COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES OF SFR, SIG 50 AND THEIR SUBSIDIARIES
AS OF 31 DECEMBER 2013, 2012, AND 2011

These Combined Financial Statements and accompanying notes are an English translation of the French version of the "Comptes combinés et notes annexes de SFR et SIG 50 et de leurs filiales" and are provided for informational purposes only. This translation is qualified in its entirety by the French version, which is available on Vivendi's website (www.vivendi.com). In the event of any inconsistencies between the French version of these Combined Financial Statements and accompanying notes and the English translation, the French version will prevail.

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Combined Income Statement

(in millions of euros)	Note	2013	2012	2011
Revenues	4.1	**10,199**	**11,288**	**12,183**
Cost of sales		(6,129)	(6,299)	(6,857)
Commercial and distribution costs		(2,199)	(2,222)	(1,932)
Selling, general and administrative expense		(699)	(978)	(1,102)
Other operating income	4.2	2	11	14
Other operating expense	4.2	(169)	(270)	(84)
Operating result		**1,005**	**1,530**	**2,222**
Interest income		3	3	1
Interest expense		(232)	(220)	(209)
Net financing cost		***(229)***	***(217)***	***(208)***
Other financial income	5	2	2	8
Other financial expense	5	(24)	(34)	(70)
Financial income		**(251)**	**(249)**	**(270)**
Income from equity affiliates		(12)	(13)	(17)
Pretax income from continuing operations		**742**	**1,267**	**1,935**
Income tax	6.1	(315)	(516)	(535)
Net earnings		**426**	**752**	**1,400**
of which				
Attributable to shareholders		**420**	**746**	**1,399**
Net earnings from continuing operations		420	746	1,399
Attributable to non-controlling interests		**6**	**6**	**1**
Net earnings from continuing operations		6	6	1

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements.

Combined Statement of Comprehensive Income

(in millions of euros)	Note	2013	2012	2011
Net earnings		**426**	**752**	**1,400**
Foreign currency translation adjustments		0	-	(1)
Financial instruments / currency hedges		-	-	(2)
Financial instruments / interest rate hedges		-	-	67
Other		-	-	2
Deferred tax		-	-	(23)
Other items related to equity-affiliates		2	(2)	(3)
Items to be subsequently reclassified to earnings		**2**	**(2)**	**40**
Actuarial differences on post-employment benefits	19.2	(7)	(15)	0
Linked taxes		3	5	(0)
Items not to be subsequently reclassified to earnings		**(4)**	**(10)**	**0**
Combined comprehensive income		**424**	**740**	**1,440**
Of which				
Comprehensive income attributable to the shareholders of the Group		418	734	1,439
Comprehensive income attributable to non-controlling interests		6	6	1

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Balance Sheet

(in millions of euros)	Note	2013	2012	2011
ASSETS				
Goodwill	8	5,188	5,188	5,188
Intangible assets	9	3,931	4,082	3,117
Tangible assets	10	4,532	4,468	4,244
Investments in equity affiliates	11	152	138	49
Deferred tax assets	6	127	157	109
Other non-current assets	12	185	161	149
Non-current assets		**14,115**	**14,194**	**12,855**
Inventories	13	240	245	356
Trade accounts receivable and other receivables	14	2,558	2,544	3,015
Other current financial assets	12	2	2	2
Cash and cash equivalents	15	394	267	228
Current assets		**3,194**	**3,057**	**3,601**
TOTAL ASSETS		**17,309**	**17,252**	**16,456**
EQUITY AND LIABILITIES				
Combined reserves		1,860	2,098	1,248
Earnings		420	746	1,399
Shareholders' equity		**2,281**	**2,844**	**2,647**
Non-controlling interests		11	8	4
Combined equity	16	**2,291**	**2,852**	**2,651**
Non-current provisions	18	156	173	137
Long term borrowings and other financial liabilities	20	1,248	1,561	4,490
Deferred tax liabilities	6	2	1	0
Other non-current liabilities	22	540	597	633
Non-current liabilities		**1,947**	**2,333**	**5,259**
Current provisions	18	335	408	236
Short term borrowings and financial liabilities	20	7,846	6,506	2,896
Trade accounts payable and other payables	21	4,874	5,136	5,412
Other current financial liabilities	22	17	17	3
Current liabilities		**13,071**	**12,067**	**8,546**
TOTAL EQUITY AND LIABILITIES		**17,309**	**17,252**	**16,456**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Cash Flow Statement

(in millions of euros)	Note	2013	2012	2011
Net earnings attributable to the Group		**420**	**746**	**1,399**
Adjustments				
Non-controlling interests		6	6	1
Income tax (current / deferred)	6.1	315	516	535
Other expenses (including capital gain or loss on financial assets divestitures)		2	5	(11)
Net financial expense	5	251	249	270
Earnings from equity-affiliates		12	13	17
Amortization, depreciation and operating provisions		1,549	1,745	1,569
Gains or losses on tangible or intangible assets		8	7	7
Tax paid	6.1	(299)	(537)	(643)
Change in working capital		(305)	143	54
Inventories	13	6	111	(41)
Trade accounts receivable	14	69	203	126
Other receivables	14	(84)	198	(48)
Trade accounts payable	21	(84)	(191)	(80)
Other payables	21	(212)	(178)	97
Net cash flow from (used in) operating activities		**1,960**	**2,892**	**3,197**
Purchase of tangible and intangible assets	9, 10	(1,665)	(2,765)	(1,845)
Purchases of combined companies, after acquired cash		(3)	(30)	(48)
Increase in financial assets		(37)	(15)	(68)
Investments		***(1,705)***	***(2,809)***	***(1,962)***
Proceeds from sales of property, plant, equipment and intangible assets	9, 10	17	13	13
Proceeds from sales of combined companies, after divested cash		10	13	20
Decrease in financial assets		3	3	2
Divestitures		***29***	***30***	***35***
Change in working capital related to PPE and intangible assets		38	15	23
Cash flow from investing activities		*38*	*15*	*23*
Net cash flow from (used in)investing activities		**(1,638)**	**(2,765)**	**(1,903)**
Interest paid	5	(232)	(219)	(209)
Interest received	5	3	3	1
Dividends paid	16	(985)	(538)	(1,458)
Repayments of borrowings (incl. Bonds)	20	(15)	(1,019)	(447)
Change in shareholder advances	20	1,066	2,144	2,142
Change in other financial liabilities	20	(25)	(455)	(1,144)
Other cash flow related to financing activities		(7)	(5)	(40)
Net cash flow from (used in)financing activities		**(195)**	**(89)**	**(1,155)**
Change in cash and cash equivalents		**128**	**38**	**139**
Cash and cash equivalents				
Opening balance	15	267	228	89
Closing balance	15	394	267	228
Change in cash and cash equivalents		**128**	**38**	**139**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Changes in Equity

(in millions of euros)	Combined reserves including earnings	Items of comprehensive income (a)	**Equity (Group share)**	Non-controlling interests	**Combined equity**
BALANCE AT DECEMBER 31, 2010	**2,583**	**(48)**	**2,535**	**10**	**2,545**
Dividends paid	*(454)*	-	*(454)*	*(4)*	***(458)***
Other transactions	*(874)*	-	*(874)*	*(3)*	***(877)***
Dividends and other transactions	**(1,328)**	**-**	**(1,328)**	**(7)**	**(1,335)**
Net income	*1,399*	-	*1,399*	*1*	***1,400***
Income and expenses recognized directly in shareholder's equity(a)	-	*40*	*40*	-	***40***
Combined statement of other comprehensive income	**1,399**	**40**	**1,439**	**1**	**1,440**
Total changes over the period	**71**	**40**	**111**	**(6)**	**105**
BALANCE AT DECEMBER 31, 2011	**2,654**	**(8)**	**2,647**	**4**	**2,651**
Dividends paid	*(536)*	-	*(536)*	*(2)*	***(538)***
Dividends and other transactions	**(536)**	**-**	**(536)**	**(2)**	**(538)**
Net income	*746*	-	*746*	*6*	***752***
Income and expenses recognized directly in shareholder's equity(a)	-	*(12)*	*(12)*	-	***(12)***
Combined statement of other comprehensive income	**746**	**(12)**	**734**	**6**	**740**
Total changes over the period	**209**	**(12)**	**197**	**4**	**201**
BALANCE AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	-	*(982)*	*(3)*	***(985)***
Dividends and other transactions	**(982)**	**-**	**(982)**	**(3)**	**(985)**
Net income	*420*	-	*420*	*6*	***426***
Income and expenses recognized directly in shareholder's equity(a)	-	*(2)*	*(2)*	-	***(2)***
Combined statement of other comprehensive income	**420**	**(2)**	**418**	**6**	**424**
Total changes over the period	**(562)**	**(2)**	**(564)**	**3**	**(561)**
BALANCE AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**

(a) Details in the statement of comprehensive income

The Accompanying Notes are an integral part of the Combined Financial Statements

Basis of Preparation

These combined financial statements have been prepared by Vivendi, in its capacity of controlling shareholder of the companies SFR and SIG 50, in the context of potential implementation of the plan to separate the Media and Telecoms businesses of the Vivendi Group.

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, as approved for their financial years ending on December 31, 2011, 2012 and 2013, and prepared for the purpose of preparing the consolidated accounts of the Vivendi Group.

These combined financial statements of SFR and SIG 50 and their subsidiaries were approved by the Management board of Vivendi at its meeting on April 8th 2014.

Context

As they informed the shareholders regularly in 2012 and 2013, Vivendi's Management Board and Supervisory Board have instigated a review of the Group's strategic orientations. In 2013, Vivendi sold the majority of its interest in Activision Blizzard and finalized an agreement with Etisalat for the sale of its shares in Maroc Telecom. The Group decided to concentrate on its media and content businesses, which are in leader positions and are benefiting from a strongly growing digital market. It has strengthened its interest in Canal+ France, in which it now holds 100% of the share capital. Vivendi is also working on the reconfiguration of SFR. The operator is experiencing the first positive effects of its transformation plan, reflecting its benefits at a commercial level while reducing its costs. A network sharing agreement has been concluded with Bouygues Telecom, on part of the mobile network, which will enable it to offer its customers better coverage and improved quality of service. On these bases the Group intends to position the future Vivendi as a dynamic player in media and content. With SFR, it wishes to participate in the reshaping of the telecommunications sector in France by actively exploring all opportunities.

On November 26, 2013, the Supervisory Board approved the appropriateness of the plan to separate the Group into two separate companies: firstly, a new international media group based in France, with very strong positions in music (where it is the worldwide leader), in movies in Europe, in pay-TV in France, Africa, Vietnam and Poland, and in Internet and associated services in Brazil; and secondly the **Telecoms business France**. The decision to implement this plan could be made shortly and, if applicable, submitted to the General Shareholders' Meeting of June 24, 2014.

Presentation of Telecoms business in France

Telephony business in France comprises mainly:

- the telephony business of SFR SA in France, which is developing mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR SA operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France.

In order to present the historic financial information of the Group for financial years 2013, 2012 and 2011, combined accounts have been drawn up.

Combination scope

The arrangement that constitute the new autonomous group (hereinafter referred to as the "Group") has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi.

As of January 1, 2011, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR SA and its subsidiaries,
- the interest of Vivendi, through SIG 50, in the businesses of distribution of telecommunications products and services, owing to their operational attachment to the business of the Group.

The scope of combination thus excludes the company SPT, held by SFR SA and holder of Maroc Telecom.

The combination scope is presented in Note 27 – List of Entities Combined.

Accounting for related to the holding company SPT owning the interest in Maroc Telecom:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR SA to Vivendi SA.

Conventions used when preparing the combined accounts

The combination of entities under common control as envisaged were recorded in the combined financial statements of the Group at historic book values. These historic combined financial statements of the Group were drawn up on the basis of the values presented in Vivendi's Consolidated Financial Statements, restated for consolidation adjustments and the accounting impact of operations to acquire stakes in the France telephony business by Vivendi.

In the absence of a specific IFRS text dealing with combined financial statements, the Group defined the principles and conventions for combination presented hereunder.

The net debt level accepted in these combined financial statements reflects the debt level and its historic compensation levels with regard to the Vivendi Group or third parties of the entities included in the combined accounts.

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts.

All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The operations with the other entities of the Vivendi Group are presented in Note 24 – Transactions with Related Parties.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry-forward losses recorded during the period of tax consolidation, and up to December 31, 2013, will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles

1.1. General framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the basis for preparation set out above describes how the International Financial Reporting Standards (IFRS) as adopted by the European Union were applied to prepare the historic combined financial statements as of December 31, 2011, December 31, 2012 and December 31, 2013.

The new Group has never prepared IFRS financial statements, nor has it published financial statements for previous financial years.

Consequently, as a first-time adopter, the Group has prepared its combined financial statements for the financial year ended December 31, 2013 in accordance with IFRS 1 – *First-Time Adoption of International Financial Reporting Standards*.

Under IFRS 1, if a subsidiary adopts IFRS after its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured:

- either at the carrying amounts based on the subsidiary's contribution to the parent company's historic consolidated financial statements, after restating adjustments relating to the consolidation and to the impacts of accounting for the business combination as a result of which the parent acquired the subsidiary; or
- at the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the IFRS 1 options applied by the subsidiary may differ from those applied by the parent.

In compliance with the option available under IFRS 1, the Group has chosen to draw up its first IFRS combined financial statements on the basis of the carrying amounts of its assets and liabilities as per its contribution to Vivendi's historic financial statements, taking account of the date of Vivendi's transition to IFRS, after eliminating adjustments relating to the Vivendi group consolidation and to the impacts of accounting for the business combinations as a result of which Vivendi acquired interests in SFR and in distribution activities in France.

The transitional provisions for first-time adoption used by the Group are therefore identical to those applied by the Vivendi group upon its transition to IFRS, i.e.:

- Business combinations: business combinations carried out by Group entities prior to January 1, 2004 (the date of Vivendi's transition to IFRS) are not restated.
- Employee benefits: any unrecognized actuarial gains and losses existing at January 1, 2004 are recognized within consolidated equity.
- Share-based payment: IFRS 2 was retrospectively applied as from the opening balance sheet at January 1, 2004. Accordingly, all share-based payment plans for which the rights had not yet vested at January 1, 2004 are recognized in accordance with IFRS 2.

- Cumulative translation differences: gains and losses resulting from the translation into euros of the financial statements of subsidiaries with a functional currency other than the euro were transferred to consolidated reserves as of January 1, 2004.

