	100.00%	Full
Iliad 6 16 rue de la Ville l'Evêque 75008 Paris	834 309 486	Paris	100.00%	100.00%	Full
IFT 16 rue de la Ville l'Evêque 75008 Paris	852 619 352	Paris	100.00%	/	Full
Iliad 78 16 rue de la Ville l'Evêque 75008 Paris	834 315 673	Paris	78.45%	70.00%	Full
Iliad 8 16 rue de la Ville l'Evêque 75008 Paris	880 117 015	Paris	100.00%	/	Full
Iliad 9 16 rue de la Ville l'Evêque 75008 Paris	880 117 064	Paris	100.00%	/	Full
Iliad Gaming 8 rue de la Ville l'Evêque 75008 Paris	522 418 250	Paris	100.00%	100.00%	Full
Iliad Holding S.p.A Largo Angelo Fochetti 29 Rome - Italy	/	Rome	100.00%	100.00%	Full
Iliad Italia S.p.A Largo Angelo Fochetti 29 Rome - Italy	/	Rome	100.00%	100.00%	Full

	Registration	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Immobilière Iliad 16 rue de la Ville l'Evêque 75008 Paris	501 194 419	Paris	100.00%	100.00%	Full
Initix 8 rue de la Ville l'Evêque 75008 Paris	828 684 639	Paris	/	95.05%	N.C.
IRE 16 rue de la Ville l'Evêque 75008 Paris	489 741 645	Paris	100.00%	100.00%	Full
Jaguar Network 71 avenue Andre Roussin 13016 Marseille	439 099 656	Marseille	75.54%	/	Full
Jaguar Network Suisse rue des Paquis 11 1201 Geneva - Switzerland	/	Geneva	75.54%	/	Full
JT Holding 71 avenue Andre Roussin 13016 Marseille	801 382 300	Marseille	75.54%	/	Full
MCRA 8 rue de la Ville l'Evêque 75008 Paris	532 822 475	Paris	100.00%	100.00%	Full
NJJ Boru 16 rue de la Ville l'Evêque 75008 Paris	833 797 467	Paris	49.00%	49.00%	Equity
On TowerCo France 31-33 rue de la Baume 75008 Paris	834 309 676	Paris	30.00%	100.00%	Equity
Online Immobilier 16 rue de la Ville l'Evêque 75008 Paris	537 915 019	Paris	95.003%	95.003%	Full
Online 8 rue de la Ville l'Evêque 75008 Paris	433 115 904	Paris	95.003%	95.003%	Full
Predictiv Pro SAS 71 avenue Andre Roussin 13016 Marseille	880 472 683	Marseille	75.54%	/	Full
Protelco 8 rue de la Ville l'Evêque 75008 Paris	509 760 948	Paris	100.00%	100.00%	Full
Qualipel 61 rue Julien Grimau 94400 Vitry sur Seine	533 513 958	Vitry sur Seine	100.00%	100.00%	Full
Resolution Call 7 Bld Mohamed V 20800 Mohammedia - Morocco	/	Morocco	100.00%	100.00%	Full

	Registration	Head office	Percentage ownership at Dec. 31, 2019	Percentage ownership at Dec. 31, 2018	Consolidation method in 2019
Scaleway US Corporation C/O IMS - 1700 W Irving Park, Suite 302 Chicago, IL 606013	/	Chicago	95.003%	95.003%	Full
Sepia 12 rue Henri Cornu – Technopole de la Réunion 97801 Saint Denis Cedex 9	839 216 819	Saint Denis	50.00%	50.00%	Equity
Telecom Academy "Privé" Lotissement Attaoufik Lot n° 9 & 10 Immeuble Le Shadow Sidi Maarouf Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full
Télécom Réunion Mayotte 68 rue du Faubourg Saint-Honoré 75008 Paris	812 123 214	Paris	50%	50%	Equity
Trax 68 rue du Faubourg Saint-Honoré 75008 Paris	850 134 388	Paris	98.00%	/	Full
Total Call Technoparc – Route de Nouceur Sidi Maar Casablanca - Morocco	/	Morocco	100.00%	100.00%	Full

NOTE 39: AUDIT FEES

In accordance with the disclosure requirements of standards 2016-08, 2016-09, 2016-10 and 2016-11 issued by France's accounting standards authority (the "ANC"), the table below sets out the amount of fees paid to the statutory auditors of iliad S.A and its fully consolidated subsidiaries, not including fees invoiced by the statutory auditors' network firms.

In € thousands	PricewaterhouseCoopers		Deloitte & Associés		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Statutory audit services	463	362	407	327	870	689
Non-audit services	178	101		48	178	149
TOTAL FEES	**641**	**463**	**407**	**375**	**1,048**	**838**

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

- verifying the consolidated non-financial information statement presented in the Group's management report;
- reviewing asset sale transactions;
- providing various statements.