

New interpretation of IFRIC 21

#Orange_Investor_Relations



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IFRIC 21 clarifies which obligating event gives rise to a liability related to a levy, and when this liability is to be recognized.

This interpretation has no effect on annual financial statements, nor on cash flows. The impact is only on interim results in France, reflecting the change in phasing of the accounting recognition of some levies.

There is a limited numbers of levies whose accounting is modified by the interpretation, namely only those for which the obligation event is at a specific point in time (for example land or building ownership). This is particularly the case of IFER and property taxes in France.

Because the Group is listed in United States, it had to apply IFRIC 21 in 2014 i.e. earlier than most of other French and European groups for which the compulsory application was 2015. So, waiting for a standard practice to emerge, the Group has chosen to limit the effects from IFRIC 21 in interim financial statements by keeping a linear accounting of the levies whose obligation event is set at January 1st of the year. In 2015, the annual charge is estimated at €495 million for IFER and €38 million for property taxes.

To align with the standard practice which emerged during the first quarter 2015, Orange has modified its IFRIC 21 accounting approach in its interim accounts as at June 30, 2015. Therefore, the annual costs of these levies are now accounted when the obligation event occurs (i.e. on January the 1st).

To provide comparability of its interim financial statements between past and future periods, the Group has restated its previously disclosed interim financial statements. These changes in accounting policy, which have no effects on annual financial statements, will be further described in our 2015 half-year financial report.

Q1 2015a : the annual amount is now booked as of January 2015 while it was previously spread over the entire year

~93% on France
segment and ~7%
on Corporate

	Before IFRIC 21		Post IFRIC 21		IFRIC 21 impact	
	Q1'15a	Q1'14cb	Q1'15a	Q1'14cb	Q1'15a	Q1'14cb
Restated EBITDA	2 916	2 971	2 516	2 577	(400)	(394)
as % of rev.	30.1%	30.4%	26.0%	26.4%	(4.1 pt)	(4.0 pt)

2014a impact : 2014 accounts are modified to comply with the new interpretation and enable fair year-and-year comparisons

Restated EBITDA 2014a	Before IFRIC 21							Post IFRIC 21							IFRIC 21 impact						
	Q1	Q2	H1	Q3	Q4	H2	FY'14	Q1	Q2	H1	Q3	Q4	H2	FY'14	Q1	Q2	H1	Q3	Q4	H2	FY'14
Group	3 017	3 123	6 140	3 245	2 805	6 049	12 190	2 623	3 254	5 877	3 376	2 937	6 312	12 190	(394)	131	(263)	131	132	263	-
France			3 571			3 420	6 991			3 327			3 664	6 991			(245)			245	-
Europe			1 418			1 372	2 790			1 418			1 372	2 790			-			-	-
Spain			461			496	958			461			496	958			-			-	-
Poland			466			455	921			466			455	921			-			-	-
Belgium + Luxembourg			140			134	275			140			134	275			-			-	-
Others European Countries			351			286	637			351			286	637			-			-	-
Eliminations			-			(0)	(0)			-			(0)	(0)			-			-	-
AME			667			735	1 402			667			735	1 402			-			-	-
Entreprise			501			489	990			501			489	990			-			-	-
IC&SS			(17)			33	16			(36)			51	16			(18)			18	-
Eliminations			0			0	0			0			0	0			-			-	-

Restated EBITDA 2014 as % of rev.	Before IFRIC 21							Post IFRIC 21							IFRIC 21 impact						
	Q1	Q2	H1	Q3	Q4	H2	FY'14	Q1	Q2	H1	Q3	Q4	H2	FY'14	Q1	Q2	H1	Q3	Q4	H2	FY'14
Group	30.8%	31.9%	31.3%	33.1%	27.9%	30.5%	30.9%	26.8%	33.2%	30.0%	34.4%	29.2%	31.8%	30.9%	(4.0 pt)	1.3 pt	(1.3 pt)	1.3 pt	1.3 pt	1.3 pt	-
France			37.1%			35.3%	36.2%			34.6%			37.8%	36.2%			(2.5 pt)			2.5 pt	-
Europe			28.8%			28.1%	28.5%			28.6%			28.1%	28.5%			-			-	-
Spain			24.0%			25.4%	24.7%			24.0%			25.4%	24.7%			-			-	-
Poland			32.0%			31.1%	31.6%			32.0%			31.1%	31.6%			-			-	-
Belgium + Luxembourg			22.3%			21.7%	22.0%			22.3%			21.7%	22.0%			-			-	-
Others European Countries			38.2%			34.0%	36.2%			38.2%			34.0%	36.2%			-			-	-
Eliminations			0.0%			0.0%	0.0%			0.0%			0.0%	0.0%			-			-	-
AME			32.2%			33.3%	32.7%			32.2%			33.3%	32.7%			-			-	-
Entreprise			16.0%			15.5%	15.7%			16.0%			15.5%	15.7%			-			-	-
IC&SS			-1.9%			3.3%	0.8%			-3.9%			5.2%	0.8%			(2.0 pt)			1.9 pt	-
Eliminations			0.0%			0.0%	0.0%			0.0%			0.0%	0.0%			-			-	-