Vivendi chose not to adopt the exemption available under IFRS 1 allowing certain intangible assets and property, plant and equipment to be remeasured at fair value on its transition to IFRS.

Standards, amendments and interpretations in force

The combined financial statements of the Group as of December 31, 2013 were drawn up in compliance with IFRS as adopted in the European Union (EU) and in compliance with IFRS as published by the International Accounting Standards Board (IASB), effective as of December 31, 2013.

In its 2013 combined financial statements, the Group applied the following new standards and amendments adopted by the European Union with a mandatory effective date of January 1, 2013:

- Amendments to IAS 1 – *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. These amendments deal with the presentation of other comprehensive income ("income and expenses recognized in other comprehensive income" in the combined statement of comprehensive income), which are now shown according to whether or not they are to be subsequently reclassified to the income statement.
- Amendments to IAS 19 – *Employee Benefits*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. The accounting principles and basis of measurement for employee benefits are presented in Note 1.3.15 – Employee benefits.
- IFRS 13 – *Fair Value Measurement*, providing a definition of fair value in terms of measurement and prescribing required fair value disclosures, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. Its application has no material impact on the bases of measurement used by the Group or on the information disclosed in the notes to its financial statements.
- Amendments to various IFRS standards contained in the Annual Improvements to IFRS 2009-2011, published by the IASB in May 2012, adopted by the EU on March 27, 2013, and published in the EU Official Journal on March 28, 2013.

In its combined financial statements as of December 31, 2013, the Group decided to early adopt the new standards on consolidation: IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities*, and IAS 28 – *Investments in Associates and Joint Ventures*, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. These standards are effective as of January 1, 2014 in the European Union.

The principles relative to methods of combination introduced by these new standards are presented below in Note 1.3.2 – Basis of combination.

New IFRS standards and IFRIC interpretations published but not yet in force

The other main IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC but not yet in force, which the Group has not early adopted and which are likely to affect the Group, include IFRIC 21 – *Levies*, published by the IFRS IC on May 20, 2013. The effective date of IFRIC 21 is not yet known since it has not yet been adopted by the EU. The application of this interpretation could lead to changes in the timing of recognition of liabilities for taxes.

The Group is in the process of analyzing the potential impacts of IFRIC 21 on its combined financial statements and on the contents of the notes to the combined financial statements.

Furthermore, the Group is monitoring changes to IFRS 9 – *Financial Instruments*, which is intended to replace IAS 39. The IASB has provisionally decided to defer the mandatory effective date of the standard (initially planned for 2015), without deciding on another date.

1.2. Presentation of the combined financial statements

1.2.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income (expenses), share of profit of associates (companies accounted for under the equity method), income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.2.2. Combined other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and shown separately according to whether or not they will be subsequently reclassified to income.

1.2.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.2.4. Combined statement of cash flows

Net cash flow from (used in) operating activities

To determine the net cash flow from (used in) operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from (used in) investing activities

Net cash flow from (used in) investing activities includes acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from (used in) financing activities

Net cash flow from (used in) financing activities includes increases and decreases in loans, changes in amounts owed to Vivendi SA, dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.2.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.2.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief operating decision-maker verifies results and operating plans and decides on the allocation of resources at Group level. The Group has identified a single operating segment meeting the criteria of IFRS 8.
Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.
This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

1.3. Basis of preparation of the combined financial statements

1.3.1. Use of estimates

Preparation of the combined financial statements in compliance with IFRS requires the Group to make certain estimates and assumptions that it deems reasonable and realistic. Even though these estimates and assumptions are regularly reviewed, particularly on the basis of past experience and forecasts, certain facts and circumstances may lead to changes in these estimates and assumptions, which could affect the carrying amount of the Group's assets, liabilities, equity and profit.

The main estimates and assumptions used relate to the measurement of:

- Provisions: risks are estimated on a case-by-case basis, on the understanding that developments in current events may require the risks to be reassessed at any time (see Notes 1.3.14 and 18).
- Employee benefits: assumptions are updated annually, such as the probability that employees will remain employed by the Group up to their retirement, expected changes in future compensation, discount rate and inflation rate, and life expectancy (see Notes 1.3.15 and 19).
- Goodwill: intangible assets with indefinite useful lives and fixed assets under construction: assumptions are updated annually within the framework of impairment tests and relate to cash-generating units (CGUs), future cash flows and discount rates (see Notes 1.3.6 and 8).
- Deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually on the basis of the Group's expected future taxable income or probable changes in temporary differences for assets and liabilities (see Notes 1.3.16 and 6).
- Revenues: the separable elements of a bundled offer must be identified and allocated according to the fair values of each component; the period over which revenues linked to costs of accessing services should be recognized is to be determined based on the type of product and duration of the contract; and revenues are to be presented either on a net or gross basis according to whether the Group acts as agent or principal (see Notes 1.3.4 and 4.1).

- Intangible assets and property, plant and equipment: estimates of useful lives are based in particular on the effective obsolescence of fixed assets and the use made of those assets (see Notes 1.3.7 and 9, and Notes 1.3.8 and 10).

1.3.2. Basis of combination

The list of combined entities is presented in Note 27 – List of combined companies.

Controlled entities

The new model of control introduced by IFRS 10 to replace the revised IAS 27 – *Consolidated and Separate Financial Statements* and interpretation SIC 12 – *Consolidation – Special Purpose Entities*, is based on the following three criteria, which must be met simultaneously to conclude that control is exercised by the parent company:

- The parent company holds power over the investee when it has effective rights giving it the current ability to direct the relevant activities of the investee, namely activities which have a significant impact on the investee's profitability. Power may result from existing and/or potential voting rights and/or contractual agreements. Voting rights must be substantial, i.e., they must be able to be exercised at any time without limitation, and particularly in connection with decisions relating to key activities. The assessment of whether or not an entity exercises control depends on the nature of the investee's relevant activities, the investee's decision-making process, and the distribution of rights of other shareholders of the investee.
- The parent company is exposed to, or has rights, to variable returns from its involvement with the investee, which may vary according to the investee's performance. The concept of returns is defined broadly, and includes dividends and other types of economic benefit distributed, changes in the value of the investment, cost savings, synergies, etc.
- The parent company has the capacity to exercise its power in order to influence the returns. Power which does not lead to such influence over these returns cannot be defined as control.

Controlled entities are combined in accordance with the full consolidation method.

Full consolidation method

This consists of including in the combined financial statements the asset, liability, income, expense and cash flow items of the companies controlled within the meaning of IFRS 10; making the necessary restatements; and eliminating intragroup transactions and accounts along with intragroup gains and losses. Equity and profit are allocated between the portion attributable to owners of the parent company and the portion attributable to non-controlling interests.

The combined income statement includes the results of subsidiaries acquired during the financial year as from the date of their acquisition. The results of subsidiaries sold during the same period are taken into account up to the date of their sale.

Non-controlling interests in the net assets of the subsidiaries are presented on a separate line of equity under "Non-controlling interests". They include the amount of non-controlling interests at the date control was acquired and the share of non-controlling interests in changes in equity as from this date. Except in the case of a contractual agreement specifying otherwise, losses of subsidiaries are systematically divided between equity attributable to owners of the parent company and non-controlling interests, on the basis of their respective percentages of interest, even if these are negative.

Joint Arrangements

IFRS 11 – *Joint Arrangements,* which replaces IAS 31 – *Interests in Joint Ventures* and interpretation SIC 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, aims to establish the principles for financial reporting by entities with interests in jointly controlled companies (joint arrangements).

In a joint arrangement, the parties are bound by a contractual agreement that gives them joint control of the arrangement. An entity that is party to an arrangement must therefore determine whether the contractual agreement gives all or certain parties joint control of the arrangement. The existence of joint control is then determined if decisions concerning the relevant activities require the unanimous consent of the parties jointly controlling the arrangement.

Joint arrangements are classified into two categories:

- Joint operations: these are joint arrangements whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangements. Those parties are called joint operators. The joint operator recognizes the full amount of its assets, liabilities, income and expenses, including the share of any such elements held jointly. These arrangements concern joint investment contracts signed by the Group.
- Joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement. Those parties are called joint venturers. Each venturer accounts for its interest in the net assets of the venture in accordance with the equity accounting method (see the section dealing specifically with the equity accounting method).

Associates

Associates over which the Group exercises significant influence are accounted for by the Group under the equity method (see the section dealing specifically with the equity accounting method).
Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, except where it is clearly demonstrated that this is not the case. Significant influence can also be indicated by representation on the board of directors or on the management board of the entity held, by participation in its policy-making process, by material transactions with the entity, or by interchange of managerial personnel between the Group and the entity.

Equity accounting method

According to the equity accounting method, interests in associates and joint ventures are recorded on the balance sheet at their cost of acquisition, including goodwill and transaction costs. Earn-outs initially measured at fair value and subsequent adjustments are recorded as part of the cost of the investment, when their payment can be measured with sufficient reliability.
The Group's share in the profit or loss of associates and joint ventures is recognized in the income statement, and its share in movements of reserves after the acquisition is recognized in reserves. Movements after the acquisition are recorded as an adjustment to the value of the investment. The Group's share in the losses recorded by an associate and joint venture is recorded to the extent of its investment, except where the Group has a legal or implicit obligation to support the company.
Goodwill is recognized if the acquisition cost exceeds the Group's share in the net fair value of the associate's identifiable assets, liabilities, and contingent liabilities at the date of acquisition. Goodwill is included in the carrying amount of the investment and is taken into consideration in the impairment test relative to this asset.

1.3.3. Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currency are initially recorded in the functional currency of the entity at the exchange rate in force on the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. All resulting translation differences are taken to profit or loss for the period.

Translation of financial statements of foreign companies

The financial statements of foreign companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate;
- income statement and cash flow items are translated at the average exchange rate for the financial year.

The resulting translation adjustments are recorded directly in "Cumulative translation adjustments" under equity. When the net investments in foreign operations are subsequently sold, the related cumulative translation differences carried in equity are taken to profit or loss.

1.3.4. Revenues

Group revenues are recognized as soon as future economic benefits are likely to flow to the Group and the revenues can be measured reliably.
Group revenues principally comprise sales of equipment, provision of services and rental of telecommunications equipment.

Sales of equipment
Proceeds from the sale of handsets are recognized in revenues when the risks and rewards inherent to ownership are transferred to the buyer.

Separable elements of a bundled offer
Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the points of sale and the costs of activation.
Other acquisition and retention costs, consisting in particular of premiums not associated with sales of handsets as part of telephone packages and commissions paid to distributors, are recorded in administrative and commercial expenses.
When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

Provision of services
Revenues from internet access subscriptions or telephone call plans (fixed or mobile) are recorded on a straight-line basis over the duration of the corresponding service.
The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.
Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.
Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.
Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.
The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.
Revenues linked to switched services are recognized each time traffic is routed.
Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

Access to telecommunications infrastructures
The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use ("IRU"). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified – generally long – period. The Group remains the owner of the asset.

Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.
In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non-refundable, are recorded in prepaid income and amortized over the expected term of the related agreements. Amortization is provided over a period of between 10 years and 25 years for IRUs and between 1 year and 25 years for rentals and service agreements.

Sales of infrastructure
The Group builds infrastructure on behalf of certain clients. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

Loyalty programs
Pursuant to interpretation IFRIC 13, the Group measures the fair value of the incremental benefit granted under loyalty programs. Since this fair value was not material for the periods presented, no revenues have been deferred in this respect.

1.3.5. Cost of sales, and commercial and distribution costs
Cost of sales comprises the purchase cost of goods acquired (including handsets), interconnection costs, network costs and the share of personnel costs and related taxes and duties.
Commercial and distribution costs represent advertising and marketing costs, commercial costs, and customer loyalty and management costs, and are recorded in expenses as incurred.

1.3.6. Goodwill and business combinations

Business combinations after January 1, 2009
Business combinations are recorded under the acquisition method.
The acquisition price (also called “consideration transferred”) of a subsidiary is the sum of the fair values of the assets transferred and the liabilities assumed by the purchaser on the date of acquisition and the equity instruments issued by the purchaser. The acquisition price includes any earn-outs recognized and measured at acquisition-date fair value.

Earn-outs are recorded initially at fair value, with subsequent changes in fair value taken to profit or loss.
Any costs directly attributable to the acquisition are recorded in expenses in the period in which they are incurred.

At the date of acquisition, goodwill is determined as the difference between:
- the fair value of the consideration transferred, plus any non-controlling interest in the company acquired; and
- the net balance of identifiable assets acquired and liabilities assumed at their acquisition-date fair value.

The initial valuation of the acquisition price and the fair values of the assets acquired and liabilities assumed must be finalized within 12 months of the date of acquisition (measurement period), and any adjustment is recorded as a retroactive adjustment to goodwill. Beyond the measurement period, adjustments are recorded directly in profit or loss. For each business combination, the Group can decide whether to recognize the share of non-controlling interests:
- at fair value on the date of acquisition, whereby goodwill is recognized on these non-controlling interests (full goodwill method); or

- on the basis of its share in the net identifiable assets of the acquired company measured at fair value, whereby only goodwill attributable to owners of the parent company is recognized (partial goodwill method).

Negative goodwill is recorded directly in profit or loss on the income statement.

Goodwill is not amortized but is tested for impairment whenever there is an indication that it may be impaired, and at least once a year at the reporting date. Subsequently, goodwill is measured at its original amount, less any cumulative impairment losses recorded (see Note 8.3 – Goodwill impairment tests).
The following principles apply to business combinations:
- In the event of a business combination carried out in stages (step acquisition), the purchaser must remeasure any previously-held equity interest at its fair value on the date of acquisition, and record the resulting gain or loss in the income statement.
- In the event of the acquisition of an additional interest in a subsidiary, the Group records the difference between the acquisition price and the carrying amount of the non-controlling interests within changes in equity attributable to owners of the parent.

Business combinations prior to January 1, 2009
In compliance with IFRS 1, the Group has chosen not to restate business combinations that took place prior to January 1, 2004. The acquisition method of accounting for business combinations was already accepted by IFRS 3 as published by the IASB in March 2004. However, there are several key differences with the revised standard:
- Minority (non-controlling) interests are measured on the basis of their share in the net identifiable assets of the entity acquired and no fair value option exists.
- Any adjustments to the acquisition price are recorded in the cost of the acquisition only if they are likely to occur and the amounts can be measured reliably.
- Costs directly attributable to the acquisition are recorded as part of the cost of the combination.
- In the event of the acquisition of an additional interest in a combined subsidiary, the difference between the cost of the acquisition and the carrying amount of the minority (non-controlling) interests acquired is recorded in goodwill.

1.3.7. Intangible assets

Intangible assets acquired
Intangible assets acquired separately are recorded at their historical cost less accumulated amortization and impairment losses.
Intangible assets acquired as part of a business combination are recorded at their fair value on the date of acquisition. After initial recognition, intangible assets are recorded at historical cost.

Operating licenses
Operating licenses for telephony services on French territory are recorded based on the fixed amount paid upon acquisition of the license. The variable portion of the license fees, amounting to 1% of the revenues generated by these activities, cannot be reliably measured and is therefore recorded in expenses for the period in which it is incurred.
- The UMTS license is recorded at its historical cost and is amortized on a straight-line basis as from June 2004 (when the service starts) until the end of the licensing period (August 2021), which is its expected useful life.
- The GSM license, renewed in March 2006, is recorded at present value based on 4% of the annual fixed fee of €25 million and is amortized on a straight-line basis from this date until the end of the licensing period (March 2021), which is its expected useful life.
- The LTE license is recorded at its historical cost and is amortized on a straight-line basis as from the date the service starts until the end of the licensing period. The license concerning the 2.6 GHz band, acquired in October 2011, has been amortized since the end of November 2012 (end of licensing period: October 2031). The license concerning the 800 MHz band,

acquired in January 2012, was activated on June 3, 2013 and will be amortized over a residual period of 18 years (end of licensing period: January 2032).

Other intangible assets acquired

The costs of identifying sites for relay antennas are capitalized and amortized over their useful life, which is generally ten years and corresponds to the estimated average duration of a lease.
Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12. The "intangible asset" model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.
Intangible assets also comprise rights of way or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.
DSL connection costs (service access costs or SAC) billed by the local network operator on setting up unbundling for a customer are capitalized and amortized over the estimated period in which the economic benefits are expected to be consumed, i.e., between two and four years.

Intangible assets generated internally

Intangible assets generated internally are recorded at their historical cost less accumulated amortization and impairment losses.

Research costs are expensed as incurred. Development expenses are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset;
- its intention to complete the asset and use or sell it;
- the availability of adequate technical and financial resources to complete the asset;
- its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Trademarks and market shares generated internally are not recognized as intangible assets.
Capitalized development costs relating to computer software represent the costs incurred in developing products in-house. Development costs relating to computer software are capitalized when the technical feasibility can be demonstrated and the costs are considered to be recoverable.
Internal and external direct costs incurred to develop software for internal use are capitalized during the software's development phase. The costs resulting from the software's development phase generally include configuration of the software, coding, installation and testing. The costs of major upgrades and improvements that result in additional functionalities are also capitalized. These capitalized costs are amortized over four to eight years.

Subsequent expenses relative to intangible assets are capitalized only if they increase the future economic benefits associated with the corresponding specific asset. Other costs are expensed as incurred.

Borrowing costs

Since the method of rolling out intangible assets in stages does not generally involve a long period of preparation, the Group does not generally capitalize the borrowing costs incurred during the acquisition or production of intangible assets.

1.3.8. Property, plant and equipment

Property, plant and equipment are recorded at their historical cost less accumulated depreciation and impairment losses. Historical cost includes acquisition or production cost, any costs directly attributable to bringing the asset to the necessary location and condition, and the estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent of the obligations incurred. Borrowing costs that are directly attributable to assets requiring over one year to be ready for their intended use are capitalized as part of the cost of property, plant and equipment.

However, subsequent upkeep costs (repairs and maintenance) relating to property, plant and equipment are recorded in profit or loss. Other subsequent expenditure that helps to increase the productivity or useful life of the asset are recorded as part of the cost of that asset.

When an item of property, plant and equipment consists of significant components with different useful lives, the components are recorded and depreciated separately. Depreciation is calculated on a straight-line basis over the useful life of the asset.

In the specific case of Netcenter buildings, the depreciable amount takes account of a residual value at the end of the useful life.

Property, plant and equipment principally comprise network equipment.

Useful lives are as follows:

Buildings, incl. technical buildings	15 to 25 years
Fixtures, fittings and furniture	5 to 10 years
Equipment and industrial tools	5 years
Set-top boxes and access costs	4 years
Network equipment:	
- Fiber optic/FTTH	50 years
- Pylons	20 years
- Other network equipment	4 to 8 years
Miscellaneous equipment	3 to 5 years

The estimated useful lives are regularly reviewed and any changes to estimates are recorded on a prospective basis.

Depreciation expense is recorded in either cost of sales, commercial and distribution costs, or general expenses according to the function of the asset to which it relates.

Telecommunications equipment and hardware are investments which are largely affected by technological developments: retirements or accelerated depreciation may be recorded if the Group has to retire certain technical models earlier than expected or if it has to review the estimated useful life of certain categories of equipment.

The costs of links and connections are classified as property, plant and equipment. These costs are depreciated over their useful life, i.e., eight years.

Commercial contracts under which the Group supplies telecommunications capacity are analyzed in light of interpretation IFRIC 4 – *Determining Whether an Agreement Contains a Lease*:

- Indefeasible Rights of Use ("IRU") contracts grant the use of an asset over a specified term. IRU contracts that grant a specific right of use over a determined part of the underlying asset in the form of fibers or dedicated wavelengths are treated as leases. IRU contract costs are capitalized if the duration of the right granted is for the majority of the useful life of the underlying asset, and are depreciated over the term of the contract.
- Some commercial contracts to provide capacity are defined as service agreements since in general no specific asset is made available in such contacts. Contractual fees are recorded in expenses over the period.

FTTH rollout

Decision No. 2009-1106 of the *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) [French Post and Electronic Communications Regulation Authority] dated

December 22, 2009 governs the rollout of fiber optic in very densely populated areas by creating joint investment rules for telephone operators. The reference offers published by the operators in compliance with the provisions of this decision are covered by IFRS, specifically IFRS 11 – *Joint Arrangements*. Thus, when the Group is joint investor from the outset, only its share of the assets is kept in property, plant and equipment, and when it is an investor *a posteriori*, the IRU or right of use is recorded in property, plant and equipment. The same treatment is applied to joint investments in less dense populated areas as defined by the ARCEP.

Finance lease agreements

Lease agreements for property, plant and equipment for which substantially all risks and rewards inherent to ownership are transferred to the Group are considered as finance lease agreements.
Property, plant and equipment acquired under finance leases are recorded in property, plant and equipment with a matching entry to a liability account. Assets acquired under finance leases are capitalized based on the lower of the present value of future lease payments and market value, and the corresponding liability is recorded in "Borrowing and other financial liabilities". These assets are generally depreciated on a straight-line basis over their estimated useful life, corresponding to the useful life applied to assets of the same type owned outright, or, if the duration of the lease is shorter than the useful life of the asset leased and if it is not reasonably certain that ownership of the asset will be transferred to the lessee at the end of the lease term, over the duration of the lease.

Site dismantling and restoration

The Group has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. In light of this obligation, site restoration costs are capitalized on the basis of:

- an average unit cost of restoring sites;
- assumptions concerning the lifespan of the dismantling asset; and
- a discount rate.

Investment subsidies

Investment subsidies received are recorded on the balance sheet as a deduction from the property, plant and equipment to which they relate. Investment subsidies are taken to profit or loss in line with the depreciation charged against the assets financed.

1.3.9. Impairment of goodwill, property, plant and equipment and intangible assets

The Group reviews the carrying amount of goodwill, other intangible assets, property, plant and equipment and assets under construction each time events or changes in the market environment indicate that they may be impaired. Goodwill, intangible assets with indefinite useful lives and intangible assets under development are tested for impairment in the fourth quarter of each financial year.
The impairment test consists of comparing the recoverable amount of a fixed asset or cash-generating unit (CGU) with its carrying amount. If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the impairment loss is immediately recorded in the income statement under other operating expenses. In testing goodwill allocated to a CGU or group of CGUs for impairment, the impairment loss is charged first to the carrying amount of goodwill and then to the other assets pro rata to their carrying amount.
A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. If an asset does not generate cash inflows that are largely independent of cash inflows generated by other assets or groups of assets, recoverable amount is determined by reference to cash-generating units.

Group management monitors the return on investment relating to its acquisitions on an aggregate basis at Group level. This operating entity is the only CGU at the level of which the impairment tests are carried out.

Recoverable amount is determined as the higher of value in use and fair value less costs to sell.
The value in use of each asset or group of assets is determined using the discounted cash flows method (DCF), based on cash flow projections consistent with the most recent budget and business plan approved by management over periods spanning one to six years. The growth rates used to value the CGU are those used when preparing the CGU's budget and the business plan. For subsequent periods, the growth rates are estimated by the Group by extrapolating the rates used in the budgets and business plans. These rates do not exceed the medium- to long-term growth rates for the markets in which the Group operates. The discount rates used reflect current assessments by market participants of the time value of money and the risks specific to each asset or group of assets.
Fair value less costs to sell corresponds to the amount that could be obtained from the sale of an asset or group of assets between knowledgeable, willing parties in an arm's length transaction, less the costs of the sale. These amounts are determined by reference to market data (comparison with similar listed companies, with the value attributed to similar assets or companies during recent transactions, or stock market prices) or otherwise using the discounted cash flow method.
Impairment losses recorded against property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later date if the recoverable amount becomes once again higher than the carrying amount. However, the increased carrying amount attributable to the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. Impairment losses recorded against goodwill are irreversible.

1.3.10. Non-derivative financial assets

In accordance with IAS 39, financial assets are classified in one of the following four categories:

- assets at fair value through profit or loss;
- held-to-maturity assets;
- loans and receivables;
- financial assets available for sale.

In accordance with IFRS 7, the information provided in the notes to the financial statements concerning financial instruments enables:

- the items to be reconciled with those presented in the balance sheet;
- the importance of financial instruments to be assessed in light of the Group's situation and financial performance;
- the nature and extent of the Group's exposure to risks arising on financial instruments to be assessed at the end of the reporting period.

Purchases and sales of financial assets are recorded at the transaction date, which is the date on which the Group has committed to the purchase or sale of assets. A financial asset is derecognized if the contractual rights to the related cash flows expire or if the asset is transferred.
At the time of initial recognition, financial assets are recorded on the balance sheet at their fair value, plus any transaction costs directly attributable to the acquisition or issuance of the asset (except for financial assets at fair value through profit or loss, for which transaction costs are recorded in profit or loss).
The fair value of the principal financial assets and liabilities on the Group's balance sheet was calculated as detailed in Note 23 – Financial instruments.
A financial asset is defined as current when the maturity of the cash flows expected to derive from the instrument is less than one year.

Financial assets at fair value through profit or loss

These are financial assets held for trading purposes and intended to be resold in the near term.
Gains and losses resulting from changes in the fair value of financial assets in this category are recorded in profit or loss in the period in which they occur.
The main financial assets at fair value through profit or loss include UCITS.
The large majority of these assets are classified on the balance sheet under cash and cash equivalents.

Held-to-maturity financial assets

Financial assets held until maturity are non-derivative financial assets other than loans and receivables that have fixed or determinable payments and fixed maturity and which the Group has the intention and ability to hold to maturity. After their initial recognition, they are carried at amortized cost using the effective interest rate method.

The main held-to-maturity financial assets include financial assets linked to the Qualified Technology Equipment (QTE) operations settled in 2012. These assets are classified on the balance sheet as non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These assets are recognized at amortized cost using the effective interest rate method.

This category principally includes trade accounts receivable and other receivables detailed in Note 14 – Trade accounts receivable and other receivables, along with the other assets such as guarantee deposits and advances to associates mentioned in Note 12 – Other current and non-current assets.

Trade accounts receivable and other receivables are initially recorded on the balance sheet at their fair value. Due to their fairly short maturities, the fair value of these items generally corresponds to their nominal value, except when the impact of discounting is material.

Trade accounts receivable resulting from the Group's commercial offers include certain past-due receivables that have been impaired according to the rules defined by the Recovery and Litigation department. The impairment rates used differ according to the category of clients and/or offers, and are regularly updated to reflect the latest trends and in particular, recovery history. Where applicable, impairment may be recognized against other receivables based on the estimated risk of non-recovery.

Financial assets available for sale

Financial assets available for sale include non-derivative financial assets which are designated as available for sale or are not allocated to other categories of financial assets.

Financial assets available for sale are recorded at their fair value. Gains and losses on financial assets available for sale are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that it has suffered a material and other-than-temporary loss in value, on which date the cumulative gains and losses carried in other comprehensive income are reclassified to the income statement.

This category includes non-combined equity securities. These assets are classified on the balance sheet under non-current financial assets.

Impairment of non-derivative financial assets

An impairment loss is recorded on an asset or a group of financial assets if there is an objective indication of impairment resulting from one or more events occurring after the initial recognition of the asset, and these events have a negative impact on the future cash flows expected to derive from the financial asset or group of financial assets.

Impairment recognized against a financial asset at amortized cost corresponds to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective original interest rate.

Impairment recognized against a financial asset available for sale is calculated by reference to its fair value.

An impairment test is carried out on each material financial asset. Other assets with similar risk characteristics are grouped together for impairment testing purposes.

Impairment losses are recognized in profit or loss. Where impairment is charged against assets available for sale, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

Impairment is reversed if the reversal can be objectively linked to an event occurring after it was recognized. Reversals of impairment charged against financial assets carried at amortized cost and financial assets available for sale representing interest rate instruments are recognized in profit or loss. Reversals of impairment charged against financial assets available for sale representing equity instruments are recorded directly in equity.
Impairment relative to assets recognized at cost may not be reversed.

1.3.11. Inventories

Inventories principally comprise packs (mobiles associated with a right to access SFR services), individual mobile phones, ADSL boxes and accessories.
Inventories are carried at the lower of cost and net realizable value. Cost principally comprises purchase costs and other supply costs, and is calculated in accordance with the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to complete the sale.

1.3.12. Cash and cash equivalents

The “Cash and cash equivalents” caption includes bank balances, monetary UCITS which meet the specifications of AMF position No. 2011-13 and highly liquid short-term investments with an initial maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.
Marketable securities are carried at fair value through profit or loss.

1.3.13. Non-derivative financial liabilities

Financial liabilities include bond debt, amounts payable to Vivendi SA, commitments to purchase non-controlling interests, and other borrowings such as commercial paper, syndicated loans and finance lease liabilities. Financial liabilities also include other non-derivative financial liabilities.

Borrowings

The loans taken out by the Group are initially recorded at their fair value less any directly attributable costs. Subsequent to initial recognition, they are carried at amortized cost using the effective interest rate method. Issue premiums and issue costs are presented under liabilities on the balance sheet as a deduction of the nominal amount of the liability. Under this method, interest expense is recognized on an actuarial basis over the duration of the loan.

Other non-derivative financial liabilities

Other non-derivative financial liabilities comprise trade accounts payable and other payables, which are carried at their fair value on initial recognition. In light of their fairly short maturities, the fair value of other non-derivative financial liabilities mostly corresponds to their nominal value. These items are subsequently carried at amortized cost.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risk of changes in foreign exchange rates. These instruments include foreign exchange futures. All derivative financial instruments are recorded on the balance sheet at their fair value at the transaction date and are remeasured to fair value at the end of each reporting period.
The principal hedging instruments and the calculation of the fair value of derivative instruments are detailed in Note 23 – Financial instruments.

1.3.14. Provisions

Provisions are recorded when, at the end of the period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events; it is probable that an outflow of resources representing economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.
If the effect of the discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time

value of money. If no reliable estimate of the amount of the obligation can be made, no provision is recorded and information is provided in the notes.

Provisions mainly include:

- provisions intended to cover disputes and litigation arising in the ordinary course of the Group's operations. The estimated amount of these provisions is based on assessment of the level of risk on a case-by-case basis. The occurrence of events during proceedings may require these provisions to be re-estimated at any time;
- provisions for restructuring, which are booked when the restructuring has been announced and a detailed plan has been drawn up or its implementation begun. These provisions are not generally discounted owing to their short-term nature;
- provisions for site dismantling and restoration, which are assessed on the basis of the number of sites in question, an average unit cost of restoring sites and assumptions regarding the useful life of the dismantling asset and discount rate. When a site is dismantled, the corresponding provision is written back;
- provisions for employee benefits, which are detailed in the section below.

1.3.15. Employee benefit schemes

Pursuant to obligations resulting from French legislation and company agreements, the Group offers its employees retirement benefits that can take the form of an indemnity payment upon retirement, or pensions.

For defined benefit schemes, a net liability is recorded on the balance sheet. This liability is determined by independent actuaries using the projected unit credit method. This method is based on assumptions which are updated annually, such as the probability that beneficiaries will continue to be employed by the Group on retirement, expected changes in future compensation and associated contributions, and an appropriate discount rate.

In terms of funding for these schemes, the Group has taken out insurance contracts aimed at outsourcing some or all of its obligations.

If these plan assets exceed the obligations recorded, a financial asset is recognized within the limit of the present value of future repayments and expected reductions in future contributions to the plan.

The Group records de facto employee benefit assets and liabilities together with the corresponding net expense over the entire estimated service lives of employees. Actuarial gains and losses relative to post-employment benefits are recognized in full in "Other comprehensive income" when they arise.

The cost of the schemes is recorded in operating profit, with the exception of the cost of unwinding the discount and the theoretical return on plan assets, which are recorded in other financial income and expenses.

All past service costs relating to plan changes and curtailments are immediately recorded on the income statement.

1.3.16. IncomeTax

The Group calculates its income taxes in compliance with the tax legislation in force in the countries where earnings are taxable.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable profit. Management periodically evaluates the tax positions taken with regard to applicable tax legislation when this is subject to interpretation, and where appropriate, determines the amounts it expects to pay to the tax authorities.

Differences at the end of the reporting period between the carrying amount of assets and liabilities in the balance sheet and their tax base represent temporary differences. In accordance with the balance sheet liability method, these temporary differences give rise to the recognition of:

- deferred tax assets, when the value of an asset for tax purposes is higher than its carrying amount and when the value of a liability for tax purposes is lower than its carrying amount (expected future tax benefit); or
- deferred tax liabilities, when the value of an asset for tax purposes is less than its carrying amount or when the value of a liability for tax purposes is higher than its carrying amount (expected future tax expense).

Deferred tax assets and liabilities are determined on the basis of the tax rates and tax laws expected to apply in the financial year in which the asset will be realized or the liability settled. These estimates are reviewed at the end of each reporting period in order to reflect any changes to the applicable tax rates.

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards and unused tax credits; to the extent that it is likely taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, where applicable, adjusted to take account of the probability that taxable profit will be available against which they can be utilized. To assess the probability that taxable profit will be available, elements taken into account include the Group's earnings in previous years, future profit forecasts, and non-recurring items that are not likely to recur in the future. Accordingly, any assessment of the Group's ability to utilize its deferred tax assets is largely based on judgment. If the Group's future taxable earnings prove significantly different to those anticipated, the Group would be obliged to adjust the carrying amount of the deferred tax assets and this could have a significant impact on its balance sheet and profit.
The accounting for deferred taxes arising on the taxable earnings of companies included in the scope of Vivendi's tax consolidation is detailed in the "Corporate income tax" paragraph within the section describing the basis for preparing the combined financial statements.

Deferred tax assets and liabilities are offset when the following two conditions are met:
- the Group has a legal right to set off current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same tax entity.

Taxes relative to items recognized directly in other comprehensive income are recorded in other comprehensive income and not in the income statement.

1.3.17. Share-based payment

In order to align the interests of directors and employees with those of shareholders by giving them an additional incentive to improve the company's performance and increase the share price over the long term, Vivendi has set up payment plans for Group directors and employees based on the Vivendi share (share purchase plans, performance share plans, free share plans) or other equity-settled equity instruments based on the Vivendi share price (share subscription options). Vivendi's Management Board and Supervisory Board have approved these awards. They have also set performance criteria for the share subscription options and performance shares that determine whether or not these instruments vest. All plans are awarded on condition that the beneficiary continues to be employed by the Group on the vesting date.
The share of plans relative to Group employees is rebilled by Vivendi SA to SFR SA.

Recognition

Equity-settled share-based payment plans are recognized as personnel costs at the fair value of the instruments awarded, with a matching entry to a payables account.
The fair value of the instruments awarded is estimated and fixed at the grant date using a binomial model based on assumptions revised at the measurement date such as the estimated volatility of the shares in question and a discount rate corresponding to the risk-free interest rate and estimated dividend rate. The estimated life of an option is calculated as the average of the vesting period of the rights and the contractual life of the instrument.

1.3.18. Earnings per share

Basic earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period.
Diluted earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period, adjusted for the effect of all existing diluting instruments.

1.3.19. Contractual commitments, contingent assets and liabilities

Each year, the Group draws up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which it is party or to which it is exposed. This list is regularly updated by the competent departments and reviewed by Group management.

Note 2. Changes in Combination Scope

Financial Year 2011

La Poste Telecom

In 2011, SFR and La Poste created a joint subsidiary, La Poste Telecom, owning 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) addressing the mass market and providing a wide range of mobile telephone services under the brand La Poste Mobile through the La Poste outlet network. This company is accounted under equity method in the combined financial statements of the Group.

Financial Year 2012

Numergy

On August 31, 2012, SFR together with Bull and the Caisse des Dépôts et Consignations created the company Numergy. SFR holds 46.7% stake. Numergy provides to all economic players IT infrastructures capable of hosting remotely accessed and secure data and applications, i.e.“cloud computing” services. This company is accounted under equity method in the combined financial statements of the Group.

Note 3. Segment information

As indicated in the basis of preparation of the combined financial statements presented in the introduction of Note 1 – Accounting Principles, the Group has only identified a single operating segment in compliance with IFRS 8 – *Operating Segments.*

Geographic information

Moreover, as the Group’s operations are located in France, a single geographical area is used.

Information on main customers

No customer represents more than 10% of the Group’s revenues.

Note 4. Operating Income

The breakdown of the elements included in the operating income is presented in Notes 1.3.4 – Revenues, 1.3.5 – Cost of sales, commercial and distribution costs, and 1.2.1 – Combined income statement.

4.1. Breakdown of Revenues

(in millions of euros)	2013	2012	2011
Sales of goods	540	516	568
Sales of services	9,658	10,772	11,615
Revenues	**10,199**	**11,288**	**12,183**

4.2. Other Operating Income and Expenses

(in millions of euros)	2013	2012	2011
Other operating income	**2**	**11**	**14**
Amortization of customer bases recognized in business combinations (a)	(66)	(66)	(67)
Restructuring costs (b)	(93)	(187)	(12)
Other	(10)	(17)	(6)
Other operating expenses	**(169)**	**(270)**	**(84)**

(a) The amortization of customer bases recognized in business combination represents the amortization of the customer bases recognized at the acquisition of the Neuf Cegetel Group in 2008 (refer to Note 9 – Intangible Assets).
(b) The restructuring costs principally include the voluntary redundancy plan launched by SFR in 2012. In 2013, the Group continued its transformation plan to adapt its business for the changing market environment and maintain its investment in very high-speed fixed and mobile. The voluntary redundancy plan closed in August 2013, and concerned 873 employees.

4.3. Personnel Costs and Average Employee Numbers

(in millions of euros, except number of employees)	2013	2012	2011
Annual average number of full-time equivalents	**13,870**	**14,277**	**14,455**
Of which UES SFR (a)	9,106	9,524	9,529
Of which other combined entities	4,764	4,753	4,926
Salaries and wages (b)	(734)	(652)	(632)
Social security contributions	(301)	(294)	(271)
Capitalized personnel costs	88	79	76
Salaries and related costs	**(947)**	**(867)**	**(828)**

Share-based compensation (c)	(27)	(32)	(23)
Employee benefit (d)	6	(4)	(3)
Other personnel costs (e)	(109)	(153)	(170)
Personnel costs	**(1,077)**	**(1,056)**	**(1,025)**

(a) UES means the social and economic unit.

(b) The 2013 versus 2012 change essentially results from the voluntary redundancy plan.

(c) Re-invoiced in totality by Vivendi (refer to Note 17 – Remunerations based on equity instruments).

(d) Cost of services delivered related to pension schemes, of which the detail is presented in Note 19 – Post-Employment Benefits.

(e) The other personnel costs include profit sharing, performance-based bonuses, social security and related contributions an other employee benefits (such as contributions to employee welfare schemes, etc.).

Note 5. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

(in millions of euros)	2013	2012	2011
Other financial income (a)	**2**	**2**	**8**
Change in value of derivative instruments	-	0	(40)
Effect of undiscounting liabilities (b)	(7)	(10)	(11)
Effect of undiscounting impairment (c)	(6)	(5)	(5)
Change in impairment on financial assets	(1)	(9)	(0)
Other	(10)	(10)	(12)
Other financial expenses	**(24)**	**(34)**	**(70)**

(a) The other financial income mainly includes, default interest, various proceeds of bank management, and interest on long-term advances granted to equity-accounted companies.

(b) Principally concerns the debt related to the license GSM.

(c) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 18 – Provisions.

Note 6. Income Tax

For information, some companies belong to a group integrated under the French Tax Group System for tax purposes as authorized under *Article 223 A du CGI et suivants*:

- SFR S.A., since 2011, and since 2012 a few subsidiaries more than 95% owned, are included in the tax group system, where Vivendi is the head company of the Group. The tax each member company is liable to pay is paid by Vivendi, which is alone liable to the tax authorities.

- CID S.A. formed a tax group system from January 1, 2010 with the subsidiaries more than 95% owned by it. CID is also solely liable for corporate income tax of which it is the parent company.

6.1. Breakdown of income tax

(in millions of euros)	2013	2012	2011
Income tax expense			
Current	(282)	(559)	(566)
Deferred	(33)	43	31
Income tax	**(315)**	**(516)**	**(535)**
Total income tax paid	**(299)**	**(537)**	**(643)**

6.2. Tax proof

(in millions of euros)	2013	2012	2011
Net income	426	752	1,400
Adjustment:			
Income tax	(315)	(516)	(535)
Net income from discontinued operations	-	-	-
Pretax income from continuing operations	**742**	**1,267**	**1,935**
French statutory tax rate	38.0%	36.1%	36.1%
Theoretical income tax	**(282)**	**(458)**	**(699)**
Reconciliation of the theoretical and effective tax rate			
Permanent differences (a)	(22)	(40)	(4)
Tax credits / Additional tax demands	(2)	(1)	4
Assessment of deferred tax assets (b)	(5)	(7)	169
Net income(loss) of equity-accounted affiliates	(5)	(10)	(6)
Income tax	**(315)**	**(516)**	**(535)**
Effective tax rate	42.5%	40.7%	27.6%

(a) Mainly includes, the impact of consolidating 15% of the financial interest calculated on amounts provided to the Group and the tax loss carry-forwards passed on to Vivendi under the Consolidated Global Profit Tax System.

(b) As of December 12, 2011, an amount of €452 million in tax loss carry-forwards was transferred to SFR SA as part of the merger with VTI. These tax loss carry-forwards, which were not recognized, were entirely used up over financial year 2011. The impact on the reconciliation between theoretical income tax and actual income tax at end 2011 amounted to €163 million.

6.3. Changes in Deferred Taxes by Type Changes in deferred tax assets/(liabilities)

The breakdown of deferred tax assets and liabilities by nature for years ended 2011 to 2013 is as follows:

Financial year 2013

(in millions of euros)	Opening Balance	Income statements	Other	Closing Balance
Deferred tax assets				
Tax losses carry forward	65	8	(0)	73
Provisions	134	(45)	3	92
Fixed assets	105	10	(0)	115
Other	67	(7)	(0)	60
Offsetting (a)	(136)	-	12	(124)
Gross deferred tax assets	**235**	**(34)**	**15**	**216**
Unrecognized assets				
Tax losses carry forward	(61)	(9)	0	(69)
Other	(17)	(3)	(0)	(20)
Net deferred tax assets	**157**	**(45)**	**15**	**127**
Deferred tax liabilities				
Fixed assets	(104)	23	(0)	(82)
Other	(33)	(10)	0	(44)
Offsetting (a)	136	-	(12)	124
Deferred tax liabilities	**(1)**	**12**	**(12)**	**(2)**
Net deferred tax assets (liabilities)	**156**	**(33)**	**2**	**125**

Financial Year 2012

(in millions of euros)	Opening Balance	Income statement	Other	Closing Balance
Deferred tax assets				
Tax losses carry forward	61	3	0	65
Provisions	60	69	5	134
Fixed assets	127	(21)	0	105
Other	81	(14)	(0)	67
Offsetting (a)	(157)	-	20	(136)
Gross deferred tax assets	**173**	**36**	**26**	**235**
Unrecognized assets				
Tax losses carry forward	(51)	(9)	-	(61)
Other	(13)	(4)	(0)	(17)
Net deferred tax assets	**109**	**23**	**26**	**157**
Deferred tax liabilities				
Fixed assets	(133)	30	(1)	(104)
Other	(24)	(10)	0	(33)
Offsetting (a)	157	-	(20)	136
Deferred tax liabilities	**(0)**	**20**	**(21)**	**(1)**
Net deferred tax assets (liabilities)	**108**	**43**	**5**	**156**

Financial Year 2011

(in millions of euros)	Opening Balance	Income statement	Other	Closing Balances
Deferred tax assets				
Tax losses carry forward	55	(156)	162	61
Provisions	57	5	(2)	60
Fixed assets	131	(8)	4	127
Other	124	(18)	(25)	81
Offsetting (a)	(195)	-	38	(157)
Gross deferred tax assets	**171**	**(176)**	**178**	**173**
Unrecognized assets				
Tax losses carry forward	(42)	153	(162)	(51)
Other	(29)	17	(1)	(13)
Net deferred tax assets	**100**	**(7)**	**15**	**109**
Deferred tax liabilities				
Fixed assets	(151)	17	0	(133)
Other	(46)	21	2	(24)
Offsetting (a)	195	-	(38)	157
Deferred tax liabilities	**(2)**	**38**	**(36)**	**(0)**
Net deferred tax assets (liabilities)	**98**	**31**	**(21)**	**108**

(a) In accordance with IAS 12, the deferred tax assets and liabilities of the same tax entity are offset insofar as they are related to income taxes levied by the same tax authority. The company has the legal right to offset its tax assets and liabilities.

Note 7. Earnings Per Share

As the combined group was not constituted on this date, the number of shares in circulation is not determinable. Consequently, no earnings per share are presented in the Combined Financial Statements.

Note 8. Goodwill

8.1. Goodwill

(in millions of euros)	2013	2012	2011
Goodwill, Gross	5,194	5,194	5,194
Impairment	(6)	(6)	(6)
Goodwill	**5,188**	**5,188**	**5,188**

This amount includes notably the goodwill generated on the goodwill of Neuf Cegetel, which was €4,837 million.

8.2. Net change in Goodwill

(in millions of euros)	2013	2012	2011
Gross value at opening balance	**5,194**	**5,194**	**5,212**
Acquisitions	0	1	-
Decreases	-	-	(18)
Gross value at closing balance	**5,194**	**5,194**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**	**(6)**
Change	-	-	-
Impairment losses at closing balance	**(6)**	**(6)**	**(6)**
Net value at end of period	**5,188**	**5,188**	**5,188**

8.3. Goodwill impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

Main assumptions applied to determine the recoverable values

The recoverable value is determined upon the basis of the usual valuation methods, particularly the value in use, based upon the DCF approach.

In this respect, for 2013 the projected cash flow and the financial parameters used are the most recent approved by Management and updated to take account of the strong impact on revenues from the pricing policies decided by the Group in a tougher competitive environment, partially offset by cost savings in line with expectations under the company transformation plan, while maintaining a high level of investments, principally due to the increasing rate of investment in very high-speed mobile.

The projection is based on the 2014-2019 business plan established by Management, which has been projected over five additional years.

The assumptions used for discounting rates and the perpetual growth rate are presented as follows:

	2013	2012	2011
Basis used for recoverable value	Value in use	Value in use	Value in use
Methodology	DCF & comparables model	DCF & comparables model	DCF & comparables model
Discount rate after tax	7.30%	7.30%	7.00%
Perpetual growth rate	0.5%	0.5%	1.0%

On the basis of these assumptions, Management, with the help of independent evaluators, has implemented an impairment test for goodwill, and concluded that the recoverable value of the Group exceeded its book value as of December 31, 2013. The Group therefore did not record any impairment loss as of December 31, 2013 or during the previous periods presented.

Sensitivity of recoverable amounts

Over the periods analyzed, the recoverable amount would be equal to the carrying amount if the main assumptions evolved as follows:

	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (%)	Increase in the discount rate in order for the recoverable amount to be equal the carrying amount (in number of points)	Applied rate (%)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (%)
2013	7.30%	0.60 pt	0.50%	- 1.25 pt	-10%
2012	7.30%	3.00 pt	0.50%	- 7.00 pt	-34%
2011	7.00%	5.30 pt	1.00%	- 14.03 pt	-51%

Note 9. Intangible Assets

9.1. Intangible Assets by nature

The breakdown of intangible assets by nature is as follows:

	2013		
(in millions of euros)	Gross	Amortization and impairment losses	Net
Acquired software	2,061	(1,737)	323
Software developed internally	2,695	(1,854)	841
Licenses (a)	2,505	(620)	1,885
Customer databases (b)	562	(476)	86
Other (c)	1,532	(736)	796
	9,355	**(5,424)**	**3,931**

(in millions of euros)	2012 Gross	2012 Amortization and impairment losses	2012 Net	2011 Gross	2011 Amortization and impairment losses	2011 Net
Acquired software	1,967	(1,653)	314	1,870	(1,527)	343
Software developed internally	2,438	(1,629)	810	2,135	(1,417)	719
Licenses (a)	2,505	(503)	2,002	1,244	(430)	814
Customer databases (b)	562	(410)	152	562	(344)	218
Other (c)	1,451	(646)	805	1,541	(516)	1,024
	8,923	**(4,841)**	**4,082**	**7,352**	**(4,235)**	**3,117**

(a) The gross amount includes notably:
- the UMTS license for €619 million (acquired in 2001 for the provision of third-generation mobile telephone services in France) and the new frequencies, acquired in June 2010 for €300 million, amortizable over 20 years;
- the GSM license for €278 million. In March 2006, the French government granted SFR S.A. the right to continue to operate this license for 15 years. The license is recorded for its present value (refer to Note 1.3.7 – Intangible Assets);
- the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 Ghz band, and for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band.

(b) Includes:
- the Neuf Cegetel customer base, valued upon acquisition at €464 million,
- the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

9.2. Net Changes in Intangible Assets

The analysis of the change of intangible assets is as follows:

(in millions of euros)	2013	2012	2011
Opening balance	**4,082**	**3,117**	**3,077**
Amortization and impairment losses	(729)	(709)	(661)
Acquisitions	586	1,685	718
Disposals / Write-down	(4)	(4)	(6)
Changes in combination scope	0	-	(5)
Other	(4)	(8)	(5)
Closing balance	**3,931**	**4,082**	**3,117**

The LTE license in the 800 MHz band was activated on June 3, 2013 and will be amortized over a remaining duration of 18 years (end of licensing: January 2032).

9.3. Breakdown of Net Allocations to Amortizations and Impairment Losses

The changes in amortizations and impairment losses are included by destination in the various components of the operating income.

They concern:

(in millions of euros)	2013	2012	2011
Acquired software	(144)	(162)	(178)
Software developed internally	(229)	(215)	(194)
Licenses	(117)	(73)	(72)
Customer bases	(66)	(66)	(67)
Other intangible assets	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Expenses incurred during the development phases of the Network service projects and the information system development projects are eligible for capitalization. The capitalized amount under intangible assets amounted to €249 million in 2013, as compared with €263 million in 2012 and €264 million in 2011.

Note 10. Tangible Assets

10.1. Property, plant and equipment by nature

The breakdown of Property, plant and equipment is as follows:

	2013		
(in millions of euros)	Gross	Amortization and impairment losses	Net
Land	78	(1)	76
Buildings	2,900	(1,614)	1,286
Equipement and machinery	5,326	(3,267)	2,058
Work in progress	301	-	301
Other	2,397	(1,587)	810
	11,002	**(6,470)**	**4,532**

(in millions of euros)	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
Land	98	(1)	97	84	(1)	83
Buildings	2,744	(1,563)	1,182	1,938	(1,083)	855
Equipement and machinery	5,237	(3,207)	2,030	5,532	(3,310)	2,221
Work in progress	315	-	315	284	-	284
Other	2,218	(1,374)	844	2,168	(1,367)	801
	10,613	**(6,145)**	**4,468**	**10,005**	**(5,762)**	**4,244**

The buildings are principally composed of the hosting of technical sites, buildings and their respective fittings. Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions.

Work in progress, among other things, equipment and network infrastructures.

10.2. Net Changes in Property, plant and equipment

Analysis of the changes in Property, plant and equipment is as follows:

(in millions of euros)	2013	2012	2011
Opening balance	**4,468**	**4,244**	**4,041**
Amortization and write-off	(932)	(868)	(914)
Acquisitions / Increase	1,079	1,080	1,127
Disposal	(21)	(17)	(15)
Changes in combination scope	(61)	12	(1)
Other	(2)	17	6
Closing balance	**4,532**	**4,468**	**4,244**

10.3. Breakdown of Depreciation and Impairment Losses

The changes in depreciation and impairment losses are included by destination in the various components of the operating income.

They concern:

(in millions of euros)	2013	2012	2011
Buildings	(118)	(115)	(124)
Equipment and machinery	(395)	(393)	(420)
Other property, plant and equipment	(419)	(361)	(369)
	(932)	**(868)**	**(914)**

10.4. Property, plant and equipment held under finance leases

The breakdown of property, plant and equipment held under finance leases is as follows:

(in millions of euros)	2013	2012	2011
Lands	5	5	5
Buildings	90	90	90
Technical plant, machinery and equipment	176	176	176
Property, plant and equipment held under finance leases	**270**	**270**	**270**

The minimum future lease payments for Property, plant and equipment held under finance leases is detailed as follows:

(in millions of euros)	2013	2012	2011
Under one year	3	4	9
Two to five years	7	8	12
Over five years	1	3	4
Minimum future lease payments	**11**	**15**	**25**

Note 11. Equity-Accounted Affiliates

11.1. Main Equity-Accounted Affiliates

(in millions of euros)	2013	2012	2011
Numergy (a)	95	103	-
La Poste Telecom (b)	-	-	17
Other associates	23	19	24
Associates	**119**	**123**	**41**
Synerail (c)	-	-	-
Foncière Rimbaud (d)	33	15	7
Joint ventures	**33**	**15**	**7**
	152	**138**	**49**

(a) SFR, Bull and the Caisse des Dépôts created the company Numergy, which offer secure IT infrastructures capable of hosting remotely accessible and secure data and applications, i.e."cloud computing" services (cf. Note 2 – Changes in consolidation scope). Only 25% of the Group's share (in the total amount of €105 million), has been paid up. The remaining unpaid portion was

recognized as Liabilities in the amount of €79 million (cf. Note 22 – Other current and non-current liabilities).

(b) SFR and La Poste created La Poste Telecom, holding 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) in the retail market under the La Poste Mobile brand name (cf. Note 2 – Changes in Consolidation scope).

The negative value of the equity-accounted associated of La Poste Telecom was recognized at zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €14 million at end 2013.

(c) On February 18, 2010, a consortium formed with SFR, Vinci and AXA (each at 30%) and TDF (10%) signed the GSM-R public/private partnership agreement with Réseau Ferré de France. This agreement, of a duration of 15 years and a total amount of €1 billion, covers the financing, construction, operation and maintenance of a digital telecommunications network that enables to conference mode communications (voice and data) between train drivers and team on the ground. It will be rolled out progressively over 14,000 km of conventional and high-speed railway lines in France. The negative value of the equity-accounted associated of Synerail was recognized at reduced to zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €5 million at end 2013.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four equally owned joint subsidiaries, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4, within the framework of construction of the registered office of SFR in Saint-Denis. This project, which may change over time, will be undertaken in two stages, and works will be staggered until the end of 2015. The first stage of buildings (surface area of 74,000 m²) carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered at end 2013. The second stage carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.

Foncière Rimbaud 3 and 4, which used to be fully consolidated, have been equity-accounted since April 2013.

The group % interests of these main equity-accounted affiliates are indicated in Note 27 – List of combined entities.

11.2. Condensed Financial Information

The condensed financial information relative to equity-accounted affiliates is presented in the following tables.

	Numergy		La Poste Telecom		
(in millions of euros)	2013	2012	2013	2012	2011
Revenues	1	-	147	141	76
Net Income (a)	(18)	(3)	(19)	(19)	(62)
Total Equity	204	222	(62)	(43)	(24)
Cash (-) / Net debt (+)	(20)	(56)	48	34	27
Total assets	208	228	36	42	58

(a) Including depreciation of the goodwill of La Poste Telecom recorded in 2011 but communicated to SFR post its consolidation process (€27 million).

	Synerail	
(in millions of euros)	2013	2012
Revenues	153	119
Net Income	2	1
Total Equity	(16)	(26)
Cash (-) / Net debt (+)	288	148
Total assets	344	221

Note 12. Other Current and Non-Current Assets

(in millions of euros)	2013	2012	2011
Non-current operating assets	**79**	**78**	**1**
Advances to equity-accounted and non-combined companies	65	38	34
Non-combined equity securities	12	13	20
Other (a)	29	32	94
Non-current financial assets	**106**	**83**	**148**
Total other non-current assets	**185**	**161**	**149**
Other current assets	**2**	**2**	**2**

(a) In 2011, included €53 million related to deposits as guarantee of pre-financing of the arrangement fees for QTE lease/sub-lease agreements set up in 2001 by Neuf Cegetel. The latest QTE contract was early repaid in December 2012.

Note 13. Inventories

(in millions of euros)	2013	2012	2011
Inventories of handsets and accessories	259	256	364
Other	2	7	13
Inventories – gross value	**262**	**263**	**377**
Total depreciations	**(22)**	**(18)**	**(21)**
Inventories – net value	**240**	**245**	**356**

The handset inventories include handsets under consignment with distributors in the amount of €122 million in 2013 (€132 million in 2012 and €151 million in 2011).

Note 14. Trade Accounts Receivable and Other Receivables

(in millions of euros)	2013	2012	2011
Accounts receivable	2,147	2,225	2,349
Bad debt allowance (a)	(465)	(477)	(398)
Net accounts receivable	**1,681**	**1,748**	**1,951**
Receivables from suppliers	228	276	283
Employee and tax receivables (b)	529	407	681
Prepaid expenses	103	105	88
Income taxes	3	6	7
Other receivables	14	0	4
Total account receivable and other receivables	**2,558**	**2,544**	**3,015**

(a) The Group considers that there is no significant uncollectibility risk for unprovisioned overdue receivables (refer to Note 23.6 – Credit and counterparty risks – paragraph "Accounts receivable and other receivables").

(b) At end 2013, employee and tax receivables were principally made up of the following elements:
- Value-added tax: €355 million
- Territorial economic tax (CET): €71 million
- Tax on electronic communications (TCE – Copé): €61 million
- Tax on television services (TST – COSIP): €26 million

Note 15. Cash and Cash Equivalents

(in millions of euros)	2013	2012	2011
Cash	297	187	165
Cash equivalents	98	79	63
Cash and cash equivalents	**394**	**267**	**228**

Note 16. Information on Equity

Dividends paid to shareholders during financial years 2011, 2012 and 2013:

The dividends paid for financial year 2010 amounted to €1,000 million. These dividends were paid in the form of an interim dividend in January 2011.

The dividends paid for financial year 2011 amounted to €1,423 million. These dividends were paid in the form of an interim dividend in June 2011 in the amount of €454 million, and the balance in April 2012 in the amount of €968 million.

The dividends paid for financial year 2012 amounted to €982 million. These dividends were paid in March 2013.

The Group does not plan to distribute dividends for financial year 2013.

Management of capital risk:

The financial structure of the Group comprises borrowing and financial debts, cash and cash equivalents and equity, which includes reserves and equity attributable to non-controlling interests as detailed in the statement of change of equity.

Note 17. Remunerations based on Equity Instruments

17.1. Plans allocated by Vivendi to Employees of SFR

17.1.1. Characteristics of the Various Plans Allocated by Vivendi

Vivendi has granted several share-based compensation plans founded on the Vivendi share and intended for employees of SFR.

During 2012 and 2011, Vivendi granted stock option and performance share plans, wherever the fiscal residence of the beneficiaries and bonus share plan for employees of all the group's French subsidiaries.

In 2013, the Supervisory Board decided, upon the recommendation of the Management Board and General Management and the advice of the Human Resources Committee, that all grants would be made in the form of performance shares, wherever the fiscal residence of the beneficiaries.

In addition, in 2013, 2012 and 2011, Vivendi granted stock purchase plans to its employees and retirees (employee stock purchase and leveraged plans).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.18 – Remunerations paid in shares. More specifically, the risk-free interest rate applied is the rate of French "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the

expected term of the instrument at the valuation date, and the expected dividend yield at grant date is based on Vivendi's dividend distribution policy.

As a reminder, the volatility applied in valuing the stock option plans granted by Vivendi in 2012 and 2011 was calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5-year period and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

Instruments settled by the issuance of shares

The definitive grant of equity-settled instruments, excluding the 2012 bonus share plan, is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee.

The value of the equity-settled instruments is estimated and set at grant date. For the main 2013, 2012 and 2011 performance share, stock option and bonus share plans, the applied assumptions were as follows:

	2013	2012		2011
Date of grant	February 22	July 16 (a)	April 17	April 13
Data at grant date:				
Option strike price (in euros) (b)	N/A	N/A	13.63	19.93
Share price (in euros)	14.91	15.75	12.53	20.56
Expected volatility	N/A	N/A	27%	25%
Expected dividend yield	6.71%	6.35%	7.98%	7.30%
Performance conditions achievement rate (c)	100%	N/A	100%	100%

N/A: not applicable.

(a) Vivendi granted 50 bonus shares to the employees of all the group's French subsidiaries, including SFR (refer to *infra*).

(b) In accordance with legal requirements, the number and strike price of stock options, as well as the number of performance shares in connection with outstanding plans, were adjusted to take into account the impact, for the beneficiaries of the following distributions by a withdrawal from reserves:

- on May 9, 2012: grant to each shareholder of one bonus share per 30 shares held; and
- on May 17, 2013: dividend distribution with respect to fiscal year 2012.

These adjustments have no impact on share-based compensation expense related to the relevant stock option and performance share plans.

(c) Since 2012, achievement of the objectives underlying the performance conditions has been assessed over two years (each year over two years for the plans allocated in 2011). The final grant is effective according to fulfillment of the following performance criteria:

- internal indicator (70%): EBITA margin as a function of the cumulative income from the past two fiscal years, for the plans allocated in 2013 and 2012 (compared to the adjusted net income (45%), and cash flow from operations (25%) for the plans allocated in 2011);
- external indicators (30%): performance of Vivendi's share price over two years, according to the Dow Jones Stoxx Telecom index (21% for plans allocated in 2013 and

2012, compared to 18% for the plans allocated in 2011) and according to the Media index comprised of a pre-established panel (9% for plans allocated in 2013 and 2012, compared to 12% for plans allocated in 2011).

- The definitive grant of stock options and performance shares of April 17, 2012 became effective as of December 31, 2013. The acquisition of these instruments is conditional upon active employment at the vesting date.

With regard to stock options and performance shares of April 13, 2011, the final grant became effective as of December 31, 2012.

Performance share plans based on the value of Vivendi

Performance shares granted in 2013, 2012 and 2011 will vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders are entitled to the dividends and voting rights attached to these shares from the end of the two-year vesting period. The recognized compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On February 22, 2013, 717,000 performance shares were granted, compared to 552,000 granted on April 17, 2012 and 492,000granted on April 13, 2011. After taking account of a discount for non-transferability, 8.3% of the share price as of February 22, 2013 (7.1% as of April 17, 2012 and 4.5% as of April 13, 2011), the fair value of each granted performance share was €11.79, as compared with €9.80 per share as of April 17, 2012 and €16.84 as of April 13, 2011, corresponding to a global fair value of €8 million (€5 million in 2012 and €8 million in 2011).

Stock option plans based on the value of Vivendi

Stock options granted in 2012 and 2011 will vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period. In 2013, Vivendi did not grant any stock options. On April 17, 2012, 495,000 stock options were granted, compared to 610,000 options on April 13, 2011. After taking into account a 2.35% risk-free interest rate (3.21% in 2011), the fair value of each option granted was €0.96 (compared to €2.16 per option as of April 13, 2011), corresponding to a global fair value of €0.5 million (€1.3 million in 2011).

Free allocation plan of 50 shares

On July 16, 2012, Vivendi granted a 50 bonus share plan per employee of all the group's French subsidiaries, including SFR. These shares will be issued at the end of a two-year period, i.e., July 17, 2014, subject to the employee being in active employment at this date and without any performance conditions. The compensation cost is therefore recognized on a straight-line basis over this period. The shares will only be available after another two-year period. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders will be entitled to the dividend and voting rights relating to these shares from the end of the two year vesting period.

On July 16, 2012, 500,000 bonus shares were granted. After taking into account a discount for non-transferability of 9.3% of the share price on July 16, 2012, the fair value of each granted bonus share was €12.40, a total of €6 million.

Employee stock purchase and leveraged plans subscribed by the employees of SFR

Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of SFR employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the stock purchase plans granted is estimated and fixed at the grant date.

For the employee stock purchase and leveraged plans subscribed in 2013, 2012 and 2011, the applied valuation assumptions were as follows:

For the Group savings plans and leverage plans subscribed in 2013, 2012 and 2011, the valuation assumptions used are as follows:

	2013	2012	2011
Grant date	June 28	June 25	June 23
Subscription price (in euros)	12.10	10.31	15.27
Data at grant date:			
Share price (in euros)	14.55	13.57	18.39
Discount to face value	16.82%	24.02%	16.97%
Expected dividend yield	6.87%	7.37%	8.16%
Risk-free interest rate	1.19%	1.37%	2.44%
5-year interest rate in fine	6.08%	6.51%	6.15%
Repo rate	0.36%	0.36%	0.36%

Under the employee stock purchase plans 1,505,000 shares were subscribed in 2013 (compared to 1,541,000 shares in 2012 and 1,381,000 shares in 2011). After taking into account a 15.2% discount for non-transferability to the share price on the grant date (15.3% in 2012 and 10.0% in 2011), the fair value per subscribed share on June 28, 2013 was €0.24, compared to €1.18 per share subscribed on June 25, 2012 and €1.28 per share subscribed on June 23, 2011.

Under the leveraged plans, virtually all employees and retired employees of SFR were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2013, 6,225,000 shares were subscribed under the leverage plan (compared to 6,591,000 shares subscribed in 2012 and 4,537,000 shares subscribed in 2011). After taking into account a 1.5% discount for non-transferability measured after the leveraged impact (unchanged in relation to 2012 and 1.0% in 2011), the fair value per share subscribed on June 28, 2013 amounted to €2.23, compared with €3.05 per share subscribed on June 25, 2012 and €2.94 per share subscribed on June 23, 2011.

In 2013, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €14 million (as compared with €22 million in 2012 and €15 million in 2011).

17.1.2. Information on outstanding SFR Plans Based on the Value of Vivendi since January 1, 2011

Equity-settled instruments

	Stock options			Performance shares	
	Number of outstanding stock options		Weighted average strike price of outstanding stock options	Number of outstanding performance shares	
	(in thousands)		(in euros)	(in thousands)	
Balance as of December 31, 2010	**12,688**		**21.6**	**538**	
Granted	645		19.9	502	
Exercised	(25)		13.9	(152)	
Cancelled	(377)		20.3	(42)	
Balance as of December 31, 2011	**12,931**		**21.5**	**846**	
Granted	495		13.6	552	
Exercised	(94)		13.0	(344)	
Cancelled	(82)		18.3	(32)	
Adjusted	460		20.6	36	
Balance as of December 31, 2012	**13,710**		**20.6**	**1,058**	
Granted	-		N/A	817	
Exercised	(734)	(a)	14.2	(496)	
Forfeited	(85)		12.2	-	
Cancelled	(16)		18.2	(6)	
Adjusted	1,390		19.4	114	
Balance as of December 31, 2013	**14,265**	(b)	**19.7**	**1,487**	(c)
Exercisable as of December 31, 2013	***12,913***		***20.2***	**-**	
Acquired as of December 31, 2013	***12,913***		***20.2***	**-**	

N/A: not applicable

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €16.71 (compared to €16.50 for stock options exercised in 2012 and €20.85 for the stock options exercised in 2011).

(b) The total intrinsic value of outstanding stock options was €17 million.

(c) The weighted-average remaining period before issuing shares was 0.8 years.

Regarding the grant of 50 bonus shares in 2012, the remaining number of bonus shares was 455,000 as of December 31, 2013 (474,000 as of December 31, 2012). During 2013, 19,000 shares were cancelled (26,000 in 2012).

Information on stock options as of December 31, 2013 is as follows:

Range of strike price	Outstanding stock options			Vested stock options	
	Number	Weighted average strike price	Weighted average remaining contractual life	Number	Weighted average strike price
	(in thousands)	(in euros)	(in years)	(in thousands)	(in euros)
Under €15	624	13.6	8.6	-	-
€15-€17	3,613	16.8	5.7	3,613	16.8
€17-€19	3,107	17.6	2.2	2,379	17.5
€19-€21	1,944	20.0	1.3	1,944	20.0
€21-€23	1,613	21.3	4.3	1,613	21.3
€23-€25	1,771	24.1	2.3	1,771	24.1
€25-€27	1,593	26.1	3.3	1,593	26.1
Over €27	-	-	-	-	-
	14,265	**19.7**	**3.6**	**12,913**	**20.2**

17.2. Impact on Income Statement

(in millions of euros)	2013	2012	2011
Stock options, performance shares and bonus shares	*12.3*	*9.7*	*7.8*
Employee stock purchase plan	*14.2*	*21.9*	*15.1*
Charges / (income) relative to compensation based on equity-settled instruments	**26.5**	**31.6**	**22.9**

Note 18. Provisions

(in millions of euros)	2013					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes (a)	72	7	(10)	-	8	76
Restructuring (b)	170	67	(152)	(1)	-	85
Site renovation costs (c)	65	4	(4)	-	(4)	61
Litigation and other (d)	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	**10**	**491**
Current provisions	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Non-current provisions	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Staff benefit schemes: refer to Note 19 – Post-employment benefits

(b) Restructuring: refer to Note 4.2 – Other operating income and expenditure

(c) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(d) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned.

The tables of the previous financial years are presented below:

	2012					
(in millions of euros)	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes	50	7	(0)	(1)	15	72
Restructuring	9	170	(0)	-	(8)	170
Site renovation costs	55	3	(3)	-	10	65
Litigation and other	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Current provisions	*236*	*256*	*(30)*	*(54)*	-	*408*
Non-current provisions	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
(in millions of euros)	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes	45	6	(0)	(1)	0	50
Restructuring	1	-	(1)	(6)	14	9
Site renovation costs	49	3	(2)	-	4	55
Litigation and other	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Current provisions	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Non-current provisions	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Post-Employment Benefits

All employees of the Group benefit from severance pay in accordance with the collective agreement of the company to which they are attached.

19.1. Assumptions used for Evaluation

The actuarial debt is evaluated using the following assumptions:

	2013	2012	2011
Discount rate	3.00%	3.25%	4.50%
Salary increase rate	2.75%	2.75%	2.75%

The demographic assumptions are specific to each company. The discount rate is based on the "iBoxx € Corporates AA" rate.

The proceeds of interest on the hedging assets are determined on the basis of the discount rate.

These hedging assets are invested in the general fund Cardif, which is principally composed of bonds.

19.2. Analysis of Net Benefit obligation under Pensions and Post retirement Benefits

The analysis of the change in net benefit obligations is presented in the tables below:

Changes in the value of Benefit obligations

(in millions of euros)	2013	2012	2011
Benefit obligation at the beginning of the year	73	52	48
Current services cost	7	5	5
Interest cost	2	2	2
Benefits for the period	(0)	(0)	(1)
Scheme reduction (a)	(12)	(1)	-
Settlement	-	-	(0)
Curtailment	-	-	(1)
Actuarial differences (profits) / losses	7	15	(0)
Benefit obligation at the end of year	**77**	**73**	**52**
Including commitments not financed	*76*	*71*	*50*
Including commitments totally or partially financed	*0*	*2*	*2*

(a) The scheme reduction of €12 million in 2013 corresponds to the impact of the voluntary redundancy scheme launched by SFR in 2012 (refer to Note 4.2 – Other operating income and expenditure).

Changes to fair value of plan assets

(in millions of euros)	2013	2012	2011
Fair value of plan assets at start of year	3	3	3
Benefits paid by the fund	-	-	(1)
Actuarial differences (profits) / losses on return	-	0	-
Return expected from the hedge funds	0	0	0
Fair value of plan assets at end of year	**3**	**3**	**3**

Net liabilities recorded

(in millions of euros)	2013	2012	2011
Net liabilities recorded at start of year	(70)	(49)	(45)
Expenditure for the period	(9)	(7)	(5)
Benefits reducing commitment	0	0	0
Scheme reduction	12	1	-
Scheme settlement	-	-	0
Actuarial differences profits / (losses) in overall earnings	(7)	(15)	0
Net liabilities recorded at end of year	**(74)**	**(70)**	**(49)**

Value of commitments, fair value of assets and financial sub-hedge over 3 financial years

(in millions of euros)	2013	2012	2011
Value of commitments	77	73	52
Fair value of plan assets	3	3	3
Financial sub-hedge	**74**	**70**	**49**

Sensitivities to the discount rate

An increase of 50 base points to the discount rate expected in 2013 (or a fall of 50 base points) would be reflected in a reduction in the commitment of €7 million (or an increase of €7 million).

19.3. Analysis of the Expenditure Recorded on the Income Statement

Expenditure recorded for defined benefit schemes can be broken down as follows:

(in millions of euros)	2013	2012	2011
Current service cost	7	5	5
Interest costs	2	2	2
Expected return on plan assets	(0)	(0)	(0)
Past services cost	-	-	(1)
Expenditure for the financial year	**9**	**7**	**5**
Scheme reduction	(12)	(1)	-
Scheme settlement	-	-	(0)
Total expenditure	**(3)**	**6**	**5**

19.4. Actuarial Differences Recorded in Overall Earnings

(in millions of euros)	2013	2012	2011
Actuarial differences from experience	1	-	2
Actuarial differences from assumptions	6	14	(2)
Actuarial differences recorded in overall earnings	**7**	**15**	-
Actuarial differences accumulated in equity	**21**	**14**	-

The amount of the 2013 actuarial differences relative to the hedging assets is not significant. The amount relative to the commitments is detailed as follows:

(in millions of euros)	Total	Commitment	
Actuarial differences from experience	1	1	1.0%
Actuarial differences from assumptions	6	6	7.7%
Total	**7**	**7**	

19.5. Allocation of pension plan assets

The allocation of plan assets is presented in the table hereunder:

	2013	2012	2011
Shares	12.6%	11.4%	11.8%
Bonds	80.7%	78.2%	81.5%
Real estate	6.7%	6.5%	6.1%
Other	0.0%	3.9%	0.6%
Total	**100.0%**	**100.0%**	**100.0%**

Apart from real estate investments, all these assets are exchange-listed.

19.6. Schedule of Post-Employment Benefits

The estimated amount (in nominal value) of the benefits to be paid in the next ten years is as follows:

(in millions of euros)	Under one year	Two to five years	Six to ten years	Total
Estimated benefits payable	0	2	12	**14**

Note 20. Borrowing and Financial Debt

20.1. Analysis of the Expenditure Recorded on the Income Statement

(in millions of euros)	2013	2012	2011
Shareholder debt (a)	1,200	1,200	3,700
Bond loan (b)	-	300	300
Securitization of receivables (c)	-	-	422
Debt relative to finance leasing	8	11	15
Other financial debt	40	50	53
Non-current borrowing and financial debt	**1,248**	**1,561**	**4,490**
Shareholder debt (a)	7,472	6,409	1,761
Bond loan (b)	300	-	996
Bank loan	50	66	48
Debt relative to finance leasing	3	4	9
Other financial debt (d)	20	27	83
Current borrowing and financial debt	**7,846**	**6,506**	**2,896**
Borrowing and financial debt	**9,094**	**8,067**	**7,385**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi in June 2011. This facility was drawn respectively to the level of €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate, which was fixed in accordance with market conditions, has remained fixed since January 1, 2013 (2.79%);
- shareholder loan: these are loans or credit facilities entered into between the Group and Vivendi:
  - o The Revolving Credit facility entered into in January 2011 for €1 billion, bearing interest at the Euribor rate + 2.5%, matured in 2012,
  - o The Revolving Credit facility in the sum of €1.5 billion, entered into in June 2009 at the Euribor interest rate + 2.5%, matured in June 2013,
  - o The loan entered into in December 2011 for €1.2 billion, bearing interest at the Euribor rate + 0.825%, maturity of which is June 2015, was still in force as of December 31, 2013;

(b) Bond loan (net of amortized cost): The Group issued a bond loan of €300 million in July 2009, maturity of which is July 9, 2014, bearing interest at the rate of 5%. Another loan, resulting from several bond issues from 2005 to 2009 for a total of €1 billion, was repaid in full upon maturity in July 2012.

(c) A receivables securitization program was set up in 2011. This program was settled ahead of the original due date in June 2012.

(d) The commercial papers were repaid in full in 2012.

20.2. Breakdown by Interest Rate Type of the Repayment Value of Borrowing and Financial Debt

(in millions of euros)	2013		2012		2011	
Breakdown by type of interest rate:						
Fixed interest rate (after hedge)	7,769	85%	300	4%	1,296	18%
Variable interest rate	1,324	15%	7,767	96%	6,090	82%
Total	**9,094**		**8,067**		**7,385**	

20.3. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis. The interest payable is calculated on the basis of the debt as of December 31, 2013. The variable interest rates are the rates applicable as of December 31, 2013.

The effective annual percentage rate over the year 2013 is 2.80%.

		2013		
		Schedule of repayments		
(in millions of euros)	**Book value**	Under one year	Two to five years	Over five years
Shareholder debt	8,672	7,472	1,200	-
Bond loan	300	300	-	-
Borrowing relative to leasing	11	3	6	2
Other financial debts	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

Note 21. Trade Accounts Payable and Other Payables

(in millions of euros)	2013	2012	2011
Trade accounts payable	2,878	2,943	3,114
Customer's credit balances	622	512	478
Tax and social contributions (a)	846	1,028	1,100
Short term prepaid income	524	630	710
Income tax	3	9	6
Other	1	13	4
Trade accounts payable and other payables	**4,874**	**5,136**	**5,412**

(a) As of the end of 2013, tax and social contributions can be broken down principally into the following elements:

- Value-added tax payable: €331 million
- Social contributions: €338 million
- Territorial economic tax (CET): €77 million
- Tax on electronic communications (TCE – Copé): €54 million
- Tax on television services (TST – COSIP): €24 million

Note 22. Other Current and Non-Current Liabilities

(in millions of euros)	2013	2012	2011
Deferred income	309	339	346
GSM license	136	154	172
Uncalled share capital (Numergy)	63	63	-
Other (a)	33	41	114
Other non-current liabilities	**540**	**597**	**633**
Uncalled share capital (Numergy)	16	16	-
Other current liabilities	1	1	3
Other current financial liabilities	**17**	**17**	**3**

(a) In 2011, includes €53 million QTE settled early in December 2012 (refer to Note 12 – Other current and non-current assets).

Note 23. Financial Instruments

23.1. Fair Value of Financial Instruments Recorded in the Balance Sheet and Accounting Categories

The table below presents the net carrying value by category and the fair value of the Group's financial instruments as of December 31, of each year.

		2013						
(in millions of euros)	Note	Assets / liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	**Total net carrying value**	**Fair value**
Assets								
Other non-current financial assets	12	8	12	86			106	106
Derivative instruments	12					2	2	2
Other current financial assets	12	0					0	0
Other non-current operating assets	12				79		79	79
Trade accounts receivable and other	14				2,558		2,558	2,558
Cash and cash equivalents	15	394					394	394
Liabilities								
Non-current borrowings and financial debts	20				1,248		1,248	1,248
Current borrowings and financial debts	20				7,844		7,844	7,851
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				4,874		4,874	4,874
Other non-current liabilities	22				540		540	540
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2012

(in millions of euros)	Note	Assets / liabilities at fair value by earnings	Available–for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	**Total net carrying value**	**Fair value**
		2012						
Assets								
Other non-current financial assets	12	8	13	63			83	83
Derivative instruments	12					2	2	2
Other current financial assets	12	1					1	1
Other non-current operating assets	12				78		78	78
Trade accounts receivable and other	14				2,544		2,544	2,544
Cash and cash equivalents	15	267					267	267
Liabilities								
Non-current borrowings and financial debts	20				1,561		1,561	1,578
Current borrowings and financial debts	20				6,505		6,505	6,505
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				5,136		5,136	5,136
Other non-current liabilities	22				597		597	597
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2011

(in millions of euros)	Note	Assets / liabilities at fair value through earnings	Available–for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	**Total net carrying value**	**Fair value**
		2011						
Assets								
Other non-current financial assets	12	8	20	120			148	148
Derivative instruments	12					0	0	0
Other current financial assets	12	2					2	2
Other non-current operating assets	12				1		1	1
Trade accounts receivable and other	14				3,015		3,015	3,015
Cash and cash equivalents	15	228					228	228
Liabilities								
Non-current borrowings and financial debts	20				4,490		4,490	4,504
Current borrowings and financial debts	20				2,895		2,895	2,907
Derivative instruments	20							
Commitments to purchase non-controlling interests	12	1					1	1
Trade accounts payable and other	21				5,412		5,412	5,412
Other non-current liabilities	22				633		633	633
Other current financial liabilities	22				3		3	3

The carrying value of the operating receivables and other, cash and cash equivalents and trade accounts payable and other is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings and financial debts is calculated either from the market price for the bond loan or, for the rest of the debt, by discounting future contractual flows, taking account of market conditions as of December 31 each year.

Valuation method for financial instruments at fair value on the balance sheet

In compliance with IFRS 7, financial assets and liabilities at fair value are classified according to a fair value hierarchy at fair value of the financial instruments (level 1 to 3) as follows:

- the fair value of financial instruments exchanged in active markets (for example monetary UCITS) is based on the market price listed on the date of closure. This valuation method is described as level 1 in the hierarchy defined by IFRS 7;

- the fair value of financial instruments not traded in active markets (for example rate swaps) is determined using valuation techniques. The assumptions used can be observed either directly (i.e. such as prices) or indirectly (i.e. determined from prices). This valuation method is described as level 2 in the hierarchy defined by IFRS 7;

- the fair value of the instruments classified in level 3 (for example, available–for-sale securities) is determined using a valuation technique not based on observable market data.

The tables below present the method of valuation used for the financial assets and liabilities at fair value as of December 31, of each year.

	2013			
(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	20	8		12
of which cash management assets	*8*	*8*		
available-for-sale securities	*12*			*12*
Derivative instruments	2		2	
Other current financial assets	0	0		
Cash and cash equivalents	394	394		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2012

(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	21	8		13
of which cash management assets	8	8		
available-for-sale securities	13			13
Derivative instruments	2		2	
Other current financial assets	1	1		
Cash and cash equivalents	267	267		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2011

(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	28	8		20
of which cash management assets	8	8		
available-for-sale securities	20			20
Derivative instruments	0		0	
Other current financial assets	2	2		
Cash and cash equivalents	228	228		
Financial liabilities at fair value				
Derivative instruments				
Commitments to purchase non-controlling interests	1			1

23.2. Management of Financial Risks and Derivative Financial Instruments

As part of its business, the Group is exposed to several types of financial risks: market risk, credit (or counterparty) risk and liquidity risk. Market risks are defined as the risks of fluctuation in future cash flow of financial instruments that depend on the changes in financial markets. For the Group, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investment in the stock markets.

As part of the Vivendi Group as of December 31, 2013, the Group follows group policy with regard to management of financial risks and derivative financial instruments, which is centrally managed by Vivendi's Financing and Treasury department.

The Group uses derivative instruments to manage its exposure to market risks. The valuation of these instruments is not significant over the periods presented.

Valuation linked to the credit risk of derivative instruments is calculated from historic probabilities of default, as resulting from the calculations of a leading ratings agency, to which a recovery rate is applied. As of December 31, 2013, the impact of the adjustment recommended by IFRS 13 was not significant.

23.3. Interest Rate Risk

The exposure of the Group to interest rate risk is linked to its net variable rate financial debt level.

As of December 31, 2013 and as of December 31, 2012, this exposure was not hedged by rate derivative instruments.

Sensitivity analysis to interest rate risk

Sensitivity analysis to interest rate changes for variable rate instruments was determined considering all variable rates of financial instruments. The analysis was conducted assuming that the amounts of debts and financial instruments on the balance sheet as of December 31, 2013 will remain constant over a year. For the purposes of this analysis, all other variables, particularly the exchange rates, are assumed to remain constant.

A change of 50 basis points in the interest rate on date of closure would have resulted in an increase (decrease) in the cost of debt of €7 million.

23.4. Foreign Exchange Risk

To hedge its currency purchases, related in particular to the acquisition of telecoms equipment, the Group uses forward contracts which it buys from the Financing and Treasury department of the Vivendi Group.

As of December 31, 2013, the Group held foreign exchange hedge instruments for a notional amount of 115 million US dollars (USD). All contracts are US dollar (USD) forward contracts with a maturity between 1 and 7 months.

The forward contracts are defined as cash flow hedges. Their ineffectiveness over the period is not significant.

The residual exposure of the Group after hedging the USD fluctuations is barely significant over the financial year. As of December 31, 2013, the exposure to foreign exchange risk on the balance sheet of the Group in USD amounts to 2 million, and is completely hedged.

Sensitivity analysis to foreign exchange risk

As of December 31, 2013, an instant change of 10% of the euro in relation to the dollar would, on the assets and liabilities recorded on the balance sheet, have quite a significant impact on the foreign exchange earnings of the Group. For the purposes of this analysis, all other variables, and in particular the interest rates, are assumed to remain constant.

23.5. Liquidity Risk

The Group manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow. As of December 31, 2013, the financial flexibility of the Group was assured by the current account provided by Vivendi.

A liquidity schedule is detailed in Note 20.3 – Breakdown by maturity of future cash flow linked to borrowings and financial debts.

23.6. Credit and Counterparty Risk

The main financial assets potentially generating a credit risk for the Group are:

- cash investments,
- trade accounts receivable and other .

The maximum exposure of the financial assets to the credit risk corresponds to their net carrying value.

Cash investments and derivative instruments

The Group makes its cash investments (monetary UCITS that meet the specifications of AMF position No. 2011-13, and other short-term highly liquid investments with an original maturity less than or equal to three months) with leading banking counterparties.

As of December 31, 2013:

- cash investments are made with counterparties enjoying high credit ratings,
- derivative instruments, forward purchases of dollars, were bought from Vivendi and not directly from banking partners.

Trade accounts receivable and other

The concentration of the counterparty risk related to trade accounts receivable is limited because the client portfolio of the Group is highly diversified and not concentrated, considering the large number of clients, in particular the Retail business, with several million individual customers.

With regard to the B2B business, the 20 main clients represent less than 3% of the Group's revenues.

With regard to the Wholesale business, revenues are more concentrated, with the biggest clients being telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile) whose risk is moderate considering the interconnection flows equilibrium. Orange, the first client operator, is also the first supplier of the Group.

Note 24. Transactions with Related Parties

The related parties of the Group are:

- All companies included in the scope of combination, whether fully integrated or accounted for by the equity method,
- Vivendi S.A. and its consolidated entities (the "Vivendi Group"),
- The Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.,
- All members of the executive committee of SFR S.A.,
- All companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

24.1. Compensation of the Managers

The managers of the combined group include the members of the executive committee of its main entity SFR S.A.

The table below presents the compensation allocated to the people who were, upon closure or during the financial years presented members of the executive committee.

(in millions of euros)	2013	2012	2011
Short-term benefits (a)	5	6	6
Post-employment benefits (b)	1	1	2
Share-based compensation (c)	3	4	3

Compensation of managers	**8**	**10**	**11**

(a) Includes gross salaries, fixed and variable compensations, profit sharing and benefits in kind recorded during the financial year. The variable part includes bonuses provisioned at closure of the financial year. The 2013 bonus for the corporate representatives will be finally approved later by the Supervisory Board of Vivendi S.A. at the recommendation of the Human Resources Committee of Vivendi S.A.

(b) Corresponds to the cost of services delivered.

(c) Expense recorded on the profit and loss account by way of share option plans and offers reserved to employees.

24.2. The Shareholder Companies and Joint Ventures

Shareholder companies and joint ventures, equity-accounted, are presented in Note 11 – Equity-accounted securities.

Transactions with the related parties summarized below concern the principal current operations undertaken with shareholder companies and joint ventures.

(in millions of euros)	Affiliated companies			Joint ventures		
	2013	2012	2011	2013	2012	2011
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	-	-	-	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**-**	**-**
Current liabilities	18	16	15	5	-	-
Non-current liabilities	63	63	-	-	-	-
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	-	-	-	(4)	-	-
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	-	-	-	413	228	228
Financial	56	79	70	86	58	50
Pledges	-	-	-	70	34	25

The principal transactions with the equity-accounted companies are with:

- La Poste Telecom as part of telephony business,
- Numergy as part of services relative to "cloud computing",
- Synerail as part of the GSM-R Public / Private Partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part construction of the registered office of SFR S.A.

(refer to Note 11 – Equity-accounted securities)

24.3. The Historic Shareholders

From 2011 to 2013, the principal operations with the Vivendi Group and the Vodafone Group were as follows:

Financing by Vivendi S.A.

(in millions of euros)	2013	2012	2011
Under balance sheet liabilities			
Shareholder debt (a)	8,673	7,609	5,461
On the profit and loss account			
Interest linked to shareholder debt	(212)	(170)	(87)

(a) The breakdown of the shareholder debt is presented in Note 20 – Borrowings and financial debts.

Services billed by Vivendi S.A.

(in millions of euros)	2013	2012	2011
Head office costs	(15)	(28)	(26)
Employee benefits	(26)	(32)	(23)
Staff on secondment	(7)	(6)	(6)
Services billed by Vivendi	**(48)**	**(66)**	**(55)**

Operations carried out with the Vodafone Group from January 1 to June 16, 2011

Cooperation with Vodafone: in 2003, Vodafone and SFR S.A. entered into an agreement which enabled them to intensify their cooperation and increase their scale economies in several areas: development and launch of new products and services, reinforcement of operating synergies, notably with regard to purchasing (notably IT and technology) and the sharing of expertise.
SFR S.A. recorded an expense of €21 million for this agreement as of June 30, 2011.
The cooperation agreement with Vodafone was maintained following Vodafone's exit from the share capital of SFR S.A., but no longer falls within the scope of affiliated operations.

Interconnection flow with subsidiaries of the Vodafone Group: as part of the rebilling of flow ("roaming in" and "roaming out"), on June 30, 2011 the Group recorded an income of €23 million and an expense of €13 million vis-à-vis the Vodafone Group.

Other operations undertaken with subsidiaries of the Vivendi Group

(in millions of euros)	2013	2012	2011
Total income	25	24	13
Total expenses	(49)	(61)	(57)

The Canal +, UMG and Maroc Telecom Groups are consolidated within the Vivendi Group. These operations fall within the current business of the Group.

Note 25. Contractual Commitments

The significant contractual commitments made or received by the Group are detailed hereunder:

25.1. Commitments related to Fixed Assets

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €888 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

(in millions of euros)	Minimum future payments	Schedule: Under one year	Two to five years	Over five years	2012	2011
Commitments related to Public Service Concessions	72	27	22	23	262	336
Commitments related to MDPA (a)	216	19	99	99	8	-
Other investments (b)	600	582	19	-	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the less dense areas

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

25.2. Commitments related to the Telecommunications Licenses

	Commitments given	Amount	Maturity
(a)	UMTS license on French territory	1% of revenues generated	2021-2030
(a)	GSM license on French territory	1% of revenues generated	2021
(a)	LTE license on French territory	1% of revenues generated	2031-2032
(b)	3G network coverage	Not costed	2013
(c)	4G network coverage	Not costed	2023-2027

	Commitments received	Amount	Maturity
(a)	Network operating and telecommunications service provision authorizations on French territory	Not costed	2021 / 2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(refer to Note 1.3.7 – Intangible assets; Note 9 – Intangible assets).

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.
As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015,

- 60% of the metropolitan population by 11 October 2019,
- 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
  - coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
  - coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;
  - departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.

- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.

- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.

- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the “white areas” program (above 98% of the population) within a maximum period of 15 years.

25.3. Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

(in millions of euros)	Minimum future rents	Schedule Under one year	Two to five years	Over five years	2012	2011
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

The future finance leasing rent amounts are presented in Note 10.3 – Tangible assets.

25.4. Commitments related to Long-Term Contracts

Commitments related to long-term contracts principally concern contracts for maintenance of the telecommunications network.

(in millions of euros)	Minimum future payments 2013	Schedule Under one year	Two to five years	Over five years	2012	2011
Given commitments	178	62	79	37	172	63
Received commitments	(127)	(14)	(50)	(63)	-	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

25.5. Other Commitments

	(in millions of euros)	2013	Schedule	2012	2011
(a)	GSM-R bank guarantees, joint and several guarantees	105	According to construction	92	66
	Other bank guarantees	65	2026	64	90
(b)	Share purchase commitments	16	2026	16	18
	Pledges	84	2017	51	46
	Given commitments	**269**		**223**	**219**
	Other bank guarantees	(1)		(1)	(1)
	Received commitments	**(1)**		**(1)**	**(1)**

(a) This is the Public / Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF). (Refer to Note 11 – Equity-accounted securities).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

25.6. Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at end 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

25.7. Contingent Assets and Liabilities

Following the successful takeover bid of June 2008 which enabled the Group to acquire a 96.41% stake in Neuf Cegetel, the Group initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure(June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Note 26. Litigation

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had during the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described below.

All material Legal Proceedings in which SFR is a plaintiff or a defendant are disclosed in this note.

Complaint of Bouygues Telecom against SFR and Orange concerning the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Competition Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and amount of these claims, which Vivendi believes cannot, in any case, exceed €250 million in total. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and has been suspended.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.
Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court of (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination – call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR

On June 6, 2009, Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged on-net/off-net pricing discrimination practices implemented by SRR on the mobile market in Mayotte and Réunion.

On September 16, 2009, the French Competition Authority (the "Competition Authority") imposed protective measures on SRR, pending its decision on the merits. Following this decision, on June 17, 2013, Outremer Telecom filed a claim before the Paris Commercial Court against SFR and SRR in respect of the consumer market and the business market for damages it claims to have suffered as a result of the practices reported in the notification to the Competition Authority. The Court has issued a stay of these proceedings. On July 12, 2013, SRR received a notification of grievances concerning its practices on the consumer market and did not contest it. The amount of the fine to be imposed on SRR is currently under review by the Competition Authority.

Complaint against Orange before the French Competition Authority
On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange against SFR before the Paris Commercial Court (overflow case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair "overflow" and to order SFR to pay the sum of €309.5 million in penalties established by mutual agreement. SFR is accused of having deliberately organized the overflow onto the Orange network for the purpose of optimizing the economic performance of its own network (undersizing of "PDB" /["BPN"] commands). On December 10, 2013, the Court ordered SFR to pay €22.1 million to Orange. SFR and Orange have appealed this decision.

SFR against Orange: abuse of dominant position on the secondary residence market

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the retail market for mobile telephony services to non-residential customers, and seeking damages of between €122 million and €129 million.
On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51.4 million to SFR for abuse of its dominant position on the secondary residence market.

Free against SFR: unfair competition for non-compliance with provisions inherent to consumer credit in respect of offers with subsidies

On May 21, 2012, Free filed a complaint before the Paris Commercial Court against SFR. Free is challenging the subsidy model associated with SFR's *Carrée* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and as such, SFR is guilty of unfair practices, by not respecting the provisions inherent to consumer credit including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

UFC against SFR: abusive clauses

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance*)* against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain abusive clauses. The UFC is seeking the removal of these clauses and damages.

SFR against Orange (ZND case)

On November 26, 2012, SFR notified the French Competition Authority about practices constituting an abuse of dominant position on the retail high-speed internet access market in non-unbundled areas.

CLCV summons against SFR

On January 7, 2013, the French consumer protection association, CLCV (Consumption housing and quality of life) filed a complaint before the Paris Tribunal of First Instance against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be abusive and is seeking the removal of such clauses. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils des Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court.

Disputes with independent distributors (Consumers and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR . Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 27. List of Combined Entities

Company	Country Registered office	Group interests			Method (1)		
		2013	2012	2011	2013	2012	2011
SFR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SIG 50 SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications BV	Netherlands	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Italie Srl	Italy	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Suisse SA	Suisse	100.0%	100.0%	100.0%	FC	FC	FC
2SID SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
2SIP SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Cinq sur Cinq SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Ariège Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Buzz SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Cap Connexion SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
CID SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Debitex Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Efixo SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Eur@seine SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
FOD SNC	France	100.0%	100.0%	100.0%	FC	FC	FC
Futur Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Gravelines Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Haut-Rhin Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Loiret THD SAS	France	100.0%	-	-	FC	-	-
MACS THD SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Opalys Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rennes Métropole Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC

Rimbaud Gestion B SCI	France	100.0%	-	-	FC	-	-
Foncière Velizy SCI	France	100.0%	100.0%	-	FC	FC	-
SFCM SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Collectivités SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Développement SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SID SCS	France	100.0%	100.0%	-	FC	FC	-
SNBL SA	France	100.0%	100.0%	-	FC	FC	-
SRR SCS	France	100.0%	100.0%	100.0%	FC	FC	FC
SHD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LTBR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network Part. SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Service Client SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Iris 64 SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Manche Telecom SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Medi@lys SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Teloise SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Alsace Connexia Part. SAS	France	61.9%	61.9%	61.9%	FC	FC	FC
Synerail Exploitation SAS	France	60.0%	60.0%	60.0%	FC	FC	FC
Inolia SA	France	60.0%	60.0%	60.0%	FC	FC	FC
Moselle Telecom Part. SAS	France	56.0%	56.0%	56.0%	FC	FC	FC
Comstell SAS	France	50.0%	50.0%	50.0%	FC	FC	FC
Alsace Connexia SAS	France	43.3%	43.3%	43.3%	FC	FC	FC
Moselle Telecom SAS	France	39.2%	39.2%	39.2%	FC	FC	FC
Irisé SAS	France	25.0%	25.0%	25.0%	FC	FC	FC
Foncière Rimbaud 3 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 4 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 1 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Foncière Rimbaud 2 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Dokeo TV SAS	France	50.0%	-	-	EA	-	-
La Poste Telecom SAS	France	49.0%	49.0%	49.0%	EA	EA	EA
Nomotech Finances SAS	France	48.5%	48.5%	48.5%	EA	EA	EA
Numergy SAS	France	46.7%	46.7%	-	EA	EA	-
Synerail Construction SAS	France	40.0%	40.0%	40.0%	EA	EA	EA
VOD Factory SAS	France	40.0%	-	-	EA	-	-
Fischer Telecom SAS	France	34.0%	34.0%	34.0%	EA	EA	EA
Synerail SAS	France	30.0%	30.0%	30.0%	EA	EA	EA
Webwag SAS	France	27.0%	27.0%	27.0%	EA	EA	EA
Buyster SA	France	25.3%	25.6%	26.0%	EA	EA	EA
Ocealis SAS	France	25.0%	25.0%	25.0%	EA	EA	EA
AF 83 SAS	France	24.6%	24.6%	24.6%	EA	EA	EA
Sud Partner SARL	France	24.0%	24.0%	24.0%	EA	EA	EA
Sofialys SAS	France	23.8%	26.0%	24.5%	EA	EA	EA
Idenum SAS	France	21.0%	-	-	EA	-	-
Velizy Invest Eurl	France	nc	100.0%	-	nc	FC	-
Supertec SAS	France	nc	26.2%	26.2%	nc	EA	EA
M2M Solution SAS	France	nc	23.4%	23.4%	nc	EA	EA
FCT TEMA	France	nc	nc	100.0%	nc	nc	FC
Neuf Assistance SAS	France	nc	nc	100.0%	nc	nc	FC
Neuf Center SAS	France	nc	nc	100.0%	nc	nc	FC
Digitick SA	France	nc	nc	27.5%	nc	nc	EA

(1) FC = Full combination; EA = Equity-Accounted; nc = not combined

At December 31, 2011, there remained one Dutch company (SPADIX BV) specifically created under the lease / sublease agreements entered into in 2001, in which the combined group has no shareholding. This company departed from the scope of combination in 2012.

Note 28. Subsequent Events

On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017. This agreement had no impact on the combined financial statements as of December 31, 2013. Pending its implementation, this agreement represents a net commitment received by SFR of approximately €460 million, which applies over the entire duration of the long-term agreement.

On February 13, 2014, Vivendi announced it had entered into exclusive negotiations with the Belgacom Group in order to acquire 100% of the shares of Groupe Telindus France. Groupe Telindus France is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Telindus France aims to reinforce the Vivendi French telecoms segment alongside SFR, which will thus considerably strengthen its presence on the adjacent market of telecoms integration and will enable to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Within the framework of its public service outsourcing activity since 2004 in Oise départment, the Group has committed to launching a new project "Oise THD" ("Oise Very High Speed Internet") for the operation and marketing of 280,000 FTTH outlets. The contract is to be signed in March 2014. The total commitment should amount to €125 million over 15 years